STANDARD INDUSTRIAL/COMMERCIAL MULTI-TENANT LEASE - NET
AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only July 18, 2005, is made by and between The Welk Group, Inc. (**"Lessor"**) and Rebel Crew Film, Inc. (**"Lessee"**), (collectively the **"Parties"**, or individually a **"Party"**).

1.2(a) **Premises:** That certain portion of the Project (as defined below), including all improvements therein or to be provided by Lessor under the terms of this Lease, commonly known by the street address of 4143 Glencoe Avenue, located in the City of Marina Del Rey, County of Los Angeles, State of CA, with zip code 90291, as outlined on Exhibit A attached hereto (**"Premises"**) and generally described as (describe briefly the nature of the Premises): approximately 3,800 rentable square feet, more or less.

In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, exterior walls or utility raceways of the building 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."** (See also Paragraph 2)

1.2(b) **Parking:** 8 or 9 dependent on re striping unreserved vehicle parking spaces (**"Unreserved Parking Spaces"**), and 0 reserved vehicle parking spaces (**"Reserved Parking Spaces"**). (See also Paragraph 2.6)

1.3 **Term:** Seven (7) years and Two (2) months (**"Original Term"**) commencing August 1, 2005 (**"Commencement Date"**) and ending Sept. 30, 2012 See Addendum (**"Expiration Date"**). (See also Paragraph 3)

1.4 **Early Possession:** See Addendum (**"Early Possession Date"**). (See also Paragraphs 3.2 and 3.3)

1.5 **Base Rent:** $5,890 per month (**"Base Rent"**), payable on the first day of each month commencing August 15, 2005. (See also Paragraph 4)

☑ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted.

1.6 **Lessee's Share of Common Area Operating Expenses:** fifty percent (50% %) (**"Lessee's Share"**).

1.7 **Base Rent and Other Monies Paid Upon Execution:**

(a) **Base Rent:** $8,835 for the period August 15, 2005 through September 30, 2005.

(b) **Common Area Operating Expenses:** $ for the period .

(c) **Security Deposit:** $5,890 (**"Security Deposit"**). (See also Paragraph 5)

(d) **Other:** $ for .

(e) **Total Due Upon Execution of this Lease:** $14,725.

1.8 **Agreed Use:** Warehouse and general office. (See also Paragraph 6)

1.9 **Insuring Party.** Lessor is the **"Insuring Party"**. (See also Paragraph 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):

☐ represents Lessor exclusively (**"Lessor's Broker"**);

☐ represents Lessee exclusively (**"Lessee's Broker"**); or

☑ Lee & Associates Los Angeles West, Inc. 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 or % of the total Base~~

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~~Rent for the brokerage services rendered by the Brokers).~~ See Section 56 of Addendum.

1.11 **Guarantor**. The obligations of the Lessee under this Lease are to be guaranteed by _____ **("Guarantor")**. (See also Paragraph 37)

1.12 **Addenda and Exhibits**. Attached hereto is an Addendum or Addenda consisting of Paragraphs 50 through 59 and Exhibits A through A, all of which constitute a part of this Lease.

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 of 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.

2.2 **Condition**. Lessor shall deliver that portion of the Premises contained within the Building **("Unit")** to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs **("Start Date")**, and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems **("HVAC")**, loading doors, if any, and all other such elements in the Unit, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects. If a non-compliance with such warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Unit. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense (except for the repairs to the fire sprinkler systems, roof, foundations, and/or bearing walls - see Paragraph 7).

2.3 **Compliance**. Lessor warrants that the improvements on 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 in effect on the Start Date **("Applicable Requirements")**. Said warranty does not apply to the use to which Lessee will put the Premises 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 Applicable Requirements, and especially the zoning, 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 at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. 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 Unit, Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building **("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 obligation to pay for the portion of such costs reasonably attributable to the Premises pursuant to the formula set out in Paragraph 7.1(d); 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 non-voluntary, 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) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the 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 the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to 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 Lessor's 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 the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking**. Lessee shall be entitled to use the number of Unreserved Parking Spaces and Reserved Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Lessor for parking. Lessee shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Lessor may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Lessor.

(a) Lessee shall not permit or allow any vehicles that belong to or are controlled by Lessee or Lessee's employees, suppliers,

shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Lessor for such activities.

(b) Lessee shall not service or store any vehicles in the Common Areas.

(c) If Lessee permits or allows any of the prohibited activities described in this Paragraph 2.6, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

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 Unit that are provided and designated by the Lessor from time to time for the general non-exclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including 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 non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and 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 establish, 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. Lessee agrees to abide by and conform to all such Rules and Regulations, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the non-compliance with said Rules and Regulations by other 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 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 Common Area Operating Expenses, Real Property Taxes and insurance premiums and to maintain the Premises) 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 as agreed, 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 it receives possession of the Premises. If possession is not delivered within 60 days after the Commencement Date, 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. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, 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 of the Premises is not delivered within 4 months after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance**. Lessor shall not be required to tender 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 of 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 **Common Area Operating Expenses**. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share (as specified in Paragraph 1.6) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the term of this Lease, in accordance with the following provisions:

(a) **"Common Area Operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Lessor relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) The operation, repair and maintenance, in neat, clean, good order and condition of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways, landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roofs, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire detection and/or sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) Trash disposal, pest control services, property management, security services, and the costs of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas.
~~(v) Real Property Taxes (as defined in Paragraph 10).~~
~~(vi) The cost of the premiums for the insurance maintained by Lessor pursuant to Paragraph 8.~~
(vii) Any deductible portion of an insured loss concerning the Building or the Common Areas.
(viii) The cost of any Capital Expenditure to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such Capital Expenditure over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month.
(ix) Any other services to be provided by Lessor that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Unit, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Unit, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project. The parties agree that Lessee shall not be responsible for Real Property Taxes or the cost of premiums for insurance maintained by Lessor.

(c) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(d) Lessee's Share of Common Area Operating Expenses shall be payable by Lessee within 10 days after a reasonably detailed statement of actual expenses is presented to Lessee. At Lessor's option, however, an amount may be estimated by Lessor from time to time of Lessee's Share of annual Common Area Operating Expenses and the same shall be payable monthly or quarterly, as Lessor shall designate, during each 12 month period of the Lease term, on the same day as the Base Rent is due hereunder. Lessor shall deliver to Lessee within 60 days after the expiration of each calendar year a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses incurred during the preceding year. If Lessee's payments under this Paragraph 4.2(d) during the preceding year exceed Lessee's Share as indicated on such statement, Lessor shall credit the amount of such over-payment against Lessee's Share of Common Area Operating Expenses next becoming due. If Lessee's payments under this Paragraph 4.2(d) during the preceding year were less than Lessee's Share as indicated on such statement, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of the statement.

4.3 **Payment**. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. 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 Lessor's 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 charges which may be due.

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 may 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 the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall 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 amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's 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 Lessor's 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 on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. 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, by-products 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, so long as such use is in compliance with all Applicable 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, 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). 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 existed as a result of Hazardous Substances on the Premises prior to the Start Date 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 the Start Date, 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 Lessor's 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 Lessor's 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 Lessor's notice of termination.

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 Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to 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 contamination 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**.

(a) **In General**. Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, plate glass, and skylights but excluding any items which are the responsibility of Lessor pursuant to Paragraph 7.2. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair.

(b) **Service Contracts**. Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) any other equipment, if reasonably required by Lessor. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so

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 a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an **"insured contract"** for the performance of Lessee's indemnity obligations under this Lease. 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. If such insurance has a deductible clause, the deductible amount shall not exceed $10,000 per occurrence.

(b) **Carried by Lessor**. Lessor ~~shall~~ may 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 Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, 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.~~

(b) **Rental Value**. Lessor ~~shall~~ may 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 **Waiver of Subrogation**. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

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, Lessor's 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 of 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.

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.

9.2 **Partial Damage - Insured Loss**. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of 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 therefor. 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 by 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 such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's 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 Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 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 **Definition**. 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. The term "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. In calculating Real Property Taxes for any calendar year, the Real Property Taxes for any real estate tax year shall be included in the calculation of Real Property Taxes for such calendar year based upon the number of days which such calendar year and tax year have in common.

10.2 **Payment of Taxes**. Lessor shall pay the Real Property Taxes applicable to the Project~~, and except as otherwise provided in Paragraph 10.3, any such amounts shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.~~

10.3 **Additional Improvements**. Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's 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 Common Area 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**. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Lessor's sole judgment, Lessor determines that Lessee is using a disproportionate amount of water, electricity or other commonly metered utilities, or that Lessee is generating such a large volume of trash as to require an increase in the size of the dumpster and/or an increase in the number of times per month that the dumpster is emptied, then Lessor may increase Lessee's Base Rent by an amount equal to such increased costs.

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 sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent which consent shall not be unreasonably withheld or delayed.

(b) 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 buy-out 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) Lessor's 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 Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $1,000 or 10% of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(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 an 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)

12.3 **Additional Terms and Conditions Applicable to Subletting**. The following terms and conditions shall apply to any subletting by

Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease 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 Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such 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 than 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. § 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 Guarantor's 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.

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 cashier's 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 Lessor's 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 or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, 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 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 Default 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 the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

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 non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest (**"Interest"**) charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus 4%, 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 an amount equal to the greater of one month's Base Rent or the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to 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 floor area of the Unit, or more than 25% of Lessee's Reserved Parking Spaces, is 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 Lessor's 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 information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(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 encumbrances 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. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6.2 above.

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. Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, 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 the individual partners of Lessor, or its or their individual partners, 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 to 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 therewith, which such statements 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.

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) Lessor's Agent. A Lessor's 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 Lessor 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 advice 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 Broker's 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 this 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 this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

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 non-disturbance 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 hereof, 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 Lessor's 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 or 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. 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. Lessee may at any time place on the Premises any ordinary **"For Sublease"** sign.

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

34. **Signs**. Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent which consent shall not be unreasonably withheld or delayed. All signs must comply with all Applicable Requirements.

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. Lessor's 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. Lessor's 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 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, and each such Guarantor shall have the same obligations as Lessee under this Lease.

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, (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), (ii) Lessor gives to Lessee 3 or more notices of separate Default during any 12 month period, whether or not the Defaults are cured, or (iii) 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.

41. **Reservations**. 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, and (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. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights.

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**. 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.

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 non-monetary 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 ☑ is not attached to this Lease.

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

_____ _____
Initials Initials

TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY 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 OF THE PREMISES, THE STRUCTURAL 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: Santa Monica, CA	Executed at: Santa Monica
on: July 18, 2005	on: July 18, 2005
By LESSOR:	By LESSEE:
The Welk Group, Inc.	Rebel Crew Film, Inc.
By:	By:
Name Printed: Marc Luzzatto	Name Printed:
Title: President	Title:
By:	By:
Name Printed:	Name Printed:
Title:	Title:
Address: 2700 Pennsylvania Avenue	Address:
Santa Monica, CA 90404	
Telephone: (310) 829-9355	Telephone: (___)
Facsimile: (310) 829-9173	Facsimile: (___)
Federal ID No.	Federal ID No.

These forms are often modified to meet changing requirements of law and needs of the industry. Always write or call to make sure you are utilizing the most current form: American Industrial Real Estate Association, 700 South Flower Street, Suite 600, Los Angeles, CA 90017. (213) 687-8777.

VIDEOGRAM LICENSE AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into on August 19, 2003, by and between REBEL CREW FILMS ("Licensor") with principal offices at 468 North Camden Drive, Beverly Hills, California 90210, and BCI ECLIPSE, LLC ("Licensee") with principal offices at 810 Lawrence Drive, Suite 100, Newbury Park, California 91320.

IN CONSIDERATION OF the mutual promises set forth herein, and for good and valuable consideration, receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS

As used herein, the following terms shall have the following meanings:

(a) "Program" and the "Programs" shall mean and shall refer individually and collectively to the Programs entitled ***16 en la Lista, Marina Del Otro Lado Del Tiempo, Esqueleto, Espejo Retrovisor, Vida De Malandros*** and ***Que Barrio.***

(b) "Territory" shall mean North America (NAFTA).

(c) "Videogram" shall mean one (1) or more physical copies of a Program in any and all forms and formats of video recordings, including, but not limited to, videocassettes, videodiscs, DVD, and any and all other forms of video devices, in each and every size and format configuration and character, whether now known or contemplated or hereafter discovered, invented or devised.

2. TERM / SELL-OFF PERIOD

(a) With respect to each Program, the term of this Agreement and of Licensee's rights hereunder (the "Term") shall be five (5) years, commencing upon the earlier of:

(i) Six (6) months after Licensee's receipt, approval and acceptance of the delivered items set forth in paragraph 7 below for such Programs; or

(ii) Licensee's initial exercise of its Videogram Rights to such Program.

Thereafter, the Term of this Agreement shall continue on a month-to-month basis unless and until Licensor provides Licensee with thirty (30) days advance written notice of Licensor's intention to terminate this Agreement.

(b) During the six (6) month period immediately following the expiration of the Term (the "Sell-Off Period"), Licensee shall have the right to continue to sell, offer for sale, lease, license, rent, distribute, advertise, promote, market and otherwise exploit any and all Videograms of each Program in Licensee's possession at the end of the Term. Licensee shall have the right to receive all proceeds from the sale and exploitation of such Videograms during the Sell-Off

Period and to apply and account for such proceeds in the manner set forth in this Agreement. Licensee shall not accumulate an excessive inventory of Videograms in anticipation of the Sell-Off Period, however Licensee shall have the right to do limited manufacturing of Videograms during the Sell-Off Period if necessary to accommodate customer programs or to fill catalogue orders. With respect to Licensee's inventory of unsold Videograms at the expiration of the Sell-Off period, Licensor shall have the option to purchase such Videograms at Licensee's cost. If Licensor does not purchase the remaining inventory at the end of the Sell-Off Period, Licensee shall, within thirty (30) days thereafter, have the right to either liquidate the inventory or to destroy such Videograms.

(c) Notwithstanding anything to the contrary contained herein, in the event that Licensee enters into any sublicense for the Program(s), the expiration of which is scheduled to occur after the expiration of the Term hereof, the expiration or termination of the Term hereof shall not act to terminate the remaining term of such sublicense which shall be allowed to continue until its expiration. Licensee shall not enter into any sublicense which would expire more than two (2) years from the expiration of the Term hereof without Licensor's prior written consent, which consent shall not be unreasonably withheld.

3. GRANT OF RIGHTS

Licensor hereby grants to Licensee, throughout the Term and Territory, the exclusive "Videogram Rights" to each Program.

(a) The "Videogram Rights" granted herein shall include, but are not limited to, the right to manufacture, market, sell and otherwise distribute and exploit the Videogram of each Program in any and all languages, containing all or part of the Program, in all markets and mediums, including, but not limited to, normal retail channels, mass merchandisers, and direct response marketing through so-called "infomercials," catalogues, video clubs and the Internet. Without limiting the generality of the foregoing, the grant of Videogram Rights herein shall include the right to make all marketing, promotion, pricing, business and creative decisions in connection with the exercise of such rights.

(b) Without limiting the generality of paragraph 3(a), Licensor grants to Licensee, throughout the Term and Territory, the right to advertise and promote the Videogram Rights, including, but not limited to, the right to perform and authorize others to perform the following:

(i) To publish synopses, summaries and resumes of each Program in any and all languages.

(ii) To advertise, publicize and promote each Program by any means, method or media, including, without limitation, so-called "infomercials" and to utilize for such purposes any advertising, publicity materials or excerpts from each Program or the trailers derived therefrom.

(iii) To use, publish, print, and otherwise exploit Licensor's name, including, but not limited to, all copyright and trademark rights therein in any manner and by any means whatsoever.

(iv) To incorporate the following items into such Program, either preceding the main titles and/or following the end titles of the Program: (A) any name, trademark, trade name or logo of Licensee or any sublicensee or affiliate of Licensee; (B) any trailers, clips or excerpts of other programs; (C) standard "opening" and "closing" sequences, including, but not limited to, any introductory visual "logo," with or without music; and (D) any legal notices or other information as Licensee may determine are necessary or desirable.

(v) To produce or authorize others to produce trailers of each Program, in any and all languages, embodying such scenes and elements of each Program as Licensee shall determine in its sole discretion, and to incorporate such trailers, clips or excerpts of each Program in other programs or in trailers for other programs. Without limiting the generality of the foregoing, these trailers may be used as infomercials.

(vi) To make dubbed, subtitled or close-captioned versions of each Program, including, but not limited to, cut-in, synchronized and superimposed versions, in any and all languages, for use in such part or parts of the Territory as Licensee shall determine in its sole discretion.

(vii) To change the titles of each Program, to rearrange each Program to make any and all edits, changes, deletions, additions or modifications to each Program (including the insertion of commercials) as Licensee may determine to be necessary or desirable due to community standards, or regulations and requirements of any censorship, governmental or non-governmental authorities.

(viii) Subject only to any contractual obligations or restrictions of which Licensee shall have been timely advised by Licensor in writing for each Program, Licensee shall have the right to use and authorize others to use the names, likenesses (including, but not limited to, photographs, pictures, portraits or caricatures), biographies and voices of any and all persons rendering services or furnishing materials in connection with each Program. Licensee shall also have the right to use and authorize others to use any and all materials and artwork used in connection with each Program including, but not limited to, the right to incorporate all of the foregoing into any infomercial.

(ix) To license or sublicense any and all of the Videogram Rights granted hereunder.

(x) To package the Program(s) or Videogram with any other products exploited by Licensee, including, without limitation, any other videograms or audio products and to exploit such packages in any manner without restriction whether through any direct response marketing methods or otherwise; provided, that Licensee shall allocate a fair and reasonable portion of the proceeds from the exploitation of such packages to the Program(s) in accordance with the provisions of paragraph 4 hereof.

4. VIDEOGRAM ROYALTIES

Following recoupment of all License Fees (if any) and other properly chargeable costs hereunder or under any other agreement between Licensor and Licensee, and conditioned upon Licensor's full and faithful performance of the terms and conditions hereof, Licensor shall be paid royalties on net sales of Videograms, as hereinafter set forth:

(a) Subject to the other provisions of this paragraph 4, Licensee shall pay Licensor, as a basic royalty:

(ii) Twenty percent (20%) of the Gross Revenue actually received by Licensee in respect of one hundred percent (100%) of net sales of single Videograms consisting of the Programs delivered hereunder and sold by Licensee or its distributors throughout the Territory; and/or

(ii) Fifteen percent (15%) of the Gross Revenue actually received by Licensee in respect of one hundred percent (100%) of net sales of 4-pack Videogram sets consisting of the Programs delivered hereunder and sold by Licensee or its distributors throughout the Territory.

(b) Notwithstanding anything to the contrary herein, the royalty rate in respect of Videograms sold through video club distribution methods or through any other direct response marketing methods shall be fifty percent (50%) of the otherwise applicable royalty rate as calculated in accordance with the foregoing provisions.

(c) Notwithstanding anything to the contrary contained herein, no royalty shall be payable on Videograms furnished as free or bonus videos to members, applicants or other participants in any video club or other direct response distribution method; on Videograms distributed for promotional purposes to buyers, radio stations, television stations or networks, video reviewers or other customary recipients of promotional videos; on so-called "promotional sampler" videos; on Videograms sold as scrap; on Videograms furnished on a so-called "no-charge" or "free goods" basis to distributors, subdistributors, dealers or others; on Videograms sold at less than fifty percent (50%) of their regular wholesale price; and on Videograms sold at less than one hundred fifteen percent (115%) of Licensee's cost.

(d) Notwithstanding any of the foregoing, the royalty payable to Licensor hereunder with respect to any Videogram embodying the Program(s) hereunder together with other video or audio product shall be computed by multiplying the otherwise applicable royalty rate by a fraction, the numerator of which shall be the number of Videograms contained in the package and the denominator of which shall be the total number of other audio or video works contained in such package.

(e) As used in this paragraph 4, "Gross Revenue" means all revenue actually paid to Licensee in respect of the exploitation of the Program(s) in the form of Videograms. Reimbursements paid to Licensee for expenses such as freight or advertising shall not be included in Gross Revenue. As used in this paragraph 4, "net sales" shall mean total paid sales less all returns of Videograms.

5. ACCOUNTING / STATEMENTS

(a) Statements as to Videogram royalties payable hereunder, together with payments of accrued royalties (if any) earned by Licensor during the preceding calendar quarter, less all unrecouped License Fees (if any) and other chargeable costs under this Agreement or any other agreement between Licensor and Licensee, shall be sent by Licensee to Licensor ninety (90) days following the end of each calendar quarter. Licensee shall have the right to retain from payments due to Licensor a reasonable reserve in Licensor's royalty account of the royalties otherwise payable to Licensor against subsequent charges, credits or returns. Such reserves shall not exceed twenty-five percent (25%) of Videogram royalties otherwise payable. All such reserves shall be liquidated within two (2) years of the accounting period in which they are first held.

(b) Licensor shall be deemed to have consented to all royalty statements and all other accountings rendered by Licensee hereunder and each such royalty statement or other accounting shall be conclusive, final and binding, shall constitute an account stated, and shall not be subject to objection for any reason whatsoever unless specific objection in writing, stating the basis thereof, is given to Licensee by Licensor within one (1) year after the date the statement or other accounting was rendered. No action, suit or proceeding of any nature in respect to any statement or other accounting rendered by Licensee hereunder may be maintained against Licensee unless such action, suit or proceeding is commenced against Licensee in a court of competent jurisdiction within two (2) years after the date the statement or other accounting was rendered.

(c) Licensee shall maintain accurate books of accounts concerning the exploitation of the Program(s) hereunder. Licensor, or an authorized representative on Licensor's behalf, may, at Licensor's sole expense, examine Licensee's said books relating to the exploitation of the Program(s) hereunder solely for the purpose of verifying the accuracy thereof, only during Licensee's normal business hours and upon reasonable written notice. Licensee's books of accounts relating to any particular royalty statement may be examined as aforesaid only once for as long as is reasonably necessary to complete the audit and within one (1) year after the date the statement or other accounting was rendered. The rights hereinabove granted to Licensor shall constitute Licensor's sole and exclusive rights to examine Licensee's books and records.

(d) Licensee shall have the right to withhold from any amounts payable to Licensor hereunder such portion thereof, if any, as may be required to be withheld under the applicable provisions of the California Revenue and Taxation Code or under any other applicable U.S. or foreign statute, regulation, treaty, or other law, and Licensor shall promptly execute and deliver to Licensee such forms and other documents as may be required in connection therewith.

(e) No royalties shall be payable to Licensor in respect of exploitation of the Program(s) until payment therefor has been received by Licensee, or credited to Licensee's account.

6. SCREEN CREDIT

The indemnification provisions of paragraph 10 hereof shall apply to all claims, actions and causes of action arising out of or as a result of Licensor's failure to deliver the statement of credits required to be given to Licensee pursuant to Schedule A or any errors in such credits as delivered by Licensor. Licensee agrees that the advertising and promotional materials provided by Licensee to its subdistributors and sublicensees shall be consistent with such statement of credits. No casual or inadvertent failure by Licensee or its subdistributors or sublicensees to comply with any statements of credits shall constitute a breach of this Agreement. Licensor shall not be entitled to assert any claim or cause of action of any kind against Licensee because of such failure by Licensee or any of its subdistributors or sublicensees to comply with the statement of credits unless and until Licensee has received written notice of such failure and Licensee, after receipt of such written notice, fails to comply prospectively with such notice. In no event shall any failure to comply with the statement of credits entitle Licensor to terminate this Agreement or entitle Licensor to seek injunctive relief with respect to the exercise by Licensee of any or all of the rights granted hereunder.

7. DELIVERY OF MATERIALS

(a) With respect to each Program, within thirty (30) calendar days of the execution of this Agreement by both parties, Licensor shall deliver to Licensee, at such location as Licensee shall designate, all of the materials described in Schedule A attached hereto and incorporated herein by this reference (collectively, the "Materials"). Licensee will review the Materials after delivery. If Licensee, in its discretion, determines that all or any part of the Materials are incomplete or otherwise unacceptable in accordance with Schedule A, Licensee will notify Licensor in writing of any defects or omissions within thirty (30) days of Licensee's receipt thereof. Delivery of Materials shall be deemed complete within thirty (30) days after receipt thereof, unless Licensee, within said thirty (30) day period, has notified Licensor of any defect or omissions in such Materials. Except as otherwise provided to the contrary herein, delivery and return of all Materials shall be at Licensor's sole cost and expense, it being agreed that Licensee shall deduct costs paid or incurred and not reimbursed to Licensee from any and all monies due to Licensor pursuant to this Agreement.

(b) In the event that Licensee notifies Licensor of any defects or omissions in the Materials, as set forth in paragraph 7(a) above, Licensor shall cause such defects to be corrected and shall deliver such new Materials (the "New Materials") to Licensee subject to Licensee's approval in each and every instance in accordance with the procedure outlined in paragraph 7(a) above. Licensor shall pay all costs of manufacturing and delivering such New Materials. In the event that Licensor fails to correct any defect or fails to cause New Materials to be delivered to Licensee within said thirty (30) day period, then Licensee shall have the right, but not the obligation, to terminate this Agreement with respect to such Program.

(c) Acceptance by Licensee of the Materials, including, but not limited to, any and all chain-of-title documents, as specifically set forth on Schedule A, shall not relieve Licensor of its obligations to Licensee pursuant to the warranties and indemnification provisions hereof.

(d) Notwithstanding anything to the contrary set forth in this Agreement, Licensee hereby shall and does have the right to commence the marketing and promotion of each Program prior to Licensor's delivery of all Materials.

8. ADDITIONAL DOCUMENTATION

If Licensee requires additional documentation from Licensor during the Term hereof in order to effectuate the provisions or purposes of this Agreement, Licensor shall provide such documentation within ten (10) working days of Licensee's request for same. If Licensor fails to provide such documentation, such failure shall be deemed a material breach hereof. In order to perfect Licensee's rights hereunder, Licensor herby grants Licensee its power of attorney to execute documentation on behalf of and in the name of Licensor if Licensor fails to timely execute such documentation after Licensee's request.

9. REPRESENTATIONS AND WARRANTIES

Licensor represents and warrants that:

(a) Licensor has the full right, power, legal capacity and authority to enter into this Agreement, to carry out the terms and conditions hereof and to grant to Licensee the rights, licenses and privileges herein granted to Licensee. Licensor does not need the consent or release of any other person, firm or entity in order for Licensor to enter into this Agreement and to grant to Licensee the rights granted pursuant to this Agreement.

(b) With respect to each Program, the execution, delivery and performance of this Agreement by Licensor shall not violate or contravene any certificate of incorporation or by-laws of Licensor or any agreement or other instrument to which Licensor is a party. This Agreement has been duly authorized, executed and delivered by Licensor.

(c) With respect to each Program, neither the Program nor any of the contents contained therein (including, but not limited to, the title thereof and any music and sound synchronized therewith), nor any use or distribution or exploitation of the Program, nor any exercise by Licensee of any or all of the rights granted to Licensee pursuant to this Agreement, nor any Materials delivered hereunder shall at any time during the Term violate or infringe upon any right or interest of any person or entity, including, but not limited to, any copyright, literary right, dramatic right, privacy right, musical right, publicity right, artistic right, personal right, property right, civil right, trademark right, trade name, service mark or any other right or interest of any person or entity.

(d) With respect to each Program, during the Term hereof there shall not be any actual or threatened liens, claims, encumbrances, legal proceedings, restrictions, agreements or understandings which will conflict or interfere with, limit, derogate from, or be inconsistent with, or otherwise affect any of the provisions of this Agreement, any of the representations and warranties of Licensor contained herein or the enjoyment by Licensee of any or all of the rights granted to Licensee hereunder.

(e) With respect to each Program, Licensor owns and controls and shall for the full Term own and control, any and all rights necessary to enable Licensor to grant to Licensee the rights granted pursuant to this Agreement and to enable Licensee to exercise and enjoy the rights granted to Licensee pursuant to this Agreement (without Licensee incurring any obligation or liability to any person or entity) including, but not limited to, all performance rights and advertising rights and all other rights granted to Licensee hereunder in and to all literary, dramatic, musical and other material contained in the Program. With respect to each Program, Licensor has secured and obtained, and Licensor shall maintain throughout the Term hereof, all rights as may be required for the full and unlimited exercise and enjoyment by Licensee of each and all of the rights herein granted to Licensee.

(f) All obligations and amounts payable with respect to each Program or with respect to the production, distribution and exploitation thereof, including, but not limited to, all salaries, royalties, license fees, laboratory charges, union obligations and the like, have been and shall be fully paid and satisfied by Licensor or third parties. Licensee shall have no obligation for past, current or future salaries, royalties, laboratory charges, or similar payments (except for those laboratory or service charges incurred directly by Licensee for its own account) with respect to each Program.

(g) Each Program is not in the public domain and is validly copyrighted within the Territory. Each Program will not fall into the public domain anywhere in the Territory prior to the expiration of the Term. Each Program, as delivered, will contain all proper copyright notices required or permitted under any applicable statute, act or treaty.

(h) With respect to each Program, Licensor shall obtain and shall deliver to Licensee the synchronization licenses for each and every musical composition embodied in the Program, and the customary music cue sheet, and every relevant agreement in connection with the music embodied in the Program. All such licenses and agreements for each Program shall be and shall remain in full force and effect, and shall permit Licensee to exercise the rights granted hereunder throughout the Territory and during the Term hereof. Delivery of any and all of the aforementioned music licenses and agreements shall not relieve Licensor in any manner whatsoever of any or all of Licensor's obligations pursuant to this Agreement.

(i) Licensor's warranties, representations and agreements are of the essence of this Agreement and shall survive for the full Term. None of Licensor's representations, warranties or agreements shall in any way be limited by reason of any investigation made by Licensee of any documents, agreements or other materials submitted to Licensee by Licensor hereunder.

10. INDEMNIFICATION

Licensor shall, at its sole cost and expense, indemnify, save and hold harmless Licensee and its successors, subdistributors, sublicensees, assigns, agents, representatives and affiliates from and against any and all claims, demands, causes of action, liability, loss, damage, cost and expense (including reasonable attorney's fees and court costs) incurred or sustained by reason of or arising out of any breach or alleged breach of any of the warranties, representations or agreements herein made by Licensor, or by reason of any action, claim or proceeding related to or arising out of such breach or alleged breach by Licensor. In the event that any person or entity

shall make any claim or institute any suit or proceeding, Licensee shall notify Licensor in writing, and Licensor must assume, at it own cost and expense, the defense thereof; provided, however, that Licensee's failure to provide such notice shall not affect this indemnity unless Licensor has been materially prejudiced by such failure. Licensee may, at its sole discretion, engage its own counsel in connection with any such suit, claim or proceeding, and the cost thereof (including reasonable fees and expenses) shall be borne by Licensor provided that Licensor shall in any event fulfill its obligation to undertake Licensee's defense. The final control and disposition of any claim, whether by settlement, compromise or otherwise, shall remain with Licensee pursuant to the terms of this indemnification paragraph. In the event that Licensor fails to promptly make any required payment to Licensee, Licensee shall have the right to withhold for its own account any royalties, License Fees or other monies payable to Licensee by Licensor pursuant to this Agreement or any other agreement between Licensor and Licensee.

11. LIMITATION OF REMEDIES

In the event of any breach or purported breach by Licensee hereunder, Licensor's rights shall be limited to an action at law for money damages, if any, actually and directly suffered by Licensor as a result thereof, and in no event shall Licensor be entitled to rescission, injunction or other equitable relief of any kind. All of Licensee's rights at law or in equity shall be cumulative, and the exercise of one shall in no way limit any other rights of Licensee in the event of any breach by Licensor hereunder.

12. ASSIGNMENT

Licensee shall have the right to assign, transfer, delegate, license, sublicense or convey this Agreement and any of its rights, licenses, privileges and obligations hereunder in whole or in part, without limitation, to any parent, affiliate or subsidiary or to any other responsible third parties. This Agreement shall inure to the benefit of Licensee and its successors, assigns, licensees, sublicensees and subdistributors. This Agreement is personal to Licensor and shall not be assigned by Licensor to any person or entity without Licensee's prior written consent. Any attempted assignment or attempted conveyance in violation of this paragraph shall be null and void and of no force and effect.

13. FORCE MAJEURE

The term "force majeure" means any fire, flood, earthquake or public disaster; strike, labor dispute or unrest; embargo, riot, war, insurrection or civil unrest; any act of God; any act of any legally constituted authority, or any other cause beyond Licensee's reasonable control which would excuse Licensee's performance as a matter of law. If, because of force majeure, Licensee's performance hereunder is delayed or prevented, then the time for performance of such obligation shall be extended for the time of such delay or prevention.

14. NOTICES AND ADDRESSES

All notices given to Licensor hereunder and all statements and payments to Licensor hereunder shall be addressed to Licensor at the address set forth on page 1 hereof or at such other address as Licensor shall designate in writing from time to time. All notices given to Licensee

hereunder shall be addressed to Licensee at the address set forth on page 1 hereof or at such other address as Licensee shall designate in writing from time to time. All notices shall be in writing and shall either be personally delivered or served by certified mail, return receipt requested. Except as otherwise provided herein, such notices shall be deemed given when personally served or mailed, except that notices of change of address shall be effective only after the actual receipt thereof. An additional copy of all notices to Licensee shall be sent to:

Howard M. Zelener, Esq.
548 Carnes Circle
Redlands, CA 92374
FAX (909) 794-9120

15. MISCELLANEOUS

(a) This Agreement sets forth the entire understanding of the parties hereto relating to the subject matter hereof. No modification, amendment, waiver, termination or discharge of this Agreement or any of the terms or provisions hereof shall be binding upon either party unless confirmed by a written instrument signed by Licensor and by a duly authorized officer of Licensee. No waiver by either party of any term or provision of this Agreement or of any default hereunder shall affect the parties' respective rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.

(b) This Agreement has been entered into under and shall be subject to the laws of the State of California. If any provisions of this Agreement shall be held void, invalid or inoperative, no other provision of this Agreement shall be affected as a result thereof and, accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though such void, invalid or inoperative provision had not been contained herein. In the event of any dispute between us, the parties' sole remedy shall be binding arbitration in Los Angeles or Ventura County pursuant to the Commercial Arbitration Rules of the American Arbitration Association. This arbitration provision shall remain in full force and effect following the expiration and/or termination of this Agreement.

(c) Licensee shall not be deemed to be in breach of any of its obligations hereunder unless and until Licensor shall have given Licensee specific written notice of the nature of such breach and Licensee shall have failed to cure such breach within thirty (30) days after Licensee's receipt of such written notice.

(d) Nothing herein contained shall constitute a partnership or a joint venture between Licensor and Licensee. Neither Licensee nor Licensor shall hold themselves out contrary to the terms of this paragraph, and neither party shall become liable for any representation, act or omission of the other party contrary to the provisions hereof. This Agreement shall not be deemed to give any right or remedy to any third party whatsoever unless said right or remedy is specifically granted by both parties in writing to such third party.

(e) Except as otherwise provided herein, all rights and remedies herein otherwise shall be cumulative and none of them shall be in limitation of any other right or remedy.

(f) If either party incurs any expense, including reasonable attorney's fees, in connection with any action or proceeding, including one seeking declaratory relief, instituted by any party by reason of any default or alleged default of another party under this Agreement, the party prevailing in such action or proceeding shall be entitled to recover reasonable expenses and attorney's fees from the opposing party. In addition, should it become necessary for any party to employ legal counsel to enforce any of the provisions contained herein, whether or not any action or proceeding shall be initiated, the party in breach agrees to pay all legal fees and other costs reasonably incurred.

(g) Captions and paragraph numbers are inserted for reference and convenience only and in no way define, limit or describe the scope of this Agreement or the intent of any provision thereof.

16. LICENSE FEES

(a) The license fee ("License Fee") payable for each Program set forth in paragraph 1 hereof shall be the sum of Two Thousand Five Hundred Dollars ($2,500) per Program. Such License Fee shall be recoupable from any and all Videogram royalties otherwise payable with respect to any of the Programs delivered hereunder or under any other agreement between Licensor and Licensee.

(b) With respect to each Program, the License Fee shall be paid as follows:

(i) Fifty percent (50%) of the Licensee Fee shall be paid to Licensor within ten (10) days of the full execution of this Agreement by Licensor and Licensee.

(ii) The remaining fifty percent (50%) of the License Fee shall be paid within ten (10) days of the delivery of acceptable materials to Licensee for such Program in accordance with paragraph 7 hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

REBEL CREW FILMS
("Licensor")

By: _____
An Authorized Signatory

BCI ECLIPSE, LLC
("Licensee")

By: _____
David Catlin, Manager

SCHEDULE A

DELIVERY SCHEDULE

1. Broadcast quality master in DVD/DLT format (or other format acceptable to Licensee). Licensor shall retain a duplicate of such master. Licensee shall retain the DLT that is provided by Licensor.

2. Documents evidencing copyright registrations, chain of title, and authorization(s) for Licensor to enter into this Agreement by the applicable and/or prior rights-holder(s), if requested by Licensee.

3. All available camera-ready key artwork on computer cartridge or disc (including box packaging), on MAC format, preferably on a Zip Drive cartridge, or as otherwise required by Licensee.

4. Color and/or black and white glossy stills (8x10 preferred) with corresponding slides or negatives taken during the production shoot or otherwise (for marketing and promotional purposes), if available and if requested by Licensee.

5. Biographical profiles of key production personnel and, if applicable, of those individuals profiled or featured in the Program, if available and if requested by Licensee.

6. Continuity Script, Dialogue and Cue Sheets, if available and if requested by Licensee.

7. Plot synopsis or general description, which synopsis or description shall include the running time of the Program, if available and if requested by Licensee.

8. Statement of credits, including excerpts from the relevant contracts of all of Licensor's obligations to accord credit on the screen, in advertising and otherwise; and such excerpts concerning any restrictions on use of name and/or likeness, if requested by Licensee.

VIDEOGRAM LICENSE AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into on March 29, 2004, by and between REBEL CREW FILMS ("Licensor") with principal offices at 468 North Camden Drive, Beverly Hills, California 90210 and BCI ECLIPSE COMPANY, LLC ("Licensee") with principal offices at 810 Lawrence Drive, Suite 100, Newbury Park, California 91320.

IN CONSIDERATION OF the mutual promises set forth herein, and for good and valuable consideration, receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS

As used herein, the following terms shall have the following meanings:

(a) "Program" and the "Programs" shall mean and shall refer individually and collectively to thirteen (13) episodes of the Program entitled ***The Cantinflas Show.***

(b) "Territory" shall mean the United States and Canada.

(c) "Videogram" shall mean one (1) or more physical copies of a Program in any and all forms and formats of video recordings, including, but not limited to, videocassettes, videodiscs, DVD, and any and all other forms of video devices, in each and every size and format configuration and character, whether now known or contemplated or hereafter discovered, invented or devised.

2. TERM / SELL-OFF PERIOD

(a) With respect to each Program, the term of this Agreement and of Licensee's rights hereunder (the "Term") shall be four (4) years, commencing upon the earlier of:

(i) Six (6) months after Licensee's receipt, approval and acceptance of the delivered items set forth in paragraph 7 below for such Programs; or

(ii) Licensee's initial exercise of its Videogram Rights to such Program.

Thereafter, the Term of this Agreement shall continue on a month-to-month basis unless and until Licensor provides Licensee with thirty (30) days advance written notice of Licensor's intention to terminate this Agreement.

(b) During the six (6) month period immediately following the expiration or termination of the Term (the "Sell-Off Period"), Licensee shall have the right to continue to sell, offer for sale, lease, license, rent, distribute, advertise, promote, market and otherwise exploit any and all Videograms of each Program in Licensee's possession at the end of the Term. Licensee shall have the right to receive all proceeds from the sale and exploitation of such

Videograms during the Sell-Off Period and to apply and account for such proceeds in the manner set forth in this Agreement. Licensee shall not accumulate an excessive inventory of Videograms in anticipation of the Sell-Off Period, however Licensee shall have the right to do limited manufacturing of Videograms during the Sell-Off Period if necessary to accommodate customer programs or to fill catalogue orders. With respect to Licensee's inventory of unsold Videograms at the expiration of the Sell-Off Period, Licensor shall have the option to purchase such Videograms at Licensee's cost. If Licensor does not purchase the remaining inventory at the end of the Sell-Off Period, Licensee shall, within thirty (30) days thereafter, have the right to either liquidate the inventory or to destroy such Videograms.

(c) Notwithstanding anything to the contrary contained herein, in the event that Licensee enters into any sublicense for the Program(s), the expiration of which is scheduled to occur after the expiration of the Term hereof, the expiration or termination of the Term hereof shall not act to terminate the remaining term of such sublicense which shall be allowed to continue until its expiration. Licensee shall not enter into any sublicense which would expire more than two (2) years from the expiration of the Term hereof without Licensor's prior written consent, which consent shall not be unreasonably withheld.

3. GRANT OF RIGHTS

Licensor hereby grants to Licensee, throughout the Term and Territory, the exclusive "Videogram Rights" to each Program.

(a) The "Videogram Rights" granted herein shall include, but are not limited to, the right to manufacture, market, sell and otherwise distribute and exploit the Videogram of each Program in any and all languages, containing all or part of the Program, in all markets and mediums, including, but not limited to, normal retail channels, mass merchandisers, and direct response marketing through so-called "infomercials," catalogues, video clubs and the Internet. Without limiting the generality of the foregoing, the grant of Videogram Rights herein shall include the right to make all marketing, promotion, pricing, business and creative decisions in connection with the exercise of such rights.

(b) Without limiting the generality of paragraph 3(a), Licensor grants to Licensee, throughout the Term and Territory, the right to advertise and promote the Videogram Rights, including, but not limited to, the right to perform and authorize others to perform the following:

(i) To publish synopses, summaries and resumes of each Program in any and all languages.

(ii) To advertise, publicize and promote each Program by any means, method or media, including, without limitation, so-called "infomercials" and to utilize for such purposes any advertising, publicity materials or excerpts from each Program or the trailers derived therefrom.

(iii) To use, publish, print, and otherwise exploit Licensor's name, including, but not limited to, all copyright and trademark rights therein in any manner and by any means whatsoever.

(iv) To incorporate the following items into such Program, either preceding the main titles and/or following the end titles of the Program: (A) any name, trademark, trade name or logo of Licensee or any sublicensee or affiliate of Licensee; (B) any trailers, clips or excerpts of other programs; (C) standard "opening" and "closing" sequences, including, but not limited to, any introductory visual "logo," with or without music; and (D) any legal notices or other information as Licensee may determine are necessary or desirable.

(v) To produce or authorize others to produce trailers of each Program, in any and all languages, embodying such scenes and elements of each Program as Licensee shall determine in its sole discretion, and to incorporate such trailers, clips or excerpts of each Program in other programs or in trailers for other programs. Without limiting the generality of the foregoing, these trailers may be used as infomercials.

(vi) To make dubbed, subtitled or close-captioned versions of each Program, including, but not limited to, cut-in, synchronized and superimposed versions, in any and all languages, for use in such part or parts of the Territory as Licensee shall determine in its sole discretion.

(vii) To change the titles of each Program, to rearrange each Program to make any and all edits, changes, deletions, additions or modifications to each Program (including the insertion of commercials) as Licensee may determine to be necessary or desirable due to community standards, or regulations and requirements of any censorship, governmental or non-governmental authorities.

(viii) Subject only to any contractual obligations or restrictions of which Licensee shall have been timely advised by Licensor in writing for each Program, Licensee shall have the right to use and authorize others to use the names, likenesses (including, but not limited to, photographs, pictures, portraits or caricatures), biographies and voices of any and all persons rendering services or furnishing materials in connection with each Program. Licensee shall also have the right to use and authorize others to use any and all materials and artwork used in connection with each Program including, but not limited to, the right to incorporate all of the foregoing into any infomercial.

(ix) To license or sublicense any and all of the Videogram Rights granted hereunder.

(x) To package the Program(s) or Videogram with any other products exploited by Licensee, including, without limitation, any other videograms or audio products and to exploit such packages in any manner without restriction whether through any direct response marketing methods or otherwise; provided, that Licensee shall allocate a fair and reasonable portion of the proceeds from the exploitation of such packages to the Program(s) in accordance with the provisions of paragraph 4 hereof.

SCHEDULE A

DELIVERY SCHEDULE

1. Broadcast quality master in DVD/DLT format (or other format acceptable to Licensee). Licensor shall retain a duplicate of such master. Licensee shall retain the DLT that is provided by Licensor.

2. Documents evidencing copyright registrations, chain of title, and authorization(s) for Licensor to enter into this Agreement by the applicable and/or prior rights-holder(s), if requested by Licensee.

3. All available camera-ready key artwork on computer cartridge or disc (including box packaging), on MAC format, preferably on a Zip Drive cartridge, or as otherwise required by Licensee.

4. Color and/or black and white glossy stills (8x10 preferred) with corresponding slides or negatives taken during the production shoot or otherwise (for marketing and promotional purposes), if available and if requested by Licensee.

5. Biographical profiles of key production personnel and, if applicable, of those individuals profiled or featured in the Program, if available and if requested by Licensee.

6. Continuity Script, Dialogue and Cue Sheets, if available and if requested by Licensee.

7. Plot synopsis or general description, which synopsis or description shall include the running time of the Program, if available and if requested by Licensee.

8. Statement of credits, including excerpts from the relevant contracts of all of Licensor's obligations to accord credit on the screen, in advertising and otherwise; and such excerpts concerning any restrictions on use of name and/or likeness, if requested by Licensee.

4. VIDEOGRAM ROYALTIES

Following recoupment of all License Fees (if any) and other properly chargeable costs hereunder or under any other agreement between Licensor and Licensee, and conditioned upon Licensor's full and faithful performance of the terms and conditions hereof, Licensor shall be paid royalties on net sales of Videograms, as hereinafter set forth:

(a) Licensee shall pay Licensor, as a basic royalty, twenty percent (20%) of the Gross Revenue actually received by Licensee in respect of one hundred percent (100%) of net sales of Videograms, consisting of the Program(s) delivered hereunder and sold by Licensee or its distributors throughout the Territory subject to the other provisions of this paragraph 4.

(b) Notwithstanding anything to the contrary contained herein, the royalty rate in respect of Videograms sold through video club distribution methods or through any other direct response marketing methods shall be fifty percent (50%) of the otherwise applicable royalty rate as calculated in accordance with the foregoing provisions.

(c) Notwithstanding anything to the contrary contained herein, the royalty payable in respect of Videograms sold for use as premiums or in connection with the sale, advertising, or promotion of other products or services shall be fifty percent (50%) of the of the otherwise applicable royalty rate as calculated in accordance with the other provisions of this paragraph 4.

(d) Notwithstanding anything to the contrary contained herein, no royalty shall be payable on Videograms furnished as free or bonus videos to members, applicants or other participants in any video club or other direct response distribution method; on Videograms distributed for promotional purposes to buyers, radio stations, television stations or networks, video reviewers or other customary recipients of promotional videos; on so-called "promotional sampler" videos; on Videograms sold as scrap; on Videograms furnished on a so-called "no-charge" or "free goods" basis to distributors, subdistributors, dealers or others; on Videograms sold at less than fifty percent (50%) of their regular wholesale price; and on Videograms sold at less than one hundred fifteen percent (115%) of Licensee's cost.

(e) Notwithstanding any of the foregoing, the royalty payable to Licensor hereunder with respect to any Videogram embodying the Program(s) hereunder together with other video or audio product shall be computed by multiplying the otherwise applicable royalty rate by a fraction, the numerator of which shall be the number of Videograms contained in the package and the denominator of which shall be the total number of other audio or video works contained in such package.

(f) As used in this paragraph 4, "Gross Revenue" means all revenue actually paid to Licensee in respect of the exploitation of the Program(s) in the form of Videograms. Reimbursements paid to Licensee for expenses such as freight or advertising shall not be included in Gross Revenue. As used in this paragraph 4, "net sales" shall mean total paid sales less all returns of Videograms.

5. ACCOUNTING / STATEMENTS

(a) Statements as to Videogram royalties payable hereunder, together with payments of accrued royalties (if any) earned by Licensor during the preceding calendar quarter, less all unrecouped License Fees (if any) and other chargeable costs under this Agreement or any other agreement between Licensor and Licensee, shall be sent by Licensee to Licensor ninety (90) days following the end of each calendar quarter. Licensee shall have the right to retain from payments due to Licensor a reasonable reserve in Licensor's royalty account of the royalties otherwise payable to Licensor against subsequent charges, credits or returns. Such reserves shall not exceed twenty-five percent (25%) of Videogram royalties otherwise payable. All such reserves shall be liquidated within two (2) years of the accounting period in which they are first held.

(b) Licensor shall be deemed to have consented to all royalty statements and all other accountings rendered by Licensee hereunder and each such royalty statement or other accounting shall be conclusive, final and binding, shall constitute an account stated, and shall not be subject to objection for any reason whatsoever unless specific objection in writing, stating the basis thereof, is given to Licensee by Licensor within one (1) year after the date the statement or other accounting was rendered. No action, suit or proceeding of any nature in respect to any statement or other accounting rendered by Licensee hereunder may be maintained against Licensee unless such action, suit or proceeding is commenced against Licensee in a court of competent jurisdiction within two (2) years after the date the statement or other accounting was rendered.

(c) Licensee shall maintain accurate books of accounts concerning the exploitation of the Program(s) hereunder. Licensor, or an authorized representative on Licensor's behalf, may, at Licensor's sole expense, examine Licensee's said books relating to the exploitation of the Program(s) hereunder solely for the purpose of verifying the accuracy thereof, only during Licensee's normal business hours and upon reasonable written notice. Licensee's books of accounts relating to any particular royalty statement may be examined as aforesaid only once for as long as is reasonably necessary to complete the audit and within one (1) year after the date the statement or other accounting was rendered. The rights hereinabove granted to Licensor shall constitute Licensor's sole and exclusive rights to examine Licensee's books and records.

(d) Licensee shall have the right to withhold from any amounts payable to Licensor hereunder such portion thereof, if any, as may be required to be withheld under the applicable provisions of the California Revenue and Taxation Code or under any other applicable U.S. or foreign statute, regulation, treaty, or other law, and Licensor shall promptly execute and deliver to Licensee such forms and other documents as may be required in connection therewith.

(e) No royalties shall be payable to Licensor in respect of exploitation of the Program(s) until payment therefor has been received by Licensee, or credited to Licensee's account.

6. SCREEN CREDIT

The indemnification provisions of paragraph 10 hereof shall apply to all claims, actions and causes of action arising out of or as a result of Licensor's failure to deliver the statement of

credits required to be given to Licensee pursuant to Schedule A or any errors in such credits as delivered by Licensor. Licensee agrees that the advertising and promotional materials provided by Licensee to its subdistributors and sublicensees shall be consistent with such statement of credits. No casual or inadvertent failure by Licensee or its subdistributors or sublicensees to comply with any statements of credits shall constitute a breach of this Agreement. Licensor shall not be entitled to assert any claim or cause of action of any kind against Licensee because of such failure by Licensee or any of its subdistributors or sublicensees to comply with the statement of credits unless and until Licensee has received written notice of such failure and Licensee, after receipt of such written notice, fails to comply prospectively with such notice. In no event shall any failure to comply with the statement of credits entitle Licensor to terminate this Agreement or entitle Licensor to seek injunctive relief with respect to the exercise by Licensee of any or all of the rights granted hereunder.

7. DELIVERY OF MATERIALS

(a) With respect to each Program, within thirty (30) calendar days of the execution of this Agreement by both parties, Licensor shall deliver to Licensee, at such location as Licensee shall designate, all of the materials described in Schedule A attached hereto and incorporated herein by this reference (collectively, the "Materials"). Licensee will review the Materials after delivery. If Licensee, in its discretion, determines that all or any part of the Materials are incomplete or otherwise unacceptable in accordance with Schedule A, Licensee will notify Licensor in writing of any defects or omissions within thirty (30) days of Licensee's receipt thereof. Delivery of Materials shall be deemed complete within thirty (30) days after receipt thereof, unless Licensee, within said thirty (30) day period, has notified Licensor of any defect or omissions in such Materials. Except as otherwise provided to the contrary herein, delivery and return of all Materials shall be at Licensor's sole cost and expense, it being agreed that Licensee shall deduct costs paid or incurred and not reimbursed to Licensee from any and all monies due to Licensor pursuant to this Agreement.

(b) In the event that Licensee notifies Licensor of any defects or omissions in the Materials, as set forth in paragraph 7(a) above, Licensor shall cause such defects to be corrected and shall deliver such new Materials (the "New Materials") to Licensee subject to Licensee's approval in each and every instance in accordance with the procedure outlined in paragraph 7(a) above. Licensor shall pay all costs of manufacturing and delivering such New Materials. In the event that Licensor fails to correct any defect or fails to cause New Materials to be delivered to Licensee within said thirty (30) day period, then Licensee shall have the right, but not the obligation, to terminate this Agreement with respect to such Program.

(c) Acceptance by Licensee of the Materials, including, but not limited to, any and all chain-of-title documents, as specifically set forth on Schedule A, shall not relieve Licensor of its obligations to Licensee pursuant to the warranties and indemnification provisions hereof.

(d) Notwithstanding anything to the contrary set forth in this Agreement, Licensee hereby shall and does have the right to commence the marketing and promotion of each Program prior to Licensor's delivery of all Materials.

8. ADDITIONAL DOCUMENTATION

If Licensee requires additional documentation from Licensor during the Term hereof in order to effectuate the provisions or purposes of this Agreement, Licensor shall provide such documentation within ten (10) working days of Licensee's request for same. If Licensor fails to provide such documentation, such failure shall be deemed a material breach hereof. In order to perfect Licensee's rights hereunder, Licensor herby grants Licensee its power of attorney to execute documentation on behalf of and in the name of Licensor if Licensor fails to timely execute such documentation after Licensee's request.

9. REPRESENTATIONS AND WARRANTIES

Licensor represents and warrants that:

(a) Licensor has the full right, power, legal capacity and authority to enter into this Agreement, to carry out the terms and conditions hereof and to grant to Licensee the rights, licenses and privileges herein granted to Licensee. Licensor does not need the consent or release of any other person, firm or entity in order for Licensor to enter into this Agreement and to grant to Licensee the rights granted pursuant to this Agreement.

(b) With respect to each Program, the execution, delivery and performance of this Agreement by Licensor shall not violate or contravene any certificate of incorporation or by-laws of Licensor or any agreement or other instrument to which Licensor is a party. This Agreement has been duly authorized, executed and delivered by Licensor.

(c) With respect to each Program, neither the Program nor any of the contents contained therein (including, but not limited to, the title thereof and any music and sound synchronized therewith), nor any use or distribution or exploitation of the Program, nor any exercise by Licensee of any or all of the rights granted to Licensee pursuant to this Agreement, nor any Materials delivered hereunder shall at any time during the Term violate or infringe upon any right or interest of any person or entity, including, but not limited to, any copyright, literary right, dramatic right, privacy right, musical right, publicity right, artistic right, personal right, property right, civil right, trademark right, trade name, service mark or any other right or interest of any person or entity.

(d) With respect to each Program, during the Term hereof there shall not be any actual or threatened liens, claims, encumbrances, legal proceedings, restrictions, agreements or understandings which will conflict or interfere with, limit, derogate from, or be inconsistent with, or otherwise affect any of the provisions of this Agreement, any of the representations and warranties of Licensor contained herein or the enjoyment by Licensee of any or all of the rights granted to Licensee hereunder.

(e) With respect to each Program, Licensor owns and controls and shall for the full Term own and control, any and all rights necessary to enable Licensor to grant to Licensee the rights granted pursuant to this Agreement and to enable Licensee to exercise and enjoy the rights granted to Licensee pursuant to this Agreement (without Licensee incurring any obligation or liability to any person or entity) including, but not limited to, all performance rights and

advertising rights and all other rights granted to Licensee hereunder in and to all literary, dramatic, musical and other material contained in the Program. With respect to each Program, Licensor has secured and obtained, and Licensor shall maintain throughout the Term hereof, all rights as may be required for the full and unlimited exercise and enjoyment by Licensee of each and all of the rights herein granted to Licensee.

(f) All obligations and amounts payable with respect to each Program or with respect to the production, distribution and exploitation thereof, including, but not limited to, all salaries, royalties, license fees, laboratory charges, union obligations and the like, have been and shall be fully paid and satisfied by Licensor or third parties. Licensee shall have no obligation for past, current or future salaries, royalties, laboratory charges, or similar payments (except for those laboratory or service charges incurred directly by Licensee for its own account) with respect to each Program.

(g) Each Program is not in the public domain and is validly copyrighted within the Territory. Each Program will not fall into the public domain anywhere in the Territory prior to the expiration of the Term. Each Program, as delivered, will contain all proper copyright notices required or permitted under any applicable statute, act or treaty.

(h) With respect to each Program, Licensor shall obtain and shall deliver to Licensee the synchronization licenses for each and every musical composition embodied in the Program, and the customary music cue sheet, and every relevant agreement in connection with the music embodied in the Program. All such licenses and agreements for each Program shall be and shall remain in full force and effect, and shall permit Licensee to exercise the rights granted hereunder throughout the Territory and during the Term hereof. Delivery of any and all of the aforementioned music licenses and agreements shall not relieve Licensor in any manner whatsoever of any or all of Licensor's obligations pursuant to this Agreement.

(i) Licensor's warranties, representations and agreements are of the essence of this Agreement and shall survive for the full Term. None of Licensor's representations, warranties or agreements shall in any way be limited by reason of any investigation made by Licensee of any documents, agreements or other materials submitted to Licensee by Licensor hereunder.

10. INDEMNIFICATION

Licensor shall, at its sole cost and expense, indemnify, save and hold harmless Licensee and its successors, subdistributors, sublicensees, assigns, agents, representatives and affiliates from and against any and all claims, demands, causes of action, liability, loss, damage, cost and expense (including reasonable attorney's fees and court costs) incurred or sustained by reason of or arising out of any breach or alleged breach of any of the warranties, representations or agreements herein made by Licensor, or by reason of any action, claim or proceeding related to or arising out of such breach or alleged breach by Licensor. In the event that any person or entity shall make any claim or institute any suit or proceeding, Licensee shall notify Licensor in writing, and Licensor must assume, at it own cost and expense, the defense thereof; provided, however, that Licensee's failure to provide such notice shall not affect this indemnity unless Licensor has been materially prejudiced by such failure. Licensee may, at its sole discretion, engage its own counsel in connection with any such suit, claim or proceeding, and the cost

thereof (including reasonable fees and expenses) shall be borne by Licensor provided that Licensor shall in any event fulfill its obligation to undertake Licensee's defense. The final control and disposition of any claim, whether by settlement, compromise or otherwise, shall remain with Licensee pursuant to the terms of this indemnification paragraph. In the event that Licensor fails to promptly make any required payment to Licensee, Licensee shall have the right to withhold for its own account any royalties, License Fees or other monies payable to Licensee by Licensor pursuant to this Agreement or any other agreement between Licensor and Licensee.

11. LIMITATION OF REMEDIES

In the event of any breach or purported breach by Licensee hereunder, Licensor's rights shall be limited to an action at law for money damages, if any, actually and directly suffered by Licensor as a result thereof, and in no event shall Licensor be entitled to rescission, injunction or other equitable relief of any kind. All of Licensee's rights at law or in equity shall be cumulative, and the exercise of one shall in no way limit any other rights of Licensee in the event of any breach by Licensor hereunder.

12. ASSIGNMENT

Licensee shall have the right to assign, transfer, delegate, license, sublicense or convey this Agreement and any of its rights, licenses, privileges and obligations hereunder in whole or in part, without limitation, to any parent, affiliate or subsidiary or to any other responsible third parties. This Agreement shall inure to the benefit of Licensee and its successors, assigns, licensees, sublicensees and subdistributors. This Agreement is personal to Licensor and shall not be assigned by Licensor to any person or entity without Licensee's prior written consent. Any attempted assignment or attempted conveyance in violation of this paragraph shall be null and void and of no force and effect.

13. FORCE MAJEURE

The term "force majeure" means any fire, flood, earthquake or public disaster; strike, labor dispute or unrest; embargo, riot, war, insurrection or civil unrest; any act of God; any act of any legally constituted authority, or any other cause beyond Licensee's reasonable control which would excuse Licensee's performance as a matter of law. If, because of force majeure, Licensee's performance hereunder is delayed or prevented, then the time for performance of such obligation shall be extended for the time of such delay or prevention.

14. NOTICES AND ADDRESSES

All notices given to Licensor hereunder and all statements and payments to Licensor hereunder shall be addressed to Licensor at the address set forth on page 1 hereof or at such other address as Licensor shall designate in writing from time to time. All notices given to Licensee hereunder shall be addressed to Licensee at the address set forth on page 1 hereof or at such other address as Licensee shall designate in writing from time to time. All notices shall be in writing and shall either be personally delivered or served by certified mail, return receipt requested. Except as otherwise provided herein, such notices shall be deemed given when personally served

or mailed, except that notices of change of address shall be effective only after the actual receipt thereof. An additional copy of all notices to Licensee shall be sent to:

Howard M. Zelener, Esq.
548 Carnes Circle
Redlands, CA 92374
FAX (909) 794-9120

15. MISCELLANEOUS

(a) This Agreement sets forth the entire understanding of the parties hereto relating to the subject matter hereof. No modification, amendment, waiver, termination or discharge of this Agreement or any of the terms or provisions hereof shall be binding upon either party unless confirmed by a written instrument signed by Licensor and by a duly authorized officer of Licensee. No waiver by either party of any term or provision of this Agreement or of any default hereunder shall affect the parties' respective rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.

(b) This Agreement has been entered into under and shall be subject to the laws of the State of California. If any provisions of this Agreement shall be held void, invalid or inoperative, no other provision of this Agreement shall be affected as a result thereof and, accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though such void, invalid or inoperative provision had not been contained herein. In the event of any dispute between us, the parties' sole remedy shall be binding arbitration in Los Angeles or Ventura County pursuant to the Commercial Arbitration Rules of the American Arbitration Association. This arbitration provision shall remain in full force and effect following the expiration and/or termination of this Agreement.

(c) Licensee shall not be deemed to be in breach of any of its obligations hereunder unless and until Licensor shall have given Licensee specific written notice of the nature of such breach and Licensee shall have failed to cure such breach within thirty (30) days after Licensee's receipt of such written notice.

(d) Nothing herein contained shall constitute a partnership or a joint venture between Licensor and Licensee. Neither Licensee nor Licensor shall hold themselves out contrary to the terms of this paragraph, and neither party shall become liable for any representation, act or omission of the other party contrary to the provisions hereof. This Agreement shall not be deemed to give any right or remedy to any third party whatsoever unless said right or remedy is specifically granted by both parties in writing to such third party.

(e) Except as otherwise provided herein, all rights and remedies herein otherwise shall be cumulative and none of them shall be in limitation of any other right or remedy.

(f) If either party incurs any expense, including reasonable attorney's fees, in connection with any action or proceeding, including one seeking declaratory relief, instituted by any party by reason of any default or alleged default of another party under this Agreement, the party prevailing in such action or proceeding shall be entitled to recover reasonable expenses and

attorney's fees from the opposing party. In addition, should it become necessary for any party to employ legal counsel to enforce any of the provisions contained herein, whether or not any action or proceeding shall be initiated, the party in breach agrees to pay all legal fees and other costs reasonably incurred.

(g) Captions and paragraph numbers are inserted for reference and convenience only and in no way define, limit or describe the scope of this Agreement or the intent of any provision thereof.

16. LICENSE FEES

(a) The license fee ("License Fee") payable for the Programs set forth in paragraph 1 hereof shall be the sum of One Hundred Thirty Thousand Dollars ($130,000). Such License Fee shall be recoupable from any and all Videogram royalties otherwise payable with respect to any Programs delivered hereunder or under any other agreement between Licensor and Licensee.

(b) The License Fee shall be paid as follows:

(i) Fifty percent (50%) of the Licensee Fee shall be paid to Licensor within ten (10) days of the full execution of this Agreement by Licensor and Licensee.

(ii) The remaining fifty percent (50%) of the License Fee shall be paid within ten (10) days of the delivery of acceptable materials to Licensee in accordance with paragraph 7 hereof.

17. OPTION TO RENEW

Licensee shall have the option to renew the Term hereof for an additional period of four (4) years commencing upon the expiration of the initial Term hereof. This option may be exercised by Licensee at any time prior to the expiration of the initial Term hereof. Licensee shall pay Licensor an additional recoupable License Fee of Sixty Five Thousand Dollars ($65,000), if and when Licensee exercises the aforesaid renewal option.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

REBEL CREW FILMS, INC.
("Licensor")

By: _____
An Authorized Signatory

BCI ECLIPSE COMPANY, LLC
("Licensee")

By: _____
Ed Goetz, Manager

VIDEOGRAM LICENSE AGREEMENT

THIS AGREEMENT ("Agreement") is made and entered into on May 26, 2004, by and between REBEL CREW FILMS ("Licensor") with principal offices at 468 North Camden Drive, Beverly Hills, California 90210, and BCI ECLIPSE COMPANY, LLC ("Licensee") with principal offices at 810 Lawrence Drive, Suite 100, Newbury Park, California 91320.

IN CONSIDERATION OF the mutual promises set forth herein, and for good and valuable consideration, receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. DEFINITIONS

As used herein, the following terms shall have the following meanings:

(a) "Program" and the "Programs" shall mean and shall refer individually and collectively to the Program entitled ***Cholas.***

(b) "Territory" shall mean The United States and Canada.

(c) "Videogram" shall mean one (1) or more physical copies of a Program in any and all forms and formats of video recordings, including, but not limited to, videocassettes, videodiscs, DVD, and any and all other forms of video devices, in each and every size and format configuration and character, whether now known or contemplated or hereafter discovered, invented or devised.

2. TERM / SELL-OFF PERIOD

(a) With respect to each Program, the term of this Agreement and of Licensee's rights hereunder (the "Term") shall be five (5) years, commencing upon the earlier of:

(i) Six (6) months after Licensee's receipt, approval and acceptance of the delivered items set forth in paragraph 7 below for such Programs; or

(ii) Licensee's initial exercise of its Videogram Rights to such Program.

Thereafter, the Term of this Agreement shall continue on a month-to-month basis unless and until Licensor provides Licensee with thirty (30) days advance written notice of Licensor's intention to terminate this Agreement.

(b) During the six (6) month period immediately following the expiration or

termination of the Term (the "Sell-Off Period"), Licensee shall have the right to continue to sell, offer for sale, lease, license, rent, distribute, advertise, promote, market and otherwise exploit any and all Videograms of each Program in Licensee's possession at the end of the Term. Licensee shall have the right to receive all proceeds from the sale and exploitation of such Videograms during the Sell-Off Period and to apply and account for such proceeds in the manner set forth in this Agreement. Licensee shall not accumulate an excessive inventory of Videograms in anticipation of the Sell-Off Period, however Licensee shall have the right to do limited manufacturing of Videograms during the Sell-Off Period if necessary to accommodate customer programs or to fill catalogue orders. With respect to Licensee's inventory of unsold Videograms at the expiration of the Sell-Off period, Licensor shall have the option to purchase such Videograms at Licensee's cost. If Licensor does not purchase the remaining inventory at the end of the Sell-Off Period, Licensee shall, within thirty (30) days thereafter, have the right to either liquidate the inventory or to destroy such Videograms.

(c) Notwithstanding anything to the contrary contained herein, in the event that Licensee enters into any sublicense for the Program(s), the expiration of which is scheduled to occur after the expiration of the Term hereof, the expiration or termination of the Term hereof shall not act to terminate the remaining term of such sublicense which shall be allowed to continue until its expiration. Licensee shall not enter into any sublicense which would expire more than two (2) years from the expiration of the Term hereof without Licensor's prior written consent, which consent shall not be unreasonably withheld.

3. GRANT OF RIGHTS

Licensor hereby grants to Licensee, throughout the Term and Territory, the exclusive "Videogram Rights" to each Program.

(a) The "Videogram Rights" granted herein shall include, but are not limited to, the right to manufacture, market, sell and otherwise distribute and exploit the Videogram of each Program in any and all languages, containing all or part of the Program, in all markets and mediums, including, but not limited to, normal retail channels, mass merchandisers, and direct response marketing through so-called "infomercials," catalogues, video clubs and the Internet. Without limiting the generality of the foregoing, the grant of Videogram Rights herein shall include the right to make all marketing, promotion, pricing, business and creative decisions in connection with the exercise of such rights.

(b) Without limiting the generality of paragraph 3(a), Licensor grants to Licensee, throughout the Term and Territory, the right to advertise and promote the Videogram Rights, including, but not limited to, the right to perform and authorize others to perform the following:

(i) To publish synopses, summaries and resumes of each Program in

any and all languages.

(ii) To advertise, publicize and promote each Program by any means, method or media, including, without limitation, so-called "infomercials" and to utilize for such purposes any advertising, publicity materials or excerpts from each Program or the trailers derived therefrom.

(iii) To use, publish, print, and otherwise exploit Licensor's name, including, but not limited to, all copyright and trademark rights therein in any manner and by any means whatsoever.

(iv) To incorporate the following items into such Program, either preceding the main titles and/or following the end titles of the Program: (A) any name, trademark, trade name or logo of Licensee or any sublicensee or affiliate of Licensee; (B) any trailers, clips or excerpts of other programs; (C) standard "opening" and "closing" sequences, including, but not limited to, any introductory visual "logo," with or without music; and (D) any legal notices or other information as Licensee may determine are necessary or desirable.

(v) To produce or authorize others to produce trailers of each Program, in any and all languages, embodying such scenes and elements of each Program as Licensee shall determine in its sole discretion, and to incorporate such trailers, clips or excerpts of each Program in other programs or in trailers for other programs. Without limiting the generality of the foregoing, these trailers may be used as infomercials.

(vi) To make dubbed, subtitled or close-captioned versions of each Program, including, but not limited to, cut-in, synchronized and superimposed versions, in any and all languages, for use in such part or parts of the Territory as Licensee shall determine in its sole discretion.

(vii) To change the titles of each Program, to rearrange each Program to make any and all edits, changes, deletions, additions or modifications to each Program (including the insertion of commercials) as Licensee may determine to be necessary or desirable due to community standards, or regulations and requirements of any censorship, governmental or non-governmental authorities.

(viii) Subject only to any contractual obligations or restrictions of which Licensee shall have been timely advised by Licensor in writing for each Program, Licensee shall have the right to use and authorize others to use the names, likenesses (including, but not limited to, photographs, pictures, portraits or caricatures), biographies and voices of any and all persons rendering services or furnishing materials in connection with each Program. Licensee shall also have the right to use and authorize others to use any and all materials and artwork used in connection with each Program including, but not limited to, the right to incorporate all of the foregoing into any infomercial.

(ix) To license or sublicense any and all of the Videogram Rights granted hereunder.

(x) To package the Program(s) or Videogram with any other products exploited by Licensee, including, without limitation, any other videograms or audio products and to exploit such packages in any manner without restriction whether through any direct response marketing methods or otherwise; provided, that

Licensee shall allocate a fair and reasonable portion of the proceeds from the exploitation of such packages to the Program(s) in accordance with the provisions of paragraph 4 hereof.

4. VIDEOGRAM ROYALTIES

Following recoupment of all License Fees and other properly chargeable costs hereunder or under any other agreement between Licensor and Licensee, and conditioned upon Licensor's full and faithful performance of the terms and conditions hereof, Licensor shall be paid royalties on net sales of Videograms, as hereinafter set forth:

(a) Licensee shall pay Licensor, as a basic royalty, fifteen percent (15%) of the Gross Revenue actually received by Licensee in respect of one hundred percent (100%) of net sales of Videograms, consisting of the Program(s) delivered hereunder and sold by Licensee or its distributors throughout the Territory subject to the other provisions of this paragraph 4.

(b) Notwithstanding anything to the contrary contained herein, the royalty rate in respect of Videograms sold through video club distribution methods or through any other direct response marketing methods shall be fifty percent (50%) of the otherwise applicable royalty rate as calculated in accordance with the foregoing provisions.

(c) Notwithstanding anything to the contrary contained herein, the royalty payable in respect of Videograms sold for use as premiums or in connection with the sale, advertising, or promotion of other products or services shall be fifty percent (50%) of the of the otherwise applicable royalty rate as calculated in accordance with the other provisions of this paragraph 4.

(d) Notwithstanding anything to the contrary contained herein, no royalty shall be payable on Videograms furnished as free or bonus videos to members, applicants or other participants in any video club or other direct response distribution method; on Videograms distributed for promotional purposes to buyers, radio stations, television stations or networks, video reviewers or other customary recipients of promotional videos; on so-called "promotional sampler" videos; on Videograms sold as scrap; on Videograms furnished on a so-called "no-charge" or "free goods" basis to distributors, subdistributors, dealers or others; on Videograms sold at less than fifty percent (50%) of their regular wholesale price; and on Videograms sold at less than one hundred fifteen percent (115%) of Licensee's cost.

(e) Notwithstanding any of the foregoing, the royalty payable to Licensor hereunder with respect to any Videogram embodying the Program(s) hereunder together with other video or audio product shall be computed by multiplying the otherwise applicable royalty rate by a fraction, the numerator of which shall be the number of Videograms contained in the package and the denominator of which shall be the total number of other audio or video works contained in such package.

(f) As used in this paragraph 4, "Gross Revenue" means all revenue actually

paid to Licensee in respect of the exploitation of the Program(s) in the form of Videograms. Reimbursements paid to Licensee for expenses such as freight or advertising shall not be included in Gross Revenue. As used in this paragraph 4, "net sales" shall mean total paid sales less all returns of Videograms.

5. ACCOUNTING / STATEMENTS

(a) Statements as to Videogram royalties payable hereunder, together with payments of accrued royalties (if any) earned by Licensor during the preceding calendar quarter, less all unrecouped License Fees (if any) and other chargeable costs under this Agreement or any other agreement between Licensor and Licensee, shall be sent by Licensee to Licensor ninety (90) days following the end of each calendar quarter. Licensee shall have the right to retain from payments due to Licensor a reasonable reserve in Licensor's royalty account of the royalties otherwise payable to Licensor against subsequent charges, credits or returns. Such reserves shall not exceed twenty-five percent (25%) of Videogram royalties otherwise payable. All such reserves shall be liquidated within two (2) years of the accounting period in which they are first held.

(b) Licensor shall be deemed to have consented to all royalty statements and all other accountings rendered by Licensee hereunder and each such royalty statement or other accounting shall be conclusive, final and binding, shall constitute an account stated, and shall not be subject to objection for any reason whatsoever unless specific objection in writing, stating the basis thereof, is given to Licensee by Licensor within one (1) year after the date the statement or other accounting was rendered. No action, suit or proceeding of any nature in respect to any statement or other accounting rendered by Licensee hereunder may be maintained against Licensee unless such action, suit or proceeding is commenced against Licensee in a court of competent jurisdiction within two (2) years after the date the statement or other accounting was rendered.

(c) Licensee shall maintain accurate books of accounts concerning the exploitation of the Program(s) hereunder. Licensor, or an authorized representative on Licensor's behalf, may, at Licensor's sole expense, examine Licensee's said books relating to the exploitation of the Program(s) hereunder solely for the purpose of verifying the accuracy thereof, only during Licensee's normal business hours and upon reasonable written notice. Licensee's books of accounts relating to any particular royalty statement may be examined as aforesaid only once for as long as is reasonably necessary to complete the audit and within one (1) year after the date the statement or other accounting was rendered. The rights hereinabove granted to Licensor shall constitute Licensor's sole and exclusive rights to examine Licensee's books and records.

(d) Licensee shall have the right to withhold from any amounts payable to Licensor hereunder such portion thereof, if any, as may be required to be withheld under the applicable provisions of the California Revenue and Taxation Code or under any other applicable U.S. or foreign statute, regulation, treaty, or other law, and Licensor shall promptly execute and deliver to Licensee such forms and other documents as may be required in connection therewith.

(e) No royalties shall be payable to Licensor in respect of exploitation of the

Program(s) until payment therefor has been received by Licensee, or credited to Licensee's account.

6. SCREEN CREDIT

The indemnification provisions of paragraph 10 hereof shall apply to all claims, actions and causes of action arising out of or as a result of Licensor's failure to deliver the statement of credits required to be given to Licensee pursuant to Schedule A or any errors in such credits as delivered by Licensor. Licensee agrees that the advertising and promotional materials provided by Licensee to its subdistributors and sublicensees shall be consistent with such statement of credits. No casual or inadvertent failure by Licensee or its subdistributors or sublicensees to comply with any statements of credits shall constitute a breach of this Agreement. Licensor shall not be entitled to assert any claim or cause of action of any kind against Licensee because of such failure by Licensee or any of its subdistributors or sublicensees to comply with the statement of credits unless and until Licensee has received written notice of such failure and Licensee, after receipt of such written notice, fails to comply prospectively with such notice. In no event shall any failure to comply with the statement of credits entitle Licensor to terminate this Agreement or entitle Licensor to seek injunctive relief with respect to the exercise by Licensee of any or all of the rights granted hereunder.

7. DELIVERY OF MATERIALS

(a) With respect to each Program, within thirty (30) calendar days of the execution of this Agreement by both parties, Licensor shall deliver to Licensee, at such location as Licensee shall designate, all of the materials described in Schedule A attached hereto and incorporated herein by this reference (collectively, the "Materials"). Licensee will review the Materials after delivery. If Licensee, in its discretion, determines that all or any part of the Materials are incomplete or otherwise unacceptable in accordance with Schedule A, Licensee will notify Licensor in writing of any defects or omissions within thirty (30) days of Licensee's receipt thereof. Delivery of Materials shall be deemed complete within thirty (30) days after receipt thereof, unless Licensee, within said thirty (30) day period, has notified Licensor of any defect or omissions in such Materials. Except as otherwise provided to the contrary herein, delivery and return of all Materials shall be at Licensor's sole cost and expense, it being agreed that Licensee shall deduct costs paid or incurred and not reimbursed to Licensee from any and all monies due to Licensor pursuant to this Agreement.

(b) In the event that Licensee notifies Licensor of any defects or omissions in the Materials, as set forth in paragraph 7(a) above, Licensor shall cause such defects to be corrected and shall deliver such new Materials (the "New Materials") to Licensee subject to Licensee's approval in each and every instance in accordance with the procedure outlined in paragraph 7(a) above. Licensor shall pay all costs of manufacturing and delivering such

New Materials. In the event that Licensor fails to correct any defect or fails to cause New Materials to be delivered to Licensee within said thirty (30) day period, then Licensee shall have the right, but not the obligation, to terminate this Agreement with respect to such Program.

(c) Acceptance by Licensee of the Materials, including, but not limited to, any and all chain-of-title documents, as specifically set forth on Schedule A, shall not relieve Licensor of its obligations to Licensee pursuant to the warranties and indemnification provisions hereof.

(d) Notwithstanding anything to the contrary set forth in this Agreement, Licensee hereby shall and does have the right to commence the marketing and promotion of each Program prior to Licensor's delivery of all Materials.

8. ADDITIONAL DOCUMENTATION

If Licensee requires additional documentation from Licensor during the Term hereof in order to effectuate the provisions or purposes of this Agreement, Licensor shall provide such documentation within ten (10) working days of Licensee's request for same. If Licensor fails to provide such documentation, such failure shall be deemed a material breach hereof. In order to perfect Licensee's rights hereunder, Licensor herby grants Licensee its power of attorney to execute documentation on behalf of and in the name of Licensor if Licensor fails to timely execute such documentation after Licensee's request.

9. REPRESENTATIONS AND WARRANTIES

Licensor represents and warrants that:

(a) Licensor has the full right, power, legal capacity and authority to enter into this Agreement, to carry out the terms and conditions hereof and to grant to Licensee the rights, licenses and privileges herein granted to Licensee. Licensor does not need the consent or release of any other person, firm or entity in order for Licensor to enter into this Agreement and to grant to Licensee the rights granted pursuant to this Agreement.

(b) With respect to each Program, the execution, delivery and performance of this Agreement by Licensor shall not violate or contravene any certificate of incorporation or by-laws of Licensor or any agreement or other instrument to which Licensor is a party. This Agreement has been duly authorized, executed and delivered by Licensor.

(c) With respect to each Program, neither the Program nor any of the contents contained therein (including, but not limited to, the title thereof and any music and sound synchronized therewith), nor any use or distribution or exploitation of the Program, nor any exercise by Licensee of any or all of the rights granted to Licensee pursuant to this Agreement, nor any Materials delivered hereunder shall at any time during the Term violate or infringe upon any right or interest of any person or entity, including, but not limited to, any copyright, literary right, dramatic right, privacy right, musical right, publicity right, artistic right, personal right, property right, civil right, trademark right, trade name, service mark or any other right or interest of any person or entity.

(d) With respect to each Program, during the Term hereof there shall not be any actual or threatened liens, claims, encumbrances, legal proceedings, restrictions, agreements or understandings which will conflict or interfere with, limit, derogate from, or be inconsistent with, or otherwise affect any of the provisions of this Agreement, any of the representations and warranties of Licensor contained herein or the enjoyment by Licensee of any or all of the rights granted to Licensee hereunder.

(e) With respect to each Program, Licensor owns and controls and shall for the

full Term own and control, any and all rights necessary to enable Licensor to grant to Licensee the rights granted pursuant to this Agreement and to enable Licensee to exercise and enjoy the rights granted to Licensee pursuant to this Agreement (without Licensee incurring any obligation or liability to any person or entity) including, but not limited to, all performance rights and advertising rights and all other rights granted to Licensee hereunder in and to all literary, dramatic, musical and other material contained in the Program. With respect to each Program, Licensor has secured and obtained, and Licensor shall maintain throughout the Term hereof, all rights as may be required for the full and unlimited exercise and enjoyment by Licensee of each and all of the rights herein granted to Licensee.

(f) All obligations and amounts payable with respect to each Program or with respect to the production, distribution and exploitation thereof, including, but not limited to, all salaries, royalties, license fees, laboratory charges, union obligations and the like, have been and shall be fully paid and satisfied by Licensor or third parties. Licensee shall have no obligation for past, current or future salaries, royalties, laboratory charges, or similar payments (except for those laboratory or service charges incurred directly by Licensee for its own account) with respect to each Program.

(g) Each Program is not in the public domain and is validly copyrighted within the Territory. Each Program will not fall into the public domain anywhere in the Territory prior to the expiration of the Term. Each Program, as delivered, will contain all proper copyright notices required or permitted under any applicable statute, act or treaty.

(h) With respect to each Program, Licensor shall obtain and shall deliver to Licensee the synchronization licenses for each and every musical composition embodied in the Program, and the customary music cue sheet, and every relevant agreement in connection with the music embodied in the Program. All such licenses and agreements for each Program shall be and shall remain in full force and effect, and shall permit Licensee to exercise the rights granted hereunder throughout the Territory and during the Term hereof. Delivery of any and all of the aforementioned music licenses and agreements shall not relieve Licensor in any manner whatsoever of any or all of Licensor's obligations pursuant to this Agreement.

(i) Licensor's warranties, representations and agreements are of the essence of this Agreement and shall survive for the full Term. None of Licensor's representations, warranties or agreements shall in any way be limited by reason of any investigation made by Licensee of any documents, agreements or other materials submitted to Licensee by Licensor hereunder.

10. INDEMNIFICATION

Licensor shall, at its sole cost and expense, indemnify, save and hold harmless Licensee and its successors, subdistributors, sublicensees, assigns, agents, representatives

and affiliates from and against any and all claims, demands, causes of action, liability, loss, damage, cost and expense (including reasonable attorney's fees and court costs) incurred or sustained by reason of or arising out of any breach or alleged breach of any of the warranties, representations or agreements herein made by Licensor, or by reason of any action, claim or proceeding related to or arising out of such breach or alleged breach by Licensor. In the event that any person or entity shall make any claim or institute any suit or proceeding, Licensee shall notify Licensor in writing, and Licensor must assume, at it own cost and expense, the defense thereof; provided, however, that Licensee's failure to provide such notice shall not affect this indemnity unless Licensor has been materially prejudiced by such failure. Licensee may, at its sole discretion, engage its own counsel in connection with any such suit, claim or proceeding, and the cost thereof (including reasonable fees and expenses) shall be borne by Licensor provided that Licensor shall in any event fulfill its obligation to undertake Licensee's defense. The final control and disposition of any claim, whether by settlement, compromise or otherwise, shall remain with Licensee pursuant to the terms of this indemnification paragraph. In the event that Licensor fails to promptly make any required payment to Licensee, Licensee shall have the right to withhold for its own account any royalties, License Fees or other monies payable to Licensee by Licensor pursuant to this Agreement or any other agreement between Licensor and Licensee.

11. LIMITATION OF REMEDIES

In the event of any breach or purported breach by Licensee hereunder, Licensor's rights shall be limited to an action at law for money damages, if any, actually and directly suffered by Licensor as a result thereof, and in no event shall Licensor be entitled to rescission, injunction or other equitable relief of any kind. All of Licensee's rights at law or in equity shall be cumulative, and the exercise of one shall in no way limit any other rights of Licensee in the event of any breach by Licensor hereunder.

12. ASSIGNMENT

Licensee shall have the right to assign, transfer, delegate, license, sublicense or convey this Agreement and any of its rights, licenses, privileges and obligations hereunder in whole or in part, without limitation, to any parent, affiliate or subsidiary or to any other responsible third parties. This Agreement shall inure to the benefit of Licensee and its successors, assigns, licensees, sublicensees and subdistributors. This Agreement is personal to Licensor and shall not be assigned by Licensor to any person or entity without Licensee's prior written consent. Any attempted assignment or attempted conveyance in violation of this paragraph shall be null and void and of no force and effect.

13. FORCE MAJEURE

The term "force majeure" means any fire, flood, earthquake or public disaster; strike, labor dispute or unrest; embargo, riot, war, insurrection or civil unrest; any act of

God; any act of any legally constituted authority, or any other cause beyond Licensee's reasonable control which would excuse Licensee's performance as a matter of law. If, because of force majeure, Licensee's performance hereunder is delayed or prevented, then the time for performance of such obligation shall be extended for the time of such delay or prevention.

14. NOTICES AND ADDRESSES

All notices given to Licensor hereunder and all statements and payments to Licensor hereunder shall be addressed to Licensor at the address set forth on page 1 hereof or at such other address as Licensor shall designate in writing from time to time. All notices given to Licensee hereunder shall be addressed to Licensee at the address set forth on page 1 hereof or at such other address as Licensee shall designate in writing from time to time. All notices shall be in writing and shall either be personally delivered or served by certified mail, return receipt requested. Except as otherwise provided herein, such notices shall be deemed given when personally served or mailed, except that notices of change of address shall be effective only after the actual receipt thereof. An additional copy of all notices to Licensee shall be sent to:

Howard M. Zelener, Esq.
548 Carnes Circle
Redlands, CA 92374
FAX (909) 794-9120

15. MISCELLANEOUS

(a) This Agreement sets forth the entire understanding of the parties hereto relating to the subject matter hereof. No modification, amendment, waiver, termination or discharge of this Agreement or any of the terms or provisions hereof shall be binding upon either party unless confirmed by a written instrument signed by Licensor and by a duly authorized officer of Licensee. No waiver by either party of any term or provision of this Agreement or of any default hereunder shall affect the parties' respective rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.

(b) This Agreement has been entered into under and shall be subject to the laws of the State of California. If any provisions of this Agreement shall be held void, invalid or inoperative, no other provision of this Agreement shall be affected as a result thereof and, accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though such void, invalid or inoperative provision had not been contained herein. In the event of any dispute between us, the parties' sole remedy shall be binding arbitration in Los Angeles or Ventura County pursuant to the Commercial Arbitration Rules of the American Arbitration Association. This arbitration provision shall remain in full force and

effect following the expiration and/or termination of this Agreement.

(c) Licensee shall not be deemed to be in breach of any of its obligations hereunder unless and until Licensor shall have given Licensee specific written notice of the nature of such breach and Licensee shall have failed to cure such breach within thirty (30) days after Licensee's receipt of such written notice.

(d) Nothing herein contained shall constitute a partnership or a joint venture between Licensor and Licensee. Neither Licensee nor Licensor shall hold themselves out contrary to the terms of this paragraph, and neither party shall become liable for any representation, act or omission of the other party contrary to the provisions hereof. This Agreement shall not be deemed to give any right or remedy to any third party whatsoever unless said right or remedy is specifically granted by both parties in writing to such third party.

(e) Except as otherwise provided herein, all rights and remedies herein otherwise shall be cumulative and none of them shall be in limitation of any other right or remedy.

(f) If either party incurs any expense, including reasonable attorney's fees, in connection with any action or proceeding, including one seeking declaratory relief, instituted by any party by reason of any default or alleged default of another party under this Agreement, the party prevailing in such action or proceeding shall be entitled to recover reasonable expenses and attorney's fees from the opposing party. In addition, should it become necessary for any party to employ legal counsel to enforce any of the provisions contained herein, whether or not any action or proceeding shall be initiated, the party in breach agrees to pay all legal fees and other costs reasonably incurred.

(g) Captions and paragraph numbers are inserted for reference and convenience only and in no way define, limit or describe the scope of this Agreement or the intent of any provision thereof.

16. LICENSE FEES

(a) The license fee ("License Fee") payable for the Program set forth in paragraph 1(a) hereof shall be the sum of Five Thousand Dollars ($5,000). Such License Fee shall be recoupable from any and all Videogram royalties otherwise payable with respect to the Program delivered hereunder or under any other agreement between Licensor and Licensee.

(b) The License Fee shall be paid as follows:

(i) Fifty percent (50%) of the Licensee Fee shall be paid to Licensor

within ten (10) days of the full execution of this Agreement by Licensor and Licensee.

(ii) The remaining fifty percent (50%) of the License Fee shall be paid within ten (10) days of the delivery of acceptable materials to Licensee for the Program in accordance with paragraph 7 hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

REBEL CREW FILMS
("Licensor")

By: _____
An Authorized Signatory

BCI ECLIPSE COMPANY, LLC
("Licensee")

By: _____
Ed Goetz
Manager

SCHEDULE A

DELIVERY SCHEDULE

Broadcast quality master in DVD/DLT format (or other format acceptable to Licensee). Licensor shall retain a duplicate of such master. Licensee shall retain the DLT that is provided by Licensor.

Documents evidencing copyright registrations, chain of title, and authorization(s) for Licensor to enter into this Agreement by the applicable and/or prior rights-holder(s), if requested by Licensee.

All available camera-ready key artwork on computer cartridge or disc (including box packaging), on MAC format, preferably on a Zip Drive cartridge, or as otherwise required by Licensee.

Color and/or black and white glossy stills (8x10 preferred) with corresponding slides or negatives taken during the production shoot or otherwise (for marketing and promotional purposes), if available and if requested by Licensee.

Biographical profiles of key production personnel and, if applicable, of those individuals profiled or featured in the Program, if available and if requested by Licensee.

Continuity Script, Dialogue and Cue Sheets, if available and if requested by Licensee.

Plot synopsis or general description, which synopsis or description shall include the running time of the Program, if available and if requested by Licensee.

Statement of credits, including excerpts from the relevant contracts of all of Licensor's obligations to accord credit on the screen, in advertising and otherwise; and such excerpts concerning any restrictions on use of name and/or likeness, if requested by Licensee.

Video Action Sports
211 Tank Farm Rd.
San Luis Obispo, CA 93401
Phone: (805) 543-4812
Fax: (805) 541-8544

Established in 1988

LICENSE AGREEMENT

Date: November 15, 2002

Cesar Chatel, President
Rebel Crew Films, Inc.
369 S. Doheny Drive, Suite 257
Beverly Hills, CA 90211
Phone: 800.503.6101 Fax: 310.551.1036 E-mail: rebelcrewfilms@earthlink.net

The following constitutes our agreement ("**Agreement**") with respect to sales and distribution of the REBEL CREW FILMS ("**Producer**") home video production, presently entitled "*SANTO: EL ENMASCARADO DE PLATA 'INFRATERRESTRE'*" (the "**Program**"):

1. Payment
VAS Entertainment/Rise Above Entertainment ("**VAS/RA**") agrees to pay Producer a 50% royalty on the Gross Sales less Duplication Costs for each unit of the Program sold. "Gross Sales" shall include all revenue received by VAS/RA in sales of the Program, adjusted for returns and bad debt write-offs. "Duplication Costs" shall include the cost of duplication and packaging of each unit of the Program, and is estimated to be $1.66 for each video/DVD manufactured. Royalty payments shall be paid sixty (60) days following the end of the month in which the sale, return, or bad debt write-off was made. Any royalty payments of less than $50 shall be carried over and added to the next payment due. VAS/RA will provide a computer-generated report monthly, listing all sales with source and royalty amount due. After royalty payment amounts due fall below $50 per month on a consistent basis, royalty payment plan will be transferred to quarterly payment plan, whereas VAS/RA will provide Producer a computer-generated report quarterly listing all sales with source and royalty amount due. The U.S. suggested retail price for the Program will be set at $14.95 VHS and $19.95 DVD and the U.S. dealer price at $5.98 VHS and $7.98 DVD (60% discount from the suggested retail price), although VAS/RA may sell at a lower dealer price for special promotions or to increase sales. International and mainstream pricing may be lower. DVD EXAMPLE: At the U.S. dealer price of $7.98, Producer would receive as follows: $7.98 ***(dealer price)*** less $1.66 ***(estimated dup. cost)*** = $6.32 x 50% ***(royalty percentage)*** = $3.16.

2. Rights Granted
Producer hereby grants VAS/RA the ***exclusive worldwide*** *(a list of retailers is included in Exhibit A attached hereto and incorporated herein by this reference)* right, license and privilege to duplicate, manufacture and distribute copies of the Program for "home video" use, including, but not limited to video, DVD, VCD, web streaming, and in all similar "home video" mediums invented or not yet invented; provided, however, Producer reserves for itself the worldwide non-exclusive right to sell the Program into the core market (i.e. independently owned video retailers) and may purchase videos/DVDs from VAS/RA for this purpose at the cost of $0.50 (fifty cents) over VAS/RA's duplication costs; provided, however no royalties shall be payable to Producer from VAS/RA on any such purchases made by Producer. The VAS/RA release date for Program is scheduled for **March 2003** (the "**Release Date**"). Failure to release the Program on such date may result in loss of sales. Producer further grants to VAS/RA the right to advertise, exploit, manufacture, sub-license, sell, promote and market the Program for a period of **three (3)** years commencing from the signature date of this contract (the "**Term**"). At the end of the Term, VAS/RA and Producer may either cancel this agreement or renegotiate new terms. If neither party notifies the other party at least sixty (60) days prior to the end of the Term of a different intent then this Agreement will automatically be renewed, with the royalty rate staying at the rate detailed above in Section 1 (Payment) for one-year terms in perpetuity. Both parties shall possess the non-exclusive right to sub-license clips of the Program as "stock footage", subject to any restriction to such rights as contained in the agreement between Producer and the copyright proprietor of the Program, and the parties shall equally share, on

JR C.C.
VAS Initial RCF Initial

a 50/50 basis, the revenues received by the parties from such "stock footage" licensing. The parties further agree to equally share, on a 50/50 basis, all sponsorship revenues received by the parties from third-party sponsors and/or endorsers of the Program.

3. DVD Authoring
VAS/RA agrees to author the DVD version of the Program for Producer at no charge as a contribution to the project; provided, however, if the DVD version of the Program requires multilanguage or sub-title sections / elements, it is understood that such cost will be shared equally between VAS/RA and Producer. DVD authoring may include: the original Program, bonus features, links to sponsors, trailers for other titles and other content related to the Program. VAS/RA shall have the right, at its discretion, to stop all production and return all content to Producer if there is an unreasonable amount of changes or other interruptions by Producer in the DVD authoring process. VAS/RA will produce a DLT master for the replication process. VAS/RA is under no obligation to complete this DVD authoring if there are any delays by Producer in providing original content, bonus footage and/or any other agreed upon content. Producer will provide the original content, bonus footage and any other graphics no later than **January 1, 2003**. All DVD content shall remain the property of Producer and Producer warrants the content as provided in Section 12 (Indemnity). A Rise Above logo and commercial will be included in the Program and will be at the discretion of VAS/RA with meaningful consultation with Producer.

4. Reserve
For the first six (6) months following the Release Date, VAS/RA will hold twenty-five percent (25%) of the monthly royalties in reserve and will hold a fifty percent (50%) reserve for all mass retailers (i.e. Target, Walmart) to offset potential returns. Any reserve amount not offset by returns during this period will be paid to Producer six months after the accounting period in which the reserve was held. For example, for sales generated during the month of March 2003 said reserve will be paid back to Producer in September 2003.

5. Market Development: Mainstream
The parties acknowledge and agree that an entity purchasing copies of the Program (a "**Purchaser**") may request that VAS/RA contribute monies toward a marketing development fund ("**MDF**"), which the Purchaser will use toward the sale and/or promotion of sales of the Program. The parties agree to share equally, on a 50/50 basis, the costs of any MDF that are attributable to the sale or promotion of the Program, and Producer acknowledges that the costs associated with a MDF may be payable either in the form of (a) an advance payment by VAS/RA to the Purchaser or (b) a per-unit reduction in price on the sales invoice to the Purchaser. In the event the costs associated with a MDF transaction are required to be paid in advance, Producer's 50% share of such cost will be deducted from royalties otherwise payable to Producer in the accounting period during which such MDF costs were advanced by VAS/RA. Producer will be provided with appropriate documentation of all MDF transactions.

6. Direct Response
In the event VAS/RA launches a direct response ("**DR**") marketing and sales campaign for the Program, VAS/RA shall consult meaningfully with Producer regarding the manner in which VAS/RA markets and sells the Program in such DR campaign. VAS/RA shall be responsible for creating any and all DR materials of Program and will pay for such. All revenues generated from said DR campaign will go towards recoupment of all DR materials and any media buy related expenses before any royalties are paid to Producer.

7. Master Tapes
Producer will produce and deliver a BetaSP, DV, or Digital Beta duplication master for the Program (the "**Master**") to: VIDEO ACTION SPORTS, ATTN: Desiree McLin, 211 Tank Farm Road, San Luis Obispo, CA 93401, at its sole cost and expense. The master must be clearly labeled with the title of the Program and running time. In addition, Producer agrees to send VAS/RA a trailer or opening segment (no more than five minutes in length) of the Program (the "**Trailer**") to VAS/RA on DVCAM mini or DV SP (no DVC Pro) for use in promotion of the Program. The Trailer should be a PG-rating with no questionable content (i.e. nudity, vulgar language/behavior, etc.). Producer agrees to complete delivery of the Master and Trailer to VAS/RA no later than **January 1, 2003** (the "**Delivery Date**"). Failure to meet said Program deadlines might result in loss of sales of the Program.

8. Program Packaging
Producer shall send all video and/or DVD packaging artwork to VAS/RA. VAS/RA must approve all packaging artwork prior to production, such approval not to be unreasonably withheld. The VAS/RA logo(s), phone number, fax number, and web address must appear on the back of the packaging, along with a UPC code in the upper right hand corner as per industry standards. If Producer does not have the ability to create a UPC code, then

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VAS Initial

C.C.
RCF Initial

VAS/RA will supply one free of charge. VAS/RA will produce final art film and send it to the printer for packaging manufacture. The cost of packaging manufacture will be included in the Duplication Costs set forth above, and will not be deducted separately from Producer's royalties. Artwork is due at VAS/RA no later than **December 1, 2002**. Failure to meet said Program deadlines might result in loss of sales of the Program.

9. Music Rights
Producer warrants that the music used in the Program has been officially licensed for use in the Program. Producer understands that it is Producer's sole responsibility to secure rights for all music used in the Program, and agrees to indemnify and hold harmless VAS/RA and its agents and representatives from and against any and all liability, loss, damage, cost and expense (including attorney's fees) arising out of or relating to any use by Producer of uncleared music. VAS/RA agrees to use the music only in conjunction with the Program. Producer is required to complete a music cue sheet supplied by VAS/RA (attached).

10. International Sales
Videos sold through sub-distributors internationally may be subject to mechanical reproduction rights fees regarding the music included in the Program. These fees will be deducted from royalties paid on sales subject to these fees. For all countries that require a mechanical reproduction music royalty to be paid, there will be a deduction of 2.63%, which will lower the royalty rate to 47.37% from the 50% outlined in Section 1 per unit of the Program sold.

11. Performance
Producer hereby agrees that the Program will be of professional quality and will be a minimum of fifty (**50**) minutes long.

12. Indemnity
Producer hereby warrants that it has full power and authority to grant the rights set forth in this agreement to VAS/RA, that the rights have not been granted to any other party ***and that the Program does not infringe upon the copyright or other rights of any other party.*** Producer agrees to indemnify and hold harmless VAS/RA and its agents and representatives from and against any and all liability, loss, damage, cost and expense (including attorney's fees) arising out of or relating to the content or perceived content of the Program, or any breach or alleged breach by Producer of any warranty or representation contained herein, except to the extent of any materials inserted into the Program by VAS/RA.

13. Right of First Refusal
VAS/RA shall have first right of refusal on future programs produced by Producer regarding the same subject matter as contained in the Program, based on the terms outlined in this Agreement. Producer agrees to give VAS/RA at least forty-five (45) days written notice of Producer's intended release of such new programs. Producer agrees to provide VAS/RA with a screening tape and give VAS/RA seven (7) days to make a competitive offer for rights to the new program. Any programs produced by Producer as work for hire for a third party is not included in this agreement, only programs to be marketed through retail stores.

14. Audit
Upon fourteen (14) days' written notice from Producer, VAS/RA will permit an independent auditor selected by Producer to review the books and records that specifically relate to VAS/RA sales of the Program, and any calculations of royalties pursuant to this agreement. The parties agree, however, that such inspections shall only take place during normal business hours at the premises of VAS/RA, and shall not occur more than once in a 12-month period; provided, however, in the event an audit reveals a discrepancy of at least five percent (5%) in Producer's favor, then Producer shall have the right, but not the obligation, to conduct an audit of VAS/RA's books of accounting each accounting period until such time as no such discrepancy is shown for three (3) consecutive accounting periods.

15. Jurisdiction
This contract shall be construed and enforced in accordance with, and the laws of the county of Los Angeles, in the state of California, USA, shall govern the rights of the parties. Each party adjourns to the jurisdiction of the courts of California.

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C.C. — RCF Initial

16. Good Intentions
Both VAS/RA and Producer hereby state their good intentions towards starting and maintaining a profitable business relationship. Should any difficulties or alleged breach of contract arise, each party agrees to make a good faith effort to resolve it through sincere dialogue with the other party.

17. Counterparts; Facsimile Signatures:
The parties may execute counterparts of this Agreement. Once all counterparts have been signed by all parties hereto, this Agreement shall be fully effective and binding on the parties as if a single copy of this document had been executed by all parties hereto. Facsimile signatures shall be binding the same as if they were original signatures.

18. Entire Agreement
This Agreement contains the entire understanding between the parties on the subject matter contained herein, and supersedes all prior and contemporaneous agreements on such subject matter. This Agreement may not be amended except by a written document signed by both parties

Our signatures below indicate our APPROVAL and ACCEPTANCE of the above.

("VAS/RA")
VAS ENTERTAINMENT/
RISE ABOVE ENTERTAINMENT

BY: Jeff Reynolds
Jeff Reynolds, President

Date: 11/19/02

("Producer")

REBEL CREW FILMS, INC,

BY: Cesar Chatel
Cesar Chatel, its President

Date: 11/15/02

211 Tank Farm Road
San Luis Obispo, CA 93401
Phone: (805) 543-4812
Fax: (805) 541-8544
www.videoactionsports.com

Established in 1988

LICENSE AGREEMENT

December 31, 2002

Cesar Chatel
Rebel Crew Films, Inc.
1800 Century Park East, Suite 400
Los Angeles, CA 90067
800.503.6101 Fax: 310.551.1036 E-mail: rebelcrewfilms@earthlink.net

The following constitutes our agreement (the "**Agreement**") with respect to the sales and distribution by VAS ENTERTAINMENT/RISE ABOVE ENTERTAINMENT ("**VAS/RA**")of the REBEL CREW FILMS ("**Producer**") series of home video productions listed on Exhibit "A" attached hereto and incorporated herein by this reference (collectively, the "**Santo Programs**"):

1. Payment
VAS/RA agrees to pay Producer a 50% royalty on the Gross Revenues less Duplication Costs for each unit of each of the Santo Programs sold, subject to the adjustments and holdbacks set forth in this Agreement. As used in this Agreement, the term "**Gross Revenue**" shall mean all revenue received or credited to the account of VAS/RA in sales and/or distribution of the Santo Programs. As used in this Agreement, the term "**Duplication Costs**" shall include the cost of duplication and packaging of each unit of the Santo Programs, and is agreed to be the amount shown on Exhibit "B", attached hereto and incorporated herein by this reference, for each video/DVD manufactured under this Agreement. Royalty payments shall be paid sixty (60) days following the end of the month in which the sale was made, and any adjustments for returns or bad debt write off occurring within such period shall be made for each such royalty payment. Any royalty payments of less than $50 shall be carried over and added to the next payment due. VAS/RA will provide a computer-generated report monthly, listing all sales with source and royalty amount due. In the event royalty payment amounts due fall below $50 per month for more than two (2) consecutive months, royalty payments will be made quarterly thereafter, and VAS/RA will provide Producer a computer-generated report quarterly listing all sales with source and royalty amount due. The U.S. suggested retail price will be $14.95 (VHS) and $19.95 (DVD) with the U.S. dealer price being $5.98 (VHS) and $7.98 (DVD) (a 60% discount from the retail price), although VAS/RA may sell at a lower dealer price for special promotions or to increase sales. International and mass market pricing may be lower. DVD EXAMPLE: At the U.S. dealer price of $7.98, Producer would receive as follows: $7.98 ***(dealer price)*** less $1.75 ***(agreed dup. cost)*** = $6.23 x 50% ***(royalty percentage)*** = $3.11.

2. Advance
As consideration for the rights and exclusivity granted to VAS/RA, VAS/RA agrees to provide to Producer, for purposes of paying advance distribution fees for the Santo Programs, an amount equal to the sum of Fifty Thousand Dollars ($50,000) (the "**Advance**") as an advance recoupable against royalty payments payable to Producer under this Agreement. VAS/RA will retain for itself all royalty payments for the Santo Programs otherwise payable to Producer until such time as VAS/RA has recouped the Advance. Once VAS/RA has recouped the Advance, royalty payments shall thereafter be paid to Producer as set forth above in Section 1. The parties further agree that there shall be no cross-collateralization for the recoupment of the Advance from any other revenues or royalties payable to Producer under the terms of any other agreement(s) between the parties; provided, however, in the event the release of the Santo Programs is materially delayed due to Producer's inability to deliver materials as set forth below, VAS/RA may retain for itself royalties otherwise payable to Producer under the terms of previous agreements between the parties to enable VAS/RA to recoup any outstanding balance of the Advance not yet recouped.

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3. Rights Granted

Producer hereby grants VAS/RA the ***exclusive worldwide (excluding Mexico)*** right, license and privilege to duplicate, manufacture and distribute copies of each of the Santo Programs for "home video" use, including, but not limited to video, VHS, DVD, VCD, and in all similar "home video" mediums invented or not yet invented (the "**Rights**"); provided, however, Producer reserves for itself the worldwide non-exclusive right to sell the Santo Programs into the core market (i.e. independently owned video retailers) (the "**Reserved Rights**"). The Rights granted to VAS/RA shall include the right to advertise, exploit, manufacture, sub-license, sell, promote and market the Santo Programs for a period of **five (5)** years commencing from the date first written above (the "**Term**"). At least sixty (60) days prior to the end of the Term, either party may provide notice to the other of its intent to (a) renew this Agreement on terms negotiated at such time, or (b) terminate this Agreement as of the end of the Term. If neither party has provided such notice to the other, this Agreement shall be automatically renewed for successive one-year terms, on all of the same terms and conditions as appear in this Agreement, unless either party notifies the other at least sixty (60) days prior to the end of any such extended term of its intent to terminate the Agreement. For purposes of exercising the Reserved Rights, Producer shall have the right, but not the obligation, to purchase copies of the Santo Programs from VAS/RA at the Duplication Cost set forth in Exhibit "B"; provided, however no royalties shall be payable to Producer from VAS/RA on any such purchases made by Producer. Producer may do promotional efforts for the Program, which can include word of mouth as well as contact magazines for purposes of having articles and reviews written. Both parties shall possess the non-exclusive right to sub-license clips of the Santo Programs as "stock footage", subject to any restriction to such rights as contained in the agreements between Producer and the copyright proprietors of the Santo Programs, and the parties shall equally share, on a 50/50 basis, the revenues received by the parties from such "stock footage" licensing. The parties acknowledge that VAS/RA has developed a distribution network for the Santo Programs, and Producer agrees not to interfere with such distribution network in exercising the Reserved Rights. The release date for the Santo Programs is tentatively scheduled for the first trimester of 2003 (the "**Release Date**").

4. DVD Authoring

VAS/RA agrees to provide to Producer reasonable authoring services for the DVD version of each Santo Program at the rate of $2,500 per Santo Program (the "**DVD Authoring Fee**"). The DVD Authoring Fee shall be recoupable from the royalties otherwise payable to Producer under this Agreement, and shall be recouped in accordance to the terms above regarding recoupment of the Advance. DVD authoring may include: encoding the original Program into DVD format, creating menus, bonus features, music videos, links to sponsors, trailers for other titles and other content related content to the Santo Programs. VAS/RA, at its discretion, has the right to stop all DVD production and return all Santo Program content to Producer if there is an unreasonable and material amount of changes or other interruptions caused by Producer. VAS/RA will produce a DLT master for the replication process. VAS/RA is under no obligation to complete this DVD authoring if there are any material delays in providing original content, bonus footage and/or any other agreed upon content. Producer will deliver to VAS/RA the original content, bonus footage and any other graphics no later than **January 15, 2003**. Failure to meet this deadline may result in loss of sales, and will result in the royalty deductions set forth below. All DVD content shall remain the property of Producer.

5. Reserve

For the first six (6) months after the mainstream street-date release by VAS/RA of the Santo Programs, VAS/RA will hold twenty-five percent (25%) of the monthly royalties due to Producer in reserve to offset potential returns. Any reserve amount not offset by returns during this period will be paid to Producer six months after the accounting period in which the reserve was held. For example, for sales generated during the month of March 2003 the royalties held in reserve for such month will be paid to Producer in September 2003. Correspondingly, if the royalties paid or payable to Producer on items which are subsequently returned exceeds the amount of the reserve at the end of the six-month period, or at any time thereafter, Producer agrees to promptly reimburse VAS/RA for such excess within ten (10) days of notification from VAS/RA.

6. Market Development: Mainstream

The parties acknowledge and agree that an entity purchasing copies of the Santo Programs (a "**Purchaser**") may request that VAS/RA contribute monies toward a marketing development fund ("**MDF**"), which the Purchaser will use toward the sale and/or promotion of sales of the Santo Programs. The parties agree to share equally, on a 50/50 basis, the costs of any MDF that are attributable to the sale or promotion of the Santo Programs, and Producer acknowledges that the costs associated with a MDF may be payable either in the form of (a) an

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advance payment by VAS/RA to the Purchaser or (b) a per-unit reduction in price on the sales invoice to the Purchaser. In the event the costs associated with a MDF transaction are required to be paid in advance, Producer's 50% share of such cost will be deducted from royalties otherwise payable to Producer in the accounting period during which such MDF costs were advanced by VAS/RA. Producer will be provided with appropriate documentation of all MDF transactions.

7. Direct Response
In the event VAS/RA launches a direct response marketing and sales campaign ("**DR**") for the Santo Programs, VAS/RA shall consult meaningfully with Producer regarding the manner in which VAS/RA markets and sells the Santo Programs in such DR campaign. VAS/RA shall be responsible for creating any and all DR materials of Program and will pay for such. All revenues generated from said DR campaign will go towards recoupment of all DR materials and any media buy related expenses before any royalties are paid to Producer.

8. Master Tapes
Producer will produce and deliver a BetaSP, DV, or Digital Beta duplication master (the "**Master**")for each of the Santo Programs to: VIDEO ACTION SPORTS, ATTN: Desiree McLin, 211 Tank Farm Road, San Luis Obispo, CA 93401, at its sole cost and expense. Each Master must be clearly labeled with the title and running time of the Santo Program contained thereon. In addition, Producer agrees to deliver to VAS/RA a trailer or opening segment (no more than five minutes in length) of each Santo Program (each, a "**Trailer**")on DVCAM mini or DV SP (not DVC Pro) for use in promotion of the Santo Programs. Each Trailer should have content no more explicit than what would receive a "PG" rating with no questionable content (i.e. nudity, vulgar language/behavior, etc.). Producer agrees to deliver to VAS/RA all Masters, DVD bonus footage outline and DVD bonus footage for each Santo Program no later than **January 15, 2003**.

9. Program Packaging
Producer shall send all video and/or DVD packaging artwork is to be sent to VAS/RA. VAS/RA must approve all packaging artwork prior to production, such approval not to be unreasonably withheld. The VAS/RA logo(s), phone number, fax number, and web address must appear on the back of the packaging, along with a UPC code in the upper right hand corner as per industry standards. If Producer does not have the ability to create a UPC code, then VAS/RA will supply one free of charge. VAS/RA will produce final art film and send it to the printer for packaging manufacture. The cost of packaging manufacture shall be included in the Duplication Costs, and will not be deducted separately from royalties payable to Producer.

10. Delivery Deadline
The parties acknowledge that a material failure by Producer to meet the delivery deadlines set forth in this Agreement may result in loss of sales of the Santo Programs and damages to VAS/RA which are extremely difficult to calculate. As a result, the parties agree that if final Masters, DVD bonus footage outline, DVD bonus footage, and packaging artwork for each Santo Program is not received by VAS/RA by **January 15, 2003**, the royalty rate payable to Producer under this Agreement will be reduced by 1%, and by an additional 1% per week for every week thereafter that the final Masters are not received, up to a maximum of 10% reduction. In addition, VAS/RA shall have the option to terminate this Agreement without any further obligation in the event that: (a) the final Masters are not received by **February 28, 2003**, or (b) the packaging artwork is not received by **January 30, 2003**.

11. Music Rights
Producer warrants that the music used in each Santo Program has been officially licensed for use in the applicable Santo Program. Producer understands that it is Producer's sole responsibility to secure rights for all music used in the Santo Programs, and agrees to indemnify and hold harmless VAS/RA and its officers, agents and representatives from and against any and all liability, loss, damage, cost and expense (including reasonable attorney's fees) arising out of or relating to the use by Producer of music for which licensing rights have not been fully acquired. VAS/RA agrees to use the music contained in the Santo Programs only in context and in conjunction with the marketing and distribution of the Santo Programs. Producer shall complete a music cue sheet supplied by VAS/RA (in the form attached), and VAS/RA shall have no obligations to perform this Agreement until such music cue sheet has been supplied to VAS/RA.

TC C.C.
VAS/RA Initial CC Initial

12. International Sales

Copies of the Santo Programs sold through sub-distributors internationally may be subject to mechanical reproduction rights fees regarding the music included in the Santo Programs. Such fees will be deducted from royalties paid on sales subject to these fees. For all countries that require a mechanical reproduction rights fee to be paid, there will be a deduction of 2.63%, which will lower the royalty rate to 47.37% from the 50% set forth above per each unit of each Santo Program sold into such territories.

13. Performance

Producer hereby agrees that each Santo Program will be of professional quality and will be a minimum of **30** minutes long.

14.Representations and Warranties; Indemnity

a. Producer hereby warrants that it has full power and authority to grant to VAS/RA the Rights set forth in this Agreement, that the Rights have not been granted by Producer to any other party ***and that the Product does not infringe upon the copyright or other rights of any other party***. Producer further warrants that the content of each Santo Program does not contain any material which contains illegal activity or may be considered excessively violent, vulgar or sexual in nature, including nudity or graphic violence, other than as specifically described by Producer to VAS/RA in advance, in writing. In the event of a material breach by Producer of the warranties contained in this provision, or a discovery by VAS/RA of sexual or violent content in a Santo Program that was not disclosed by Producer, VAS/RA shall have the option to edit out any materials deemed inappropriate by VAS/RA prior to further distribution of the subject Santo Program. Producer agrees to indemnify and hold harmless VAS/RA and its agents and representatives from and against any and all liability, loss, damage, cost and expense (including reasonable attorney's fees) arising out of or relating to the content or perceived content of the Program, or any breach or alleged breach by Producer of any warranty or representation contained herein, except to the extent of any materials inserted into the Program by VAS/RA.

b. VAS/RA hereby warrants and represents that it has the full right, power and authority to enter into this Agreement, to grant the rights granted herein, and to perform and fulfill all of the obligations to be rendered and satisfied by it hereunder, and that there are no claims, facts or circumstances existing or pending which would prevent its full performance of its obligations under this Agreement. VAS/RA agrees to indemnify and hold Promoter, its officers, partners, agents, employees, affiliates, subdistributors and licensees, and their respective officers, directors, agents, and employees, harmless from any and all third-party claims, damages, liabilities, costs and expenses (including reasonable attorneys' fees and costs), relating to or arising out of any breach, or alleged breach, of: (i) any representation, warranty, covenant or agreement made by VAS/RA in this Agreement and/or (ii) arising from VAS/RA's distribution and/or exploitation of the Santo Programs.

15. Right of First Refusal

During the Term of this Agreement, Producer agrees to provide VAS/RA with the first right to make a competitive bid on future home video programs produced, owned or controlled by Producer, and to negotiate in good faith with VAS/RA for the terms of a license agreement for such programs. In accordance therewith, Producer agrees to give VAS/RA at least forty-five (45) days' written notice of Producer's intended release of new programs. Producer agrees to provide VAS/RA with a screening tape and give VAS/RA seven (7) days to make a competitive offer for rights to such new program. Production work for hire is not included in this agreement, only programs to be marketed through retail stores. In the event that VAS/RA and Producer are unable to agree on the terms of a license agreement for a new program, Producer agrees to provide VAS/RA with the terms of any offer for distribution of the Program from third parties, after which VAS/RA shall have ten days from receipt of such notice to match such terms, in which case Producer agrees to enter into a license agreement with VAS/RA for the new program on such terms. In the event that VAS/RA does not exercise this right of first refusal within the ten-day period, Producer shall have the right to enter into an agreement with a third party on terms no less favorable to Producer as stated in the notice.

16. Accounting; Audit

a. VAS/RA shall keep and maintain complete detailed, permanent, true and accurate books of account and records relating to the Units of manufacture, distribution and exploitation of each Santo Program, including, but not limited to, detailed collections and sales by country and/or buyer, detailed billings thereon, and detailed records of MDF expenses that have been deducted from collections received from the distribution and exploitation of each Santo Program. Producer shall be entitled to engage an

VAS/RA Initial CC Initial

independent third-party auditor to audit VAS/RA's books and records relating to the Santo Programs, at Producer's sole expense, no more than once per annum, at VAS/RA's offices during regular business hours, upon fourteen (14) days' written notice. In the event an audit of VAS/RA's books and records proves a discrepancy of more than Five percent (5%) of Gross Revenues., Producer shall be entitled to reimbursement of incurred accounting fees and to audit each subsequent accounting statement in accordance with the terms of this paragraph until such time as VAS/RA's books and records are found to be accurate for four (4) consecutive accounting periods.

17. Settlement of Disputes

If a dispute or controversy arises between the parties relating to this agreement, the parties agree that a meeting will be held promptly between the parties attended by individuals with decision-making authority to attempt in good faith to negotiate a resolution to the dispute. If either party intends to be accompanied at a meeting by an attorney, the other party will be given at least three (3) business days' notice of such intention, and that party may also be accompanied by an attorney. All negotiations pursuant to this Section 14(a) are confidential, and will be treated as compromise and settlement negotiations for purposes of California or Federal Rules of Evidence.

18. Jurisdiction

This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of California applicable to contracts executed and to be performed entirely therein. Each of the parties hereto irrevocably agrees that the state court located in the County of Santa Barbara, California, shall have exclusive jurisdiction over any suit or other proceeding arising out of or based upon this Agreement, and each hereby waives any claim that it is not subject personally to the jurisdiction of said courts or that any such suit or other proceeding is brought in an inconvenient forum or improper venue.

19. Severability

Should any provision of this Agreement be deemed void or unenforceable by a court of competent jurisdiction, such provision shall be deemed severed and this Agreement with such provision severed shall remain in full force and effect to the extent permitted by law.

20. Assignment

This Agreement shall be binding upon and will inure to the benefit of the parties hereto and their respective successors and assigns.

21. Counterparts; Facsimile Signatures

The parties may execute counterparts of this Agreement. Once all counterparts have been signed by all parties hereto, this Agreement shall be fully effective and binding on the parties as if a single copy of this document had been executed by all parties hereto. Facsimile signatures shall be binding the same as if they were original signatures.

22. Entire Agreement

This Agreement, including the Exhibits attached hereto, is intended by the parties as the final and complete expression of their agreement and understanding with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, whether written or oral, between the parties with respect to the subject matter hereto. This agreement may be amended or modified only by a written agreement of the parties which expressly refers to this Agreement and specifically states that it is intended to amend or modify it.

VAS/RA Initial C.C. CC Initial

Our signatures below indicate our APPROVAL and ACCEPTANCE of the above Agreement:

("VAS/RA")
VIDEO ACTION SPORTS, INC.

BY: _____
Jeff Reynolds, President

("Producer)
REBEL CREW FILMS, Inc.

BY: _____
Cesar Chatel, its President

BY: _____
Robert Arevalo, its CEO

VAS/RA.licenseagr.master.cln
REV. 121902 RAR

JR / C.C.
VAS/RA Initial CC Initial

211 Tank Farm Road
San Luis Obispo, CA 93401
Phone: (805) 543-4812
Fax: (805) 541-8544
www.videoactionsports.com

Established in 1988

TITLE LISTING ADDENDUM
EXHIBIT A

The following list comprises the Santo Programs:

1. "SANTO EN LA VENGANZA DE LA MOMIA"
2. "SANTO CONTRA LA HIJA DE FRANKENSTEIN"
3. "SANTO CONTRA LOS JINETES DEL TERROR"
4. "SANTO EN EL TESORO DE DRACULA"
5. "SANTO Y BLUE DEMON CONTRA DRACULA Y EL HOMBRE LOBO"
6. "SANTO Y BLUE DEMON CONTRA EL DR. FRANKENSTEIN"
7. "SANTO Y MANTEQUILLA NAPOLES EN LA VENGANZA DE LA LLORONA"
8. "SANTO EN LA FRONTERA DEL TERROR"
9. "SANTO CONTRA EL ASESINO DE TELEVISION"
10. "EL HIJO DEL SANTO EN LA FRONTERA SIN LEY"
11. "EL HIJO DEL SANTO Y CHANOC CONTRA LOS VAMPIROS ASESINOS"
12. "BLUE DEMON CONTRA LAS DIOBOLICAS"
13. "BLUE DEMON CONTRA CEREBROS INFERNALES"
14. "BLUE DEMON CONTRA LAS INVASORAS"
15. "EL GATO NEGRO"
16. "LOS HIJOS DEL RANCHO GRANDE"

211 Tank Farm Road
San Luis Obispo, CA 93401
Phone: (805) 543-4812
Fax: (805) 541-8544
www.videoactionsports.com

Established in 1988

LICENSE AGREEMENT ADDENDUM
EXHIBIT B

The following constitutes the agreed Duplication Costs for the series of home video productions referred to as the Santo Programs, based on the *completed* length of each Santo Program, which has yet to be determined:

VHS Duplication:

30 minutes or less: $1.45
31 to 60 minutes: $1.60
61 to 82 minutes: $2.00
83 to 90 minutes: $2.15

DVD Duplication:

DVD-5: $1.45
DVD-9: $1.75

***MATERIALS*:**

It is Producer's responsibility to supply the following materials for each Santo Program referenced in Exhibit A, within 7 working days of allocation of the Advance:

1. Complete Beta master of each Santo Program
2. Original sleeve artwork in a digital format for sleeve/insert production purposes
3. Complete description/synopsis of each Santo Program including list of actors/actresses

Our signatures below indicate our APPROVAL and ACCEPTANCE of the above.

("VAS/RA")
VAS ENTERTAINMENT/
RISE ABOVE ENTERTAINMENT

BY: _____
Jeff Reynolds, President

("Producer")

REBEL CREW FILMS, INC,

BY: _____
Cesar Chatel, its President

BY: _____
Robert Arevalo, its CEO

VAS ENTERTAINMENT
Mainstream Customers
Exhibit C

WHOLESALE

Alliance
Anchor Bay
Anderson Distribution
Arc Distributors
Arrow Distribution
Bayside Distribution
Baker & Taylor
Gonzales
Ingram Entertainment
Major Video Concepts
Music Merchants
Music People
Norwalk Distributors
Paulstarr Distribution
S & J Distributors
Southwest Wholesalers
Universal One Stop
Valley Media
Video Products Dist.
Wax Works

RETAIL

AAFES (Army/Air Force)
American Stores
Ames
As Seen On TV Stores
Babbage's
Best Buy
Blockbuster Corp.
Blockbuster Pacific
Border's Books
Circuit City
Coconuts, Specs, DJ, Sat. Mat
Electronics Boutique
EURPAC
Fred Meyer
Fry's Electronics
Hasting's Books, Music & Videos
Hollywood Entertainment
J & R Music
Kmart
Leisure Entertaiment
Midwest Entertainment
Movie Gallery
Musicland Entertainment Group
Serendipity
Southern Stores
Summit Service/Meijers
Target
The Wiz
Tower Video
Transworld (Camelot, Record Town)
Video City
Virgin Stores
Walmart
Wherehouse

CATALOG

Book of the Month Club
Collage Video Catalog
Critics Choice
Diamond Comics
Doubleday Direct
Library Video
Movies Unlimited
PBS Catalog
Playboy Catalog
Publishers Clearinghouse
Reader's Digest
Rivertown Trading Co.

INTERNET

Amazon.com
Auction-sales.com
BarnesandNoble.com
BigStar.com
Borders.com
Buy.com
DVDExpress.com
DVDEmpire.com
Enternet.com
Reel.com
theSource.com

INTERNATIONAL

Europe/UK
Australia
Japan
Canada

CLUB

Costco
B.J.'s Wholesale
Sam's Club

Producer's Signature: _____

Date: 1/02/03

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

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 29, 2005

Digicorp
(Exact name of registrant as specified in its charter)

Utah	000-33067	87-0398271
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

4143 Glencoe Avenue, Marina Del Rey, CA 90292
(Address of principal executive offices) (zip code)

(310) 728-1450
(Registrant's telephone number, including area code)

100 Wilshire Blvd., Ste. 1750, Santa Monica, CA 90401
(Former name or former address, if changed since last report)

Copies to:
Marc J. Ross, Esq.
Sichenzia Ross Friedman Ference LLP
1065 Avenue of the Americas
New York, New York 10018
Phone: (212) 930-9700
Fax: (212) 930-9725

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

This Current Report responds to the following items on Form 8-K:

Item 1.01 Entry into a Material Definitive Agreement.
Item 2.01 Completion of Acquisition or Disposition of Assets.
Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant. Item 3.02 Unregistered Sales of Equity Securities.
Item 5.01 Changes in Control of Registrant.
Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.
Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.
Item 5.06 Change in Shell Company Status.
Item 9.01 Financial Statements and Exhibits.

ENTRY IN A MATERIAL DEFINITIVE AGREEMENT; COMPLETION OF ACQUISITION OF ASSETS; CREATION OF A DIRECT FINANCIAL OBLIGATION; UNREGISTERED SALES OF EQUITY SECURITIES; CHANGE IN CONTROL OF REGISTRANT; CHANGE IN FISCAL YEAR; CHANGE IN SHELL COMPANY STATUS

In a Form 8-K of Digicorp (the "Company") dated December 20, 2005, the Company reported that it entered into a Stock Purchase Agreement to acquire (the "Acquisition") all of the issued and outstanding capital stock of Rebel Crew Films, Inc. a California corporation ("Rebel Crew Films"). On December 29, 2005, the transaction closed and the Company completed the acquisition of Rebel Crew Films. In connection with the Acquisition, the Company changed its fiscal year from June 30 to December 31.

The Company issued 21,207,080 shares of common stock (the "Purchase Price") to the shareholders of Rebel Crew Films as compensation for the issued and outstanding capital stock of Rebel Crew Films. From the Purchase Price, 4,000,000 shares are held in escrow pending satisfaction of certain performance milestones. In addition, from the Purchase Price, 16,666,667 shares are subject to lock up agreements as follows: (a) 3,333,333 shares are subject to lockup agreements for one year; (b) 6,666,667 shares are subject to lockup agreements for two years; and (c) 6,666,667 shares, of which the 4,000,000 escrowed shares are a component, are subject to lockup agreements for three years. The issuance of the foregoing shares of common stock was exempt from registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 promulgated thereunder.

In addition, on December 29, 2005 the Company entered into a Securities Purchase Agreement with one of the shareholders of Rebel Crew Films, Rebel Holdings, LLC, pursuant to which the Company purchased a $556,306.53 principal amount loan receivable owed by Rebel Crew Films to Rebel Holdings, LLC in exchange for the issuance of a $556,306.53 principal amount secured convertible note to Rebel Holdings, LLC. The secured convertible note accrues simple

interest at the rate of 4.5%, matures on December 29, 2010 and is secured by all of the Company's assets now owned or hereafter acquired. The secured convertible note is convertible into 500,000 shares of common stock of the Company at the rate of $1.112614 per share. Jay Rifkin, the Company's present Chief Executive Officer and a Director Nominee of the Company, is the sole managing member of Rebel Holdings, LLC. The issuance of the foregoing secured convertible note was exempt from registration requirements pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder.

The Company agreed to prepare and file a registration statement with the Securities and Exchange Commission registering the resale of the shares comprising the Purchase Price and the shares issuable upon conversion of the secured convertible note no later than March 29, 2006.

In connection with the Acquisition, Jay Rifkin and certain other shareholders of the Company entered into a voting agreement authorizing Mr. Rifkin to vote the shares of the Company's common stock owned by such parties to designate or elect a simple majority of the Company's Board of Directors, one of whom will be Mr. Rifkin, and to designate or elect the remaining directors chosen by Milton "Todd" Ault, III, former Chairman and Chief Executive Officer of the Company.

DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS

Effective December 29, 2005, the following persons resigned from the indicated positions as executive officers and/or directors of the Company: (1) William B. Horne, Chief Executive Officer; (2) Kathryn Macenzie Queen, President of Operations; (3) Lynne Silverstein, Secretary and Director; (4) Melanie Glazer, Director and Vice Chairman of the Board of Directors; and (5) Darrell Grimsley, Jr., Director. Ms. Glazer was a member of the Company's Audit Committee at the time of her resignation. No other resigning director was a member of any committee of the Company's Board of Directors at the time he or she resigned.

The Company's Board of Directors appointed Jay Rifkin Chief Executive Officer of the Company effective as of September 30, 2005, which is the date Mr. Rifkin began acting as interim President of the Company.

The Board of Directors also nominated the following directors to fill vacancies created by the resignations of Ms. Silverstein, Ms. Glazer and Mr. Grimsley: Jay Rifkin, Alan Morelli and David M. Kaye. The Company plans to appoint Messrs. Rifkin, Morelli and Kaye to its Board of Directors approximately ten days after the date the Company transmits to all holders of record of the Company's common stock information required by Rule 14f-1 under the Exchange Act, at which time Mr. Rifkin will serve as Chairman of the Company's Board of Directors.

Except as described under "Certain Relationships and Related Transactions" beginning on page 13 of this report, there has been no transaction during the last two years, or any proposed transaction, to which the Company was or is to be a party, and in which any of Messrs. Rifkin, Morelli or Kaye had or is to have a direct or indirect material interest.

Below are the names and certain information regarding the Company's executive officers, directors and director nominees following the Acquisition.

Name	Age	Position
Jay Rifkin	50	Chief Executive Officer, Director Nominee
William B. Horne	37	Chief Financial Officer and Director
Philip Gatch	41	Chief Technology Officer
Alice M. Campbell	55	Director
Alan Morelli	44	Director Nominee
David M. Kaye	51	Director Nominee

Officers are elected annually by the Board of Directors (subject to the terms of any employment agreement), to hold such office until an officer's successor has been duly appointed and qualified, unless an officer sooner dies, resigns or is removed by the Board. Some of the Company's directors, director nominees and executive officers also serve in various capacities with the Company's subsidiaries. There are no family relationships among any of the Company's directors, director nominees and executive officers.

Background of Executive Officers and Directors

Jay Rifkin, Chief Executive Officer and Director Nominee. Effective September 30, 2005, the Board of Directors of the Company appointed Mr. Rifkin interim President of the Company pending closing of the Acquisition. On December 29, 2005, Mr. Rifkin's title was changed to Chief Executive Officer of the Company effective as of September 30, 2005. From 2004 to Present, Mr. Rifkin has been the sole Managing Member of Rebel Holdings, LLC, through which he is also the majority shareholder of Rebel Crew Films, Inc. In 1995, Mr. Rifkin founded Mojo Music, Inc., a music publishing company, and he has been President of Mojo Music, Inc. since it was founded. Mr. Rifkin is Chairman and a founder of Media Revolution, a marketing agency founded in 1977 that has executed marketing campaigns for major Hollywood studios. Mr. Rifkin has served as Producer and Executive Producer on various motion pictures with his most recent production

"Waiting" (Lion's Gate) released on October 7, 2005. Mr. Rifkin is also a music producer, engineer and songwriter. Mr. Rifkin received a Grammy Award for Best Children's Album and an American Music Award for Favorite Pop/Rock Album for his work on Disney's "The Lion King," and received a Tony nomination for "The Lion King" on Broadway. From 1988 to 2004, Mr. Rifkin, through Mojo Music, Inc., served as a Managing Member of Media Ventures, LLC, an entertainment cooperative founded by Mr. Rifkin and composer Hans Zimmer. In 1995, Mr. Rifkin founded Mojo Records, LLC, which in 1996 became a joint venture with Universal Records, and was subsequently sold to Zomba/BMG Records in 2001. Mr. Rifkin also serves as President of Cyberia Holdings, Inc. which is the majority owner of Media Revolution. In 2004, Cyberia Holdings, Inc. filed for bankruptcy under Chapter 7 which cased was dismissed in May 2005.

William B. Horne, Chief Financial Officer and Director. Mr. Horne has been the Company's Chief Financial Officer and a director since July 20, 2005. From September 30, 2005 until December 29, 2005, Mr. Horne also served as the Company's Chief Executive Officer and Chairman of the Company's Board of Directors. Since July 5, 2005, Mr. Horne has been the Chief Financial Officer and a director of Ault Glazer Bodnar & Company, Inc. Since July 5, 2005, Mr. Horne has also been Chief Financial Officer of Patient Safety Technologies, Inc. and its subsidiaries. From May 2002 to April 2005, Mr. Horne held the position of Chief Financial Officer of Alaska Wireless Communications, a privately held advanced cellular communications company. Since January 2002, Mr. Horne has also provided strategic financial consulting services to both private and public companies. From November 1996 to December 2001, Mr. Horne held the position of Chief Financial Officer of The Phoenix Partners, a venture capital limited partnership located in Seattle, Washington.

Philip Gatch, Chief Technology Officer. Mr. Gatch has been the Company's Chief Technology Officer since June 30, 2005. From June 30, 2005 until October 14, 2005, Mr. Gatch was also Chief Technology Officer of Patient Safety Technologies, Inc. Since May 12, 2005, Mr. Gatch has been President and owner of Cinapse Digital Media, LLC, a company that operates a production and post-production media content facility. From September 2003 to June 2005, Mr. Gatch was Director of Technical Services of The DR Group. From February 2002 to April 2003, Mr. Gatch was Director of Research and Development for Media.net. From 1999 to 2002, Mr. Gatch was Director of Research and Development for Digital Entertainment Solutions.

Alice M. Campbell, Director. Ms. Campbell has been a member of the Company's Board of Directors since July 16, 2005. Since June 23, 2005, Ms. Campbell has been a director of IPEX, Inc., a public company quoted on the OTC Bulletin Board. Since October 22, 2004, Ms. Campbell has been a director of Patient Safety Technologies, Inc., a public company listed on the American Stock Exchange. Since 2001, Ms. Campbell has been, and is currently, an investigator and consultant, specializing in research and litigation services, financial investigations and computer forensics, for major companies and law firms throughout the United States. Ms. Campbell is a certified fraud specialist, as well as a certified instructor for the Regional Training Center of the United States Internal Revenue Service and for the National Business Institute. From 1979 to 2001, Ms. Campbell served as a special agent for the United States Treasury Department where she conducted criminal investigations and worked closely with the United States Attorney's Office and with several federal agencies, including the Internal Revenue Service, Federal Bureau of Investigation, Secret Service, Customs Service, State Department, Drug Enforcement Agency, Bureau of Alcohol, Tobacco and Firearms and U.S. Postal Service.

Alan Morelli, Director Nominee. Mr. Morelli is a consultant who has served as Managing Director of Analog Ventures, LLC, a consulting firm located in Pacific Palisades, California, since 1997. Mr. Morelli is also currently serving as a director of PT Holdings, Inc., RADD Holdings, Inc. and Precise Exercise Equipment. PT Holdings, Inc. is a development-stage company in the physical therapy industry. RADD Holdings licenses intellectual property to retail distributors. Precise develops innovative commercial fitness or rehabilitation technology currently used in most health clubs today. Mr. Morelli received a B.S. from Rutgers University (1983) and a J.D. from Georgetown University Law Center (1986).

David M. Kaye, Director Nominee. Mr. Kaye is an attorney and has been a partner in the law firm of Danzig Kaye Cooper Fiore & Kay, LLP located in Florham Park, New Jersey, since the firm's inception in February 1996. Since 1980, Mr. Kaye has been a practicing attorney in the New York City metropolitan area specializing in corporate and securities matters. He is currently a director of Dionics, Inc., a company which designs, manufactures and sells semiconductor electronic products. Mr. Kaye received his B.A. from George Washington University (1976) and his J.D. from the Benjamin N. Cardozo School of Law, Yeshiva University (1979).

Audit Committee

The Audit Committee is appointed by the Board of Directors in fulfilling its responsibilities to oversee: (1) the integrity of the Company's financial statements and disclosure controls; (2) the qualifications and independence of our independent accountants; (3) the performance of our independent accountants; and (4) compliance with legal and regulatory requirements. Alice M. Campbell is presently the only member of the Company's Audit Committee and she is Chairman of the Audit Committee. The Board has determined that Ms. Campbell is an "audit committee financial expert" as defined under Item 401 of Regulation S-B promulgated pursuant to the Exchange Act.

Compensation Committee

The Compensation Committee is appointed by the Board of Directors to discharge the responsibilities of the Board relating to compensation of the Company's executive officers. Alice M. Campbell is currently the only member of the Compensation Committee and she is Chairman of the Compensation Committee.

Employment Agreements

On September 20, 2005, the Company entered into an employment agreement with Philip Gatch documenting the terms of his employment as the Company's Chief Technology Officer. The term of the employment continues for 36 months from September 20, 2005 and automatically renews for successive one-year terms unless either party delivers to the other party written notice of termination at least 30 days before the end of the then current term. Mr. Gatch's base compensation under the agreement is $95,000 in cash per year and $45,000 in a restricted stock grants each year. Prior to signing the employment agreement, the Company granted Mr. Gatch options entitling him to purchase 250,000 shares of common stock vesting annually over three years with a strike price of $0.25 per share, which stock options are reflected in the employment agreement. Mr. Gatch is also eligible to receive an annual performance bonus determined by the Company's chief executive officer. In addition, Mr. Gatch was granted rights for three years to (a) veto a chief executive officer candidate as a replacement to Milton "Todd" Ault, III, and (b) veto a decision to sell the Company or any of the Company's core assets or technologies related to the iCodemedia Assets in the event the Company is sold for less than $50,000,000. If Mr. Gatch's employment is terminated for any reason, the veto rights will be forfeited. The agreement also contains customary provisions for disability, death, confidentiality, indemnification and non-competition. If Mr. Gatch voluntarily terminates the agreement or if the Company terminates the agreement for cause, Mr. Gatch will not be entitled to any compensation for the period between the effective termination date and the end of the employment term and all unvested restricted stock and stock options will be forfeited. If the Company voluntarily terminates the agreement without cause, the Company must pay Mr. Gatch a cash sum equal to (a) all accrued base salary through the date of termination plus all accrued vacation pay and cash bonuses, if any, plus (b) as severance compensation, 500,000 unrestricted shares of common stock and $250,000 cash. In the event of a merger, consolidation, sale, or change of control, the surviving or resulting company is required to honor the terms of the agreement with Mr. Gatch.

In connection with the Acquisition, on December 29, 2005, the Company entered into an employment agreement with Jay Rifkin as the Company's Chief Executive Officer effective as of September 30, 2005. The term of the employment continues for three years from September 30, 2005 and automatically renews for successive one-year terms unless either party delivers to the other party written notice of termination at least 30 days before the end of the then current term. Mr. Rifkin's base compensation in the first year of the term is $150,000, will increase at least 10% in the second year of the term and at least 10% more in the third year of the employment term. Mr. Rifkin was granted options to purchase 4,400,000 shares of the Company's common stock with an exercise price equal to the FMV of the Company's common stock on September 30, 2005 and vesting annually over a period of three years from December 29, 2005. Mr. Rifkin is also eligible to receive shares of common stock and stock options from time to time and an annual bonus as determined by the Company's Board of Directors. The agreement also contains customary provisions for disability, death, confidentiality, indemnification and non-competition. If Mr. Rifkin voluntarily terminates the agreement without good reason or if the Company terminates the agreement for cause, the Company must pay Mr. Rifkin all accrued compensation through the date of termination and provide life, accident and disability insurance, and health, dental and vision benefits to Mr. Rifkin and his dependents for a period of three months after termination. If the Company terminates the agreement without cause, if Mr. Rifkin terminates the agreement for good reason or if the agreement is terminated upon the death or disability of Mr. Rifkin, then the Company must pay Mr. Rifkin or his estate all unpaid compensation through the duration of the three-year employment term and must provide insurance and health benefits through the duration of such term. "Good Reason" is defined in the agreement as: (i) material breach of the agreement by the Company including, without limitation, any diminution in title, office, rights and privileges of Mr. Rifkin or failure to receive base salary payments on a timely basis; (ii) relocation of the principal place for Mr. Rifkin to provide his services to any location more than 20 miles away from 100 Wilshire Boulevard, Santa Monica, California 90401; (iii) failure of the Company to maintain in effect directors' and officers' liability insurance covering Mr. Rifkin; (iv) any assignment or transfer by the Company of any of its rights or obligations under the agreement; or (v) any change in control of the Company including, without limitation, if Mr. Rifkin shall cease to own a majority of the voting securities of the Company.

Involvement in Certain Legal Proceedings

Jay Rifkin serves as President of Cyberia Holdings, Inc. which is the majority owner of Media Revolution. In 2004, Cyberia Holdings, Inc. filed for bankruptcy under Chapter 7 which cased was dismissed in May 2005.

Except as described above, no director, person nominated to become a director, executive officer or control person of the Company:

- *(1) was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or two years prior to that time;*
- *(2) was convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);*
- *(3) was subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring,*

suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) was found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

No director, officer or 5% or other shareholder of the Company is a party to any legal proceeding in which such person is adverse to the Company or has an interest adverse to the Company.

BUSINESS OF THE COMPANY AFTER THE ACQUISITION

FORWARD-LOOKING STATEMENTS

Except for historical information, matters discussed in this report are forward-looking statements based on management's estimates, assumptions and projections. In addition, from time to time, the Company may make forward-looking statements relating to such matters as anticipated business prospects, new products, research and development activities, plans for expansion, acquisitions and similar matters. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "continue," or the negatives thereof, or variations on such words, and similar expressions are intended to identify such forward looking statements. The Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These forward-looking statements are mere predictions and are uncertain. These forward-looking statements speak only as of the date of this report. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

ORGANIZATIONAL HISTORY

Digicorp was incorporated on July 19, 1983 under the laws of the State of Utah for the purpose of developing and marketing computer software programs. From 1983 to 1995, the Company's sales and investments were attributable to the sale of computer software and investments related to oil, gas and mining.

On June 30, 1995, the Company became a development stage enterprise when the Company sold its assets and changed its business plan. Since June 30, 1995, the Company has been in the developmental stage and until September 19, 2005 has had no operations other than issuing shares of common stock for financing the preparation of financial statements and for preparing filings for the SEC. In August 2001, the Company elected to file a Form 10-SB registration statement with the SEC on a voluntary basis in order to become a reporting company under the Exchange Act.

Acquisition of iCodemedia Assets

On September 19, 2005, the Company entered into an asset purchase agreement with Philip Gatch, the Company's Chief Technology Officer, and thereby completed the purchase of certain assets from Mr. Gatch consisting of the iCodemedia suite of websites and internet properties and all related intellectual property (the "iCodemedia Assets"). The iCodemedia suite of websites consists of the websites www.icodemedia.com, www.iplaylist.com, www.tunecast.com, www.tunebucks.com, www.podpresskit.com and www.tunespromo.com. Since completing the Acqusition, the Company may sell the iCodemedia Assets or use the websites to provide applications and services to enable content creators to publish and deliver content to existing and next generation devices such as the Apple iPod and the Sony PSP. As consideration for the iCodemedia Assets, the Company issued Mr. Gatch 1,000,000 shares of common stock. The issuance of shares of common stock to Mr. Gatch was exempt from registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended.

Acquisition of Rebel Crew Films

As further described on page 1 of this report, on December 29, 2005, the Company acquired all of the issued and outstanding capital stock of Rebel Crew Films in consideration for the issuance of 21,207,080 shares of common stock to the shareholders of Rebel Crew Films. The Acquisition was exempt from registration requirements pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder. Rebel Crew Films was organized under the laws of the State of California on August 7, 2002 to distribute Latino home entertainment products. Rebel Crew Films currently maintains more than 200 Spanish language films and plans to serve the nation's largest wholesale, retail, catalog, and e-commerce accounts.

Except as specifically stated otherwise, in the remainder of this report references to "the Company" refer to Digicorp together with its wholly owned subsidiary Rebel Crew Films, Inc.

OVERVIEW

The Company currently maintains more than 200 Spanish language films and serves some of the nation's largest wholesale, retail, catalog, and e-commerce accounts. The Company's titles can be found at Wal-Mart, Best Buy, Blockbuster, K-Mart, and hundreds of independent video outlets across the United States of America and Canada. The Company's diverse programming includes: New Releases, Classic Mexican Cinema, animation, cult, sports, martial arts, family entertainment, and more.

The Company generates revenue through either licensing agreements with third parties that distribute the Company's licensed content or through direct sales. The Company's typical licensing agreements consist of a three to five-year contract that carries a 15% - 50% royalty on gross sales of licensed product. The Company is currently expanding its sales force to focus on direct sales of its licensed content.

The Company is organized in a single operating segment. All of the Company's revenues are generated in the United States, and the Company has no long-lived assets outside the United States.

CUSTOMERS

For direct sales, the Company's sales associates focus on small retail stores across the country. Currently, the sales force manages over 1,100 active retail store customers. For other licensing activities, there are two companies, BCI Eclipse LLC, which has licensed 20 titles, and VAS Entertainment/Rise Above Entertainment ("VAS/RA") which has licensed 17 titles from the Company. They function as manufacturers for the Company's DVD inventory for those titles, as well as a distributor to large retailers like Wal-Mart. The agreements with these companies consist of a term of three to five years granting the companies the right to manufacture, promote, and distribute the licensed movies for a 15% - - 50% royalty on gross sales, depending on title.

Besides its direct selling effort through telemarketing, the Company markets its products by placing print ads in a variety of Latino trade magazines as well as through its website. The Company has a dedicated 1-800 toll free number for sales inquiries.

SUPPLIERS

The Company has three categories of suppliers - movie licensors, DVD manufacturers, and finished goods suppliers. Movie licensors consist of Spanish language movie license holders primarily from Mexico who enter licensing agreements with the Company to manufacture and distribute their movies. The Company is currently in contract with eight different licensors of content. From these agreements, the Company has manufactured ten titles. Agreements with these companies consist of either a fixed license fee or a 40-60% royalty on net revenues for the right to manufacture, promote and distribute the films for four to five years, depending on title.

For the manufacture of DVD's, the Company's principal supplier is a company called Reptek. The Company does not have a written agreement with this supplier. There is no dependency on this supplier as the supply of DVD manufacturing companies is broad and there are many potential firms that can be employed to supply the Company's products.

For DVD titles not owned or licensed by the Company, a number of finished goods vendors are utilized. Among them are Ventura Distribution Inc., Cozumel Films, Venevision International, and Universal (UMVD). Ventura Distribution currently supplies the Company with 21 movies distributed by Unicine, a division of Univision. Venevision International has the highest number of titles, providing the Company with 51 films. Universal (UMVD) currently supplies the Company with 36 films and Cozumel Films provides the Company with three films. There are no written agreements with any of these companies to supply the Company with films.

The Company is currently expanding its sales force to focus on direct sales of its licensed content. The Company is shifting its efforts on direct selling due to two primary reasons: (1) poor reliability of third party distributors generally to pay royalties on time; and (2) to eliminate dependence on third party distributors to distribute the Company's product as one of many other products they also sell.

COMPETITION

Although accurate numbers are difficult to obtain due to the hesitation of privately owned distribution companies to divulge sales figures, it is generally estimated by an independent study by Estrenos magazine (a Latin Entertainment Trade Journal) that the Latino home video distribution market for the first six months of 2005 sold over three million units in the U.S. According to Estrenos magazine, of that number three distributors accounted for approximately 80% of those sales - Laguna Films (43%), Ventura/Studio Latino (26%), and Xenon/Televisa (13%) (data provided by each distributor or source). Other players include Image Entertainment (7%), Latin Vision (5%), Brentwood Home Video (3%), Pro-Active Entertainment (2%), and Vanguard Latino (1%) (Source: Estros magazine, September/October 2005). Based on these sales performance figures, the Company's monthly sales average currently represents approximately 1.25% of the monthly average of DVD sales volume in the Latino video entertainment industry

Major U.S. movie studios have ventured into servicing the Latino home video market as well, selling approximately 1.5 million units in the first half of 2005. Of that amount, approximately 60% of sales were dominated by three studios - MGM Home Entertainment (26%), Columbia Tri-Star (18%) and Lions Gate Films (16%). Other such competitors include UMVD/Visual Entertainment (12%), BVHE/Disney (8%), Warner Home Video (8%), and Fox Home Entertainment (3%). (Source: Estros magazine, September/October 2005)

The Company also competes with retail music and video stores, including online stores, dominated by large companies such as Netflix, Blockbuster, Trans World Entertainment, and Movie Gallery Inc.

The Company competes in the Latino home video market primarily by offering

competitive prices on a wide variety of quality titles through its direct selling efforts targeted at retail stores across the entire United States.

GOVERNMENT REGULATION

The Company is not aware of any existing or probable governmental regulations that may have a material effect on the normal operations of the Company's business. There also are no relevant environmental laws that require compliance by the Company that may have a material effect on the normal operations of the business.

EMPLOYEES

As of January 4, 2006, the Company employed eight full time employees and three part time employees. None of the Company's employees are covered by a collective bargaining agreement. The Company believes that relations with its employees are good.

DESCRIPTION OF PROPERTY

The Company leases its principal executive office located at 4143 Glencoe Avenue, Marina Del Rey, California 90292. The leased office space is approximately 3,800 rentable square feet. The lease contract term is seven years and two months commencing August 1, 2005 and ending September 30, 2012. Base rent under the lease is $5,890 per month payable on the first day of each month commencing August 15, 2005. Additionally, the first two months (August to September 2005) had a base rent of $8,835 and a security deposit of $5,890 was required upon signing.

LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceeding, nor is its property the subject of a pending legal proceeding that is not in the ordinary course of business or otherwise material to the financial condition of the Company's business.

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

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

Critical Accounting Policies

A discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Note 2 to our audited financial statements included as an exhibit to this Form 8-K describes the significant accounting policies and methods used in the preparation of the financial statements. On an ongoing basis, management evaluates its estimates, the most critical are those that are both important to the presentation of our financial condition and results of operations and require management's most difficult, complex, or subjective judgments.

Accounting Developments

In December 2004, Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," which addresses the accounting for employee stock options, was issued. SFAS 123(R) revises the disclosure provisions of SFAS 123, "Accounting for Stock Based Compensation" and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123(R) requires that the cost of all employee stock options, as well as other equity-based compensation arrangements, be reflected in the financial statements based on the estimated fair value of the awards. This statement is effective for us as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. The impact on our operating results or financial position based on the adoption of SFAS No. 123(R) has not yet been determined.

Liquidity and Capital Resources

Our total assets were $519,442 at September 30, 2005 versus $195,981 at December 31, 2004. The change in total assets is primarily attributable to an increase in our intangible assets and inventory of $240,175 and $36,243, respectively. The increases in intangible assets and inventory were primarily financed through monies loaned from related parties in the amount of $552,321.

At September 30, 2005 and December 30, 2004, we had $3,404 and $7,856 in cash and cash equivalents, respectively. During the nine months ended September 30, 2005, we borrowed $519,321 from Rebel Holdings, LLC, a California limited liability company ("Rebel Holdings"), an entity that during 2005 acquired approximately 90% of the outstanding shares of the our common stock. In September 2005, we borrowed an additional $33,000 from the sole member of Rebel Holdings. At September 30, 2005 and December 31, 2004, the Company had a combined liability of $601,307 and $48,986, respectively, due to either Rebel Holdings or the sole member of Rebel Holdings. On December 29, 2005, we issued a

promissory note in the amount of $73,000 to the sole member (the "Promissory Note") of Rebel Holdings. The Promissory Note represented the outstanding amount borrowed at September 30, 2005 as well as additional funds borrowed during the fourth quarter of 2005. The Promissory Note has a term of approximately six months and bears 5.0% simple interest. On December 29, 2005, in connection with the closing of the Acquisition we also issued a convertible note in the amount of $556,307 to Rebel Holdings (the "Note"). The Note has a term of five years from December 29, 2005, bears 4.5% simple interest and is convertible into shares of our common stock at a conversion price of $1.112614 per share.

We have primarily relied upon loans from related parties to fund our operations and, to a lesser extent, revenues generated from licensing our film content, on a non-exclusive basis, to other distributors of Latino home entertainment content. We believe that future revenues combined with either loans or direct equity investments into the Company will be sufficient to fund our operations for the 12 months subsequent to September 30, 2005. We expect to undertake additional debt or equity financings to better enable us to grow and meet our future operating and capital requirements, however, there is no assurance that we will be successful in obtaining such financing.

Operating activities provided $336,762 of cash for the nine months ended September 30, 2005, compared to providing $161,856 and $62,765 for the years ended December 31, 2004 and 2003, respectively.

Cash used in investing activities for the nine months ended September 30, 2004 and the years ended December 31, 2004 and 2003, of $341,214, $154,000, and $72,000, respectively, resulted almost exclusively from the purchases of licensed Spanish language film content that was capitalized.

Results of Operations

Revenues

We recognized revenues of $140,333 and $27,963 for the nine months ended September 30, 2005 and the year ended December 31, 2004, respectively. During 2004 all of our revenues were generated through licensing agreements. The licensing agreements provide for us to receive advance payments as consideration for rights granted to third parties that distribute our licensed content. The advance payments are initially recorded as deferred revenue and subsequently recognized in income as royalties are earned upon shipment of licensed content to customers by the sub-licensor. Deferred revenue balances of $75,411 and $162,971 at September 30, 2005 and December 31, 2004, respectively, represent advance royalty payments that are expected to be earned over the subsequent twelve month periods.

During the nine months ended September 30, 2005, licensing revenue of $85,205 accounted for approximately 61% of our total revenue. The remaining revenue of $55,128 represents revenue generated through the direct sales of our licensed content. We expect that direct sales, as a percentage of total revenue, will significantly increase over the next year as we focus our efforts on expanding our existing sales force. Further, we anticipate that licensing revenues will significantly be reduced or eliminated in future years as we shift our focus away from licensing agreements with third parties

Expenses

Operating expenses were $247,854 and $80,889 in the nine months ended September 30, 2005 and 2004, respectively and $144,434 and $112,364 in the fiscal years ended December 31, 2004 and 2003, respectively. Operating expenses in all periods primarily consisted of professional fees, rent expense, amortization expense and general and administrative expenses.

Professional fees were approximately $40,000 higher in the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004 due to significant increases in amounts paid to consultants as well as legal and accounting fees. Amounts paid to various consultants increased by approximately $24,000 and related to services to locate Spanish language content for acquisition, technical assistance in preparing the content for production, and sales and marketing of the titles. Legal fees increased by approximately $12,000 due to the preparation and review of an increased amount of license agreements. Accounting fees, which increased by approximately $4,000, relate to costs incurred to update our accounting system to facilitate a larger volume of transactions.

Professional fees were approximately $36,000 higher in the year ended December 31, 2004 compared to the year ended December 31, 2003 due to significant increases in amounts paid to consultants as well as legal fees. Amounts paid to various consultants during 2003 related solely for services to locate Spanish language content for acquisition whereas during 2004 we incurred expenses related not only for services to locate Spanish language content, but also technical assistance in preparing the content for production, and sales and marketing of the titles. Legal fees increased by approximately $8,000 due to the preparation and review of an increased amount of license agreements.

Rent expense increased by approximately $15,000 in the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004 due in part to our relocation into commercial office space in August 2005, with base rent of $5,890 per month combined with periods of low rates of rent during the nine months ended September 30, 2004.

Rent expense increased by approximately $4,000 in the year ended December 31, 2004 compared to the year ended December 31, 2003 and is attributed to periods of low rates of rent during 2003.

Amortization expense increased by approximately $56,000 in the nine months

ended September 30, 2005 compared to the nine months ended September 30, 2004 due to an increased number of license agreements.

Amortization expense increased by approximately $26,000 in the year ended December 31, 2004 compared to the year ended December 31, 2003 due to an increased number of license agreements.

General and administrative expense increased by approximately $50,000 in the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004 and is attributed to the overall expansion of the business during the nine months ended September 30, 2005 combined with the financial constraints placed on us as a result of limited amounts of available working capital in the nine months ended September 30, 2004.

General and administrative expense decreased by approximately $15,000 in the year ended December 31, 2004 compared to the year ended December 31, 2003 due to financial constraints placed on us as a result of limited amounts of available working capital in the year ended December 31, 2004. During the year ended December 31, 2003, as reflected by our deferred revenue balance of approximately $40,000 and licensing revenues of approximately $116,000, we received a large amount of advance payments from our licensing agreements with third parties. These advance payments exceeded the cost of our licensed content in 2003, thus, providing an adequate amount of working capital for general and administrative purposes. During 2004 the amount of advance payments approximated the cost of our licensed content thus eliminating a source of funds for general and administrative expenses.

Taxes

We are taxed under Title 26, Chapter 1, Subchapter C of the Internal Revenue Code of 1986, as amended, and therefore subject to federal income tax on the portion of our taxable income.

At December 31, 2004, we had a net operating loss carryforward of approximately $27,000 to offset future taxable income for federal income tax purposes. The utilization of the loss carryforward to reduce any future income taxes will depend on our ability to generate sufficient taxable income prior to the expiration of the net operating loss carryforwards. The carryforward expires beginning in 2024.

A change in the ownership of a majority of the fair market value of our common stock can delay or limit the utilization of existing net operating loss carryforwards pursuant to Internal Revenue Code Section 382. We believe that such a change occurred during the year ended December 31, 2005 and are evaluating the amount that our net operating loss carryforward utilization will be limited to.

EXECUTIVE COMPENSATION

The following table sets forth information concerning the total compensation that the Company has paid or that has accrued on behalf of the Company's chief executive officer and other executive officers with annual compensation exceeding $100,000 during the years ended December 31, 2005, 2004 and 2003.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

					Long-Term Compensation			
		Annual Compensation			Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen-sation ($)	Restricted Stock Award(s) ($)	Securities Under-lying Options/ SARs (#)	LTIP Payouts ($)	All Other Compen-sation ($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Milton "Todd" Ault III (1)	2005	0	0	0	0	2,000,000	0	0
CEO and Chairman	2004	0	0	0	0	0	0	0
	2003	0	0	0	0	0	0	0
William B. Horne (2)	2005	0	0	0	0	500,000	0	0
CEO, CFO and Chairman	2004	0	0	0	0	0	0	0
	2003	0	0	0	0	0	0	0
Philip Gatch (3)	2005	$ 23,866	0	0	$ 11,250	250,000	0	0
CTO	2004	0	0	0	0	0	0	0
	2003	0	0	0	0	0	0	0
Jay Rifkin (4)	2005	0	0	0	0	4,400,000	0	0
CEO and President and	2004	0	0	0	0	0	0	0
Principal Executive	2003	0	0	0	0	0	0	0
Officer of Rebel Crew								

</TABLE>

(1) Mr. Ault was appointed Chief Executive Officer on April 26, 2005, and director and Chairman of the Board of Directors on July 16, 2005. Mr. Ault resigned from the positions of Chief Executive Officer and director and Chairman of the Board of Directors on September 30, 2005.

(2) Mr. Horne was appointed Chief Financial Officer and director on July 20, 2005, and Chief Executive Officer and Chairman of the Board of Directors on September 30, 2005. Mr. Horne resigned from the position of Chief Executive Officer on December 29, 2005.

(3) Mr. Gatch was hired as Chief Technology Officer of the Company on September 20, 2005.

(4) Mr. Rifkin was appointed President on September 30, 2005, and Chief Executive Officer and director nominee on December 29, 2005.

OPTIONS GRANT TABLE

The following table sets forth information with respect to the named executive officers concerning the grant of stock options during the fiscal year ended December 31, 2005. The Company did not have during such fiscal year any plans providing for the grant of stock appreciation rights ("SARs").

Option/SAR Grants in Last Fiscal Year

<TABLE>
<CAPTION>

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term		Alternative to (f) and (g): Grant Date Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name	Number of Securities Underlying Options/ SARs Granted (#)	% of Total Options/ SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	5% ($)	10% ($)	Grant Date Present Value ($) (1)
Milton "Todd" Ault III (2)	2,000,000	2,000,000	$ 0.25	7/20/2015	---	---	$ 494,200
William B. Horne (3)	500,000	500,000	$ 0.25	7/20/2015	---	---	$ 123,550
Philip Gatch (4)	250,000	250,000	$ 0.25	7/20/2015	---	---	$ 61,775
Jay Rifkin (5)	4,400,000	4,400,000	$ 0.85	9/30/2015	---	---	$ 3,696,620

</TABLE>

(1) The value shown was calculated utilizing the Black-Scholes option pricing model and are presented solely for the purpose of comparative disclosure in accordance with certain regulations of the Securities and Exchange Commission. This model is a mathematical formula used to value traded stock price volatility. The actual value that an executive officer may realize, if any, is dependent on the amount by which the stock price at the time of exercise exceeds the exercise price. There is no assurance that the value realized by an executive officer will be at or near the value estimated by the Black-Scholes model. In calculating the grant date present values, the Company used the following assumptions: (a) expected volatility of approximately 155%; (b) risk-free rate of return of approximately 3.75%; (c) no dividends payable during the relevant period; and (d) exercise at the end of a 10 year period from the date of grant.

(2) On July 20, 2005, as consideration for service as Chief Executive Officer, the Company granted Milton "Todd" Ault, III options to purchase 2,000,000 shares of common stock with an exercise price of $0.25 per share. These stock options would have vested quarterly over two years, however, on September 30, 2005, the Board of Directors accelerated the vesting of such options such that options to purchase 475,000 shares of the Company's common stock immediately vested and are exercisable for a period of 18 months from December 29, 2005. The remaining options to purchase 1,525,000 shares of the Company's common stock were cancelled.

(3) On July 20, 2005, as consideration for service as Chief Financial Officer and Director, the Company granted William B. Horne options to purchase 500,000 shares of common stock with an exercise price of $0.25 per share. These stock options would have vested quarterly over two years, however, on December 29, 2005, the Board of Directors accelerated the vesting of such options such that options to purchase 400,000 shares of the Company's common stock immediately vested and are exercisable for a period of 18 months from the date the individual no longer performs services to the Company. The remaining options to purchase 100,000 shares of the Company's common stock were cancelled.

(4) On July 20, 2005, as consideration for service as Chief Technology Officer, the Company granted Philip Gatch options to purchase 250,000 shares of our common stock with an exercise price of $0.25 per share. These stock options would have vested quarterly over two years, however, on December 29, 2005, the Board of Directors accelerated the vesting of such options such that options to purchase 250,000 shares of the Company's common stock immediately vested and are exercisable for a period of 18 months from the date the individual no longer performs services to the Company.

(5) On September 30, 2005, as consideration for service as Interim President, the Company granted Jay Rifkin options to purchase 4,400,000 shares of common stock with an exercise price of $0.85 per share. These stock options vest annually over three years from December 29, 2005.

Aggregate Option Exercises in Last Fiscal Year

No options of the Company were exercised by the named executive officers during the most recent fiscal year ended December 31, 2005.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table shows information with respect to each equity compensation plan under which the Company's common stock is authorized for issuance as of the fiscal year ended December 31, 2005.

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EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	0	0	0
<S>	<C>	<C>	<C>
Equity compensation plans not approved by security holders	8,862,500	$0.61	6,687,500
Total	8,862,500	$0.61	6,137,500

</TABLE>

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Management of the Company believes that all of the below transactions were on terms at least as favorable as could have been obtained from unrelated third parties.

Relationships with Patient Safety Technologies, Inc.

On December 29, 2004, the Company's then current directors along with several other shareholders sold 2,229,527 shares of the Company's common stock, representing 22.3% of the outstanding shares of common stock of the Company on such date, to Patient Safety Technologies, Inc. (formerly, Franklin Capital Corporation) ("PST"). The Company's directors, Gregg B. Colton, Don J. Colton, Norman Sammis and Glenn W. Stewart, sold 80% of their holdings to PST at $0.135 per share. Another shareholder who was not a principal shareholder or director sold all of his shares to PST at $0.145 per share. The aggregate amount of funds of PST used to purchase the shares of common stock was approximately $301,998. The source for such funds was PST's working capital. The directors and shareholders agreed to sell an additional 1,224,000 shares (the "Additional Shares") of our common stock of to PST upon the shares being registered with the SEC by December 29, 2005. In addition, prior to the acquisition and change of control, PST owned 327,500 shares of the Company's common stock.

On December 28, 2005, PST assigned its right to purchase 1,000,000 of the Additional Shares to Alan Morelli (the "Assignment Agreement") and amended certain terms of the stock purchase agreement pursuant to which the Original Purchase Transaction was completed (the "Amendment Agreement"). In the Assignment Agreement, the Company granted the parties piggyback registration rights with respect to the sale of the Additional Shares. In the Amendment Agreement, the Company agreed that if it does not register the resale of the Additional Shares on or before June 30, 2005, then the Company will redeem the Additional Shares at a price of $0.145 per share and the Company will thereupon sell 224,000 shares of the Company's common stock to PST and 1,000,000 shares of the Company's common stock to Mr. Morelli at a price of $0.145 per share. Mr. Morelli is a current Director Nominee of the Company.

Pursuant to the stock purchase agreement with PST, Melanie Glazer was appointed as Chairman of the Company's Board of Directors on December 30, 2004, following the resignation of Glenn W. Stewart, Norman Sammis and Don J. Colton as directors. Effective April 26, 2005, Gregg B. Colton resigned from his positions as President, Chief Executive Officer and Chief Financial Officer. On April 26, 2005, the Company's Board of Directors appointed the following officers: (a) Milton C. Ault, III – Chief Executive Officer; (b) Kathryn Macenzie Queen – President of Operations; and (c) Lynne Silverstein – Secretary. Mr. Ault subsequently resigned on September 30, 2005 and Ms. Queen and Ms. Silverstein resigned on December 29, 2005. Upon Mr. Ault's resignation as Chief

Executive Officer, William B. Horne was appointed to succeed Mr. Ault as Chief Executive Officer. Mr. Horne resigned as Chief Executive Officer upon completing the Acquisition on December 29, 2005.

On June 30, 2005, the Company appointed Philip Gatch as the Company's Chief Technology Officer. On September 19, 2005, the Company entered into an asset purchase agreement with Mr. Gatch, and thereby purchased the iCodemedia Assets. As consideration for the iCodemedia Assets, the Company issued Mr. Gatch 1,000,000 shares of common stock.

Effective July 16, 2005, Gregg B. Colton resigned from his position as a director. Effective July 16, 2005, the Company appointed Alice M. Campbell, Milton "Todd" Ault, III and Darrell Grimsley as directors. Upon his appointment, Mr. Ault was named Chairman of the Company's Board of Directors. Ms. Campbell was appointed to chair the Company's Audit Committee and to chair the Company's Compensation Committee. Mr. Ault resigned as a director on September 30, 2005.

Effective July 20, 2005, the Company appointed Lynne Silverstein and William B. Horne as directors. Ms. Silverstein subsequently resigned as a director on December 29, 2005.

Effective July 20, 2005, the Company appointed William B. Horne as the Company's Chief Financial Officer.

Each of Melanie Glazer, Milton C. Ault, III, Kathryn Macenzie Queen, Lynne Silverstein, Philip Gatch, Alice M. Campbell, Darrell Grimsley and William B. Horne had and/or currently have employment positions, directorships and/or other relationships with Ault Glazer & Company Investment Management LLC, Patient Safety Technologies, Inc. and/or Ault Glazer & Company Investment Management's or Patient Safety Technologies' current officers and directors.

Acquisition of Rebel Crew Films

On December 29, 2005, the Company acquired all of the issued and outstanding capital stock of Rebel Crew Films in consideration for the issuance of 21,207,080 shares of common stock to the shareholders of Rebel Crew Films. Of these shares, 19,086,372 shares were issued or are issuable to Rebel Holdings, LLC as consideration for its 90% ownership interest in Rebel Crew Films and 2,120,708 were issued or are issuable to Cesar Chatel as consideration for his 10% ownership interest in Rebel Crew Films. The Company's present Chief Executive Officer and Director Nominee, Jay Rifkin, is the sole managing member of Rebel Holdings, LLC. Mr. Chatel is an employee of the Company and is President of the Company's now wholly owned subsidiary Rebel Crew Films.

On December 29, 2005 the Company entered into a Securities Purchase Agreement with Rebel Holdings, LLC, pursuant to which the Company purchased a $556,306.53 principal amount loan receivable owed by Rebel Crew Films to Rebel Holdings, LLC in exchange for the issuance of a $556,306.53 principal amount secured convertible note to Rebel Holdings, LLC. The secured convertible note accrues simple interest at the rate of 4.5%, matures on December 29, 2010 and is secured by all of the Company's assets now owned or hereafter acquired. The secured convertible note is convertible into 500,000 shares of common stock of the Company at the rate of $1.112614 per share. As described above, Jay Rifkin, the Company's present Chief Executive Officer and a Director Nominee of the Company, is the sole managing member of Rebel Holdings, LLC.

Between September 2005 and October 2005, Jay Rifkin loaned an aggregate total principal amount of $73,000 to Rebel Crew Films. The Company has agreed to repay this loan to Mr. Rifkin pursuant to the terms of a $73,000 principal amount promissory note due June 30, 2006 which accrues interest at 5% per annum. In the event of breach of the promissory note, the interest rate will increase to 8% per annum.

On December 29, 2005, the Board of Directors ratified a grant to Alan Morelli made on September 15, 2005, as a consultant to the Company, warrants to purchase 250,000 shares of the Company's common stock with an exercise price of $0.145 per share, which warrants vested immediately. These warrants were issued to Mr. Morelli as compensation for advisory services rendered to the Company in connection with structuring the Acquisition. Mr. Morelli is presently a director nominee of the Company.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information, as of January 4, 2006 with respect to the beneficial ownership of the outstanding common stock by (i) any holder of more than five (5%) percent; (ii) each of the named executive officers and directors of the Company; and (iii) the Company's directors and named executive officers as a group. Except as otherwise indicated, each of the stockholders listed below has sole voting and investment power over the shares beneficially owned.

<TABLE>
<CAPTION>

Name of Beneficial Owner (1)	*Common Stock Beneficially Owned (2)*	*Percentage of Common Stock (2)*
<S>	*<C> <C>*	*<C>*
Milton "Todd" Ault, III	*3,728,227 (3)*	*10.0%*
Bodnar Capital Management, LLC	*2,941,176*	*8.0%*
William B. Horne	*400,000 (4)*	*1.1%*
Alice M. Campbell	*350,000 (5)*	***
Jay Rifkin	*19,586,372 (6)*	*52.6%*
Philip Gatch	*1,250,000 (7)*	*3.4%*
Cesar Chatel	*2,120,708 (8)*	*5.8%*

All officers and directors as a group (4 persons)	21,586,372	56.5%

</TABLE>

* Less than 1%

(1) Except as otherwise indicated, the address of each beneficial owner is c/o Digicorp, 4143 Glencoe Avenue, Marina Del Rey, CA 90292.

(2) Applicable percentage ownership is based on 36,721,113 shares of common stock outstanding as of January 4, 2006, together with securities exercisable or convertible into shares of common stock within 60 days of January 4, 2006 for each stockholder. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock that a person has the right to acquire beneficial ownership of upon the exercise or conversion of options, convertible stock, warrants or other securities that are currently exercisable or convertible or that will become exercisable or convertible within 60 days of January 4, 2006 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(3) Includes: (a) 475,000 shares issuable upon exercise of stock options with an exercise price of $0.25 per share and which expire June 29, 2007; (b) 512,500 shares beneficially owned by certain private investment funds and individual accounts managed by Ault Glazer & Company Investment Management LLC, for which Mr. Ault serves as Chief Investment Officer and managing member; and (c) 2,792,027 shares of the common stock held by Patient Safety Technologies, Inc., for which Mr. Ault serves as Chairman and Chief Executive Officer. Mr. Ault and Patient Safety Technologies, Inc. each have granted Mr. Rifkin an irrevocable proxy to vote the shares of common stock owned by them for certain directors of the Company.

(4) Represents shares issuable upon exercise of stock options with an exercise price of $0.25 per share and an expiration date 18 months from the date Mr. Horne's services to the Company terminate. Mr. Horne has granted Mr. Rifkin an irrevocable proxy to vote the shares of common stock issuable upon exercise of such stock options for certain directors of the Company.

(5) Represents shares issuable upon exercise of stock options with an exercise price of $0.25 per share and an expiration date 18 months from the date Ms. Campbell's services to the Company terminate. Ms. Campbell has granted Mr. Rifkin an irrevocable proxy to vote the shares of common stock issuable upon exercise of such stock options for certain directors of the Company.

(6) Includes: (a) 3,600,000 shares which are held in escrow pending satisfaction of certain performance milestones through March 31, 2007; and (b) 500,000 shares issuable upon conversion of a $556,306.53 principal amount secured convertible note with a conversion price of $1.112614 per share. All of these securities are held by Rebel Crew Holdings, LLC of which Mr. Rifkin is the sole managing member. Mr. Rifkin's reported beneficial ownership does not include approximately 8,762,736 shares of common stock issued and issuable by the Company for which certain shareholders of the Company have granted Mr. Rifkin an irrevocable proxy to vote for directors of the Company.

(7) Includes 250,000 shares issuable upon exercise of stock options with an exercise price of $0.25 per share and an expiration date 18 months from the date Mr. Gatch's services to the Company terminate. Mr. Gatch has granted Mr. Rifkin an irrevocable proxy to vote the shares of common stock owned by him for certain directors of the Company.

(8) Includes 400,000 shares which are held in escrow pending satisfaction of certain performance milesontes through March 31, 2007. Mr. Chatel has granted Mr. Rifkin an irrevocable proxy to vote the shares of common stock owned by Mr. Chatel for certain directors of the Company.

DESCRIPTION OF SECURITIES

The Company's authorized capital stock consists of 50,000,000 shares of common stock, $.001 par value per share, and no shares of preferred stock.

The holders of common stock are entitled to one vote for each share held of record on all matters to be voted on by the stockholders. The holders of common stock are entitled to receive dividends ratably, when, as and if declared by the Board of Directors, out of funds legally available therefore. In the event of a liquidation, dissolution or winding-up of the Company's business, the holders of common stock are entitled to share equally and ratably in all assets remaining available for distribution after payment of liabilities.

The holders of shares of common stock, as such, have no conversion, preemptive, or other subscription rights and there are no redemption provisions applicable to the common stock. All of the outstanding shares of common stock are validly issued, fully paid and non-assessable.

The Company has never paid any cash dividends on its common stock and the Company does not anticipate paying any cash dividends in the foreseeable future. The Company intends to retain future earnings to fund ongoing operations and future capital requirements of its business. Any future determination to pay

cash dividends will be at the discretion of the Board of Directors and will be dependent upon the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's common stock is currently quoted on the OTC Bulletin Board under the symbol "DGCO." For the periods indicated, the following table sets forth the high and low sales prices per share of the Company's common stock.

<TABLE>
<CAPTION>

	Fiscal 2005		Fiscal 2004	
*Fiscal Quarter**	*High*	*Low*	*High*	*Low*
<S>	*<C>*	*<C>*	*<C>*	*<C>*
First Quarter Ended March 31	*$0.35*	*$0.14*	*$0.13*	*$0.06*
Second Quarter Ended June 30	*$0.45*	*$0.18*	*$0.18*	*$0.07*
Third Quarter Ended September 30	*$1.37*	*$0.25*	*$0.35*	*$0.06*
Fourth Quarter Ended December 31	*$1.90*	*$0.65*	*$0.35*	*$0.14*

</TABLE>

**Upon closing the Acquisition, the Company's fiscal year changed from June 30 to December 31.*

Holders

As of January 4, 2006, the Company's shares of common stock were held by approximately 290 stockholders of record.

Dividends

The Company has not declared any dividends to date. The Company has no present intention of paying any cash dividends on its common stock in the foreseeable future, as the Company intends to use earnings, if any, to generate growth. The payment by the Company of dividends, if any, in the future, rests within the discretion of the Board of Directors and will depend, among other things, upon the Company's earnings, capital requirements and our financial condition, as well as other relevant factors. There are no restrictions in the Company's articles of incorporation or bylaws that restrict the Company from declaring dividends.

RECENT SALES OF UNREGISTERED SECURITIES

During September 2003, the Board of Directors authorized the issuance of 700,000 restricted common shares of the Company's stock at price of $0.01 per share (totaling $7,000) to pay for expenses incurred by the Company for the audit of its financial statements and to pay for costs associated with maintaining compliance with the State of Utah along with providing the Company operating capital for the subsequent year. Of the 700,000 shares issued, 400,000 were issued to Vernal Western Drilling, a company that is owned by Don J. Colton and Gregg B. Colton, former officers and directors of the Company, 150,000 shares were issued to Bonnie Myers and the other 150,000 shares were issued to Whisper Investment Company. The shares were issued to the parties above on October 8, 2003 for cash. The issuance of these securities was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On May 18, 2005, the Company sold 2,941,176 shares of common stock and warrants (the "May Warrants") to purchase an aggregate of 3,000,000 shares of common stock with exercise prices ranging from $0.25 to $1.50 per share to Bodnar Capital Management, LLC ("Bodnar Capital"). On October 27, 2005, the Company entered into an agreement with Bodnar Capital to cancel the May Warrants in exchange for the issuance by the Company of a warrant to purchase 500,000 shares of common stock with a an exercise price of $0.01 per share exercisable for a period of five years. On November 2, 2005, Bodnar Capital exercised its warrant for cash and the Company issued Bodnar Capital 500,000 shares of common stock. The issuance of these securities was exempt from registration requirements pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder.

On July 20, 2005, as consideration for investor relation consulting services, the Company granted options to Steve Jafarzadeh to purchase 100,000 shares of common stock with an exercise price of $0.25 per share. 25,000 of these options have vested and the remaining 75,000 options were cancelled on December 29, 2005. This grant was exempt from registration requirement pursuant to Section 4(2) of the Securities Act.

On July 20, 2005, as consideration for Business development consulting services, the Company granted options to Nicolas Soichet to purchase 100,000 shares of common stock with an exercise price of $0.25 per share. 50,000 of these options have vested and the remaining 50,000 options were cancelled on December 29, 2005. This grant was exempt from registration requirement pursuant to Section 4(2) of the Securities Act.

On July 20, 2005, as consideration for service on the Company's Board of Directors, the Company granted to each of Melanie Glazer, Alice M. Campbell, Darrell Grimsley, Lynne Silverstein and William B. Horne options to purchase 250,000 shares of common stock with an exercise price of $0.25 per share. 62,500 of such options vested to Ms. Glazer, 250,000 vested to Ms. Campbell, 62,500 vested to Mr. Grimsley, 75,000 vested to Ms. Silverstein, 200,000 vested to Mr. Horne, and the remaining options of such individuals were cancelled on December 29, 2005. The issuance of these stock options was exempt from registration

requirements pursuant to Section 4(2) of the Securities Act.

On July 20, 2005, as consideration for service as Chairman of the Company's Audit Committee, the Company granted Ms. Campbell options to purchase 100,000 shares of common stock with an exercise price of $0.25 per share. All of these stock options are vested. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On July 20, 2005, as consideration for service as a member of the Company's Audit Committee, the Company granted Ms. Glazer options to purchase 50,000 shares of common stock with an exercise price of $0.25 per share. 12,500 of such options have vested and the remaining options were cancelled upon Ms. Glazer's resignation from the Company's Board on December 29, 2005. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On July 20, 2005, as consideration for service as the Company's Chief Executive Officer, the Company granted Mr. Ault options to purchase 2,000,000 shares of common stock with an exercise price of $0.25 per share. These stock options vest quarterly over two years beginning September 30, 2005. Effective September 30, 2005, the Board of Directors accelerated the vesting of 475,000 of such options and fixed the expiration date of the options to 18 months after completing the Acquisition. The remaining stock options were cancelled upon Mr. Ault resigning as an officer and director of the Company. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On July 20, 2005, as consideration for service as the Company's President of Operations, the Company granted Kathryn Queen options to purchase 750,000 shares of common stock with an exercise price of $0.25 per share. 237,500 of these options have vested and the remaining options were cancelled upon Ms. Queen's resignation on December 29, 2005. Also on July 20, 2005, as an incentive bonus, subject to certain milestones being achieved prior to December 31, 2006, the Company agreed to grant Ms. Queen options to purchase 750,000 shares of common stock. These stock options were cancelled upon Ms. Queen's resignation on December 29, 2005. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On July 20, 2005, as consideration for service as the Company's Chief Technology Officer, the Company granted Philip Gatch options to purchase 250,000 shares of common stock with an exercise price of $0.25 per share. All of these options are vested. Also on July 20, 2005, the Company agreed to issue restricted stock valued at $12,500 quarterly during the three-year term of his employment as Chief Technology Officer. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On July 20, 2005, as consideration for service as the Company's Chief Financial Officer, the Company granted Mr. Horne options to purchase 250,000 shares of common stock with an exercise price of $0.25 per share. 200,000 of these options are vested and the remaining 50,000 were cancelled. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On July 20, 2005, as consideration for service as the Company's Controller, the Company granted Jeanne Olsky options to purchase 100,000 shares of common stock with an exercise price of $0.25 per share. These stock options vest quarterly over two years beginning September 30, 2005. 50,000 of these options have vested and the remaining options were cancelled upon Ms. Olsky's resignation on December 29, 2005. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On July 20, 2005, as consideration for service as the Company's Corporate Secretary, the Company granted Ms. Silverstein options to purchase 150,000 shares of common stock with an exercise price of $0.25 per share. These stock options vest quarterly over two years beginning September 30, 2005. 37,500 of these options have vested and the remaining options were cancelled upon Ms. Silverstein's resignation on December 29, 2005. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On September 19, 2005, the Company purchased the iCodemedia Assets from Mr. Gatch, the Company's Chief Technology Officer. As consideration for the iCodemedia Assets, the Company issued Mr. Gatch 1,000,000 shares of common stock. The issuance of these shares to Mr. Gatch was exempt from registration requirements pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On September 30, 2005, the Company granted Jay Rifkin, the Company's current Chief Executive Officer, options to purchase 4,400,000 shares of the Company's common stock with an exercise price of $0.85 per share, which stock options vest annually over a period of three years from the date of closing the Acquisition. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On September 30, 2005, the Company granted Cesar Chatel, as President of Rebel Crew Films, options to purchase 800,000 shares of the Company's common stock with an exercise price of $0.85 per share, which stock options vest annually over a period of three years from the date of closing the Acquisition. The issuance of these stock options was exempt from registration requirements

pursuant to Section 4(2) of the Securities Act.

On September 30, 2005, the Company granted Oscar Carreno, as Director of Sales of Rebel Crew Films, options to purchase 150,000 shares of the Company's common stock with an exercise price of $0.85 per share, which stock options vest annually over a period of four years from the date of closing the Acquisition. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On September 30, 2005, the Company granted Ian Monsod, as Manager of Operations of Rebel Crew Films, options to purchase 125,000 shares of the Company's common stock with an exercise price of $0.85 per share, which stock options vest annually over a period of four years from the date of closing the Acquisition. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On December 29, 2005, the Company granted Alan Morelli, as consultant to the Company, warrants to purchase 250,000 shares of the Company's common stock with an exercise price of $0.145 per share, which warrants vested immediately. These warrants were issued to Mr. Morelli as compensation for advisory services rendered to the Company in connection with structuring the Acquisition. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On December 29, 2005, the Company issued Rebel Holdings, LLC 19,086,372 shares of common stock as compensation for its 90% equity interest in Rebel Crew Films. Jay Rifkin, the Company's current Chief Executive Officer and a director nominee, is the sole managing member of Rebel Holdings, LLC. 3,600,000 of such shares are held in escrow pending satisfaction of certain performance milestones through March 31, 2007. This issuance was exempt from registration requirements pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder.

On December 29, 2005, the Company issued Cesar Chatel 2,120,708 shares of common stock as compensation for his 10% equity interest in Rebel Crew Films. Mr. Chatel is President of Rebel Crew Films. 400,000 of such shares are held in escrow pending satisfaction of certain performance milestones through March 31, 2007. This issuance was exempt from registration requirements pursuant to Section 4(2) of the Securities Act and Rule 506 promulgated thereunder.

On December 29, 2005 the Company issued a $556,306.53 principal amount secured convertible note to Rebel Holdings, LLC in exchange for a $556,306.53 loan receivable owed by Rebel Crew Films to Rebel Holdings, LLC. The secured convertible note is convertible into 500,000 shares of common stock of the Company at the rate of $1.112614 per share. As described above, Jay Rifkin, the Company's present Chief Executive Officer and a director nominee of the Company, is the sole managing member of Rebel Holdings, LLC.

On December 29, 2005, the Company granted Alan Morelli, as a director nominee of the Company, options to purchase 350,000 shares of the Company's common stock with an exercise price equal to the closing price of the Company's common stock of $1.50 per share, which stock options vest annually over a period of three years from the date Mr. Morelli's board appointment is effective. In the event that Mr. Morelli, for whatever reason, declines the appointment to serve as a director on the Company's Board of Directors, then these options will be automatically cancelled. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

On December 29, 2005, the Company granted David M. Kaye, as a director nominee of the Company, options to purchase 350,000 shares of the Company's common stock with an exercise price equal to the closing price of the Company's common stock of $1.50 per share, which stock options vest annually over a period of three years from the date Mr. Kaye's board appointment is effective. In the event that Mr. Kaye, for whatever reason, declines the appointment to serve as a director on the Company's Board of Directors, then these options will be automatically cancelled. The issuance of these stock options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

On October 25, 2005, the Company engaged the firm of Peterson & Co. to serve as its independent registered public accountants for the fiscal year ending June 30, 2006. On October 27, 2005, the Company notified Jones Simkins, P.C. ("Jones Simkins") that it was terminating Jones Simkins' services. The decision to change accountants was recommended and approved by the Company's Board of Directors.

During the two fiscal years ended June 30, 2005 and 2004, and through October 27, 2005, (i) there were no disagreements between the Company and Jones Simkins on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of Jones Simkins would have caused Jones Simkins to make reference to the matter in its reports on the Company's financial statements, and (ii) except for Jones Simkins' report on the Company's June 30, 2004 financial statements dated September 1, 2004 which included an explanatory paragraph wherein they expressed substantial doubt about the Company's ability to continue as a going concern, Jones Simkins' reports on the Company's financial statements did not contain an adverse opinion or disclaimer of opinion, or was modified as to uncertainty, audit scope or accounting principles. During the two fiscal years ended June 30, 2005 and 2004 and through October 27, 2005, there were no reportable events as the term described in Item 304(a)(1)(iv) of Regulation S-B.

During the two fiscal years ended June 30, 2005 and 2004, and through October 27, 2005, the Company has not consulted with Peterson & Co. regarding either:

1. The application of accounting principles to any specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, and neither a written report was provided to Peterson & Co. nor oral advice was provided that Peterson & Co. concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or
2. Any matter that was either subject of disagreement or event, as defined in Item 304(a)(1)(iv) of Regulation S-B and the related instruction to Item 304 of Regulation S-B, or a reportable event, as that term is explained in Item 304(a)(1)(iv) of Regulation S-B.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's Bylaws require that the Company indemnify and hold harmless officers, directors and former officers and directors for any obligations arising by reason of being or having been directors or officers of the Company, except in relation to matters as to which any such director or officer or former director or officer or person is adjudged to be liable for negligence or misconduct in the performance of duty. Such indemnification is not exclusive of any other rights to which those indemnified may be entitled, under any Bylaw, agreement, vote of stockholders, or otherwise.

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

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial statements of business acquired.

The following financial statements of Rebel Crew Films appear on pages F-1 through F-19 at the end of this report and such financial statements are herein incorporated by reference:

Balance Sheets as of September 30, 2005 and December 31, 2004 (unaudited) Statements of Operations for the three and nine months ended September 30, 2005 and 2004 (unaudited)

Statements of Cash Flows for the nine months ended September 30, 2005 and 2004 (unaudited)

Notes to September 30, 2005 financial statements

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Independent Auditor's Report
Balance Sheets as of December 31, 2004 and 2003
Statements of Operations for the years ended December 31, 2004 and 2003
Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2004 and 2003 Statements of Cash Flows for the years ended December 31, 2004 and 2003 Notes to December 31, 2004 financial statements

(b) Pro forma financial information.

Not applicable.

(c) Exhibits

Exhibit Number	Description
2.1	Stock Purchase Agreement dated as of December 20, 2005 among Digicorp, Rebel Crew Films, Inc., Rebel Holdings, LLC and Cesar Chatel (Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on December 21, 2005)
2.2	Letter Agreement dated December 20, 2005 among Digicorp, Rebel Crew Films, Inc., Rebel Holdings, LLC and Cesar Chatel (Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on December 21, 2005)
2.3	Purchaser and Company Disclosure Schedules to Stock Purchase Agreement dated as of December 20, 2005 among Digicorp, Rebel Crew Films, Inc., Rebel Holdings, LLC and Cesar Chatel
2.4	Lock Up Agreements of Sellers in connection with Stock Purchase Agreement dated as of December 20, 2005 among Digicorp, Rebel Crew Films, Inc., Rebel Holdings, LLC and Cesar Chatel
2.5	Escrow Agreement dated December 29, 2005 by and among Digicorp, Rebel Holdings, LLC, Cesar Chatel and Sichenzia Ross Friedman Ference LLP as Escrow Agent
3.1	Articles of Incorporation (Incorporated by reference to the Company's registration statement on Form 10-SB (File No. 000-33067) filed with the Securities and Exchange Commission on August 9, 2001)

3.2	*Bylaws (Incorporated by reference to the Company's registration statement on Form 10-SB (File No. 000-33067) filed with the Securities and Exchange Commission on August 9, 2001)*
3.3	*Amendment No. 1 to Bylaws (Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on July 21, 2005)*
4.1	*Secured Convertible Note due December 19, 2010 in the principal amount of $556,306.53 issued to Rebel Crew Holdings, LLC*
4.2	*Promissory Note due June 30, 2006 in the principal amount of $73,000 issued to Jay Rifkin 9.1 Voting Agreement dated December 29, 2005 by and among Jay Rifkin and the stockholders of Digicorp listed on the signature pages thereto*
10.1	*Securities Purchase Agreement dated December 29, 2005 by and among Rebel Holdings, LLC and Digicorp*
10.2	*Assignment Agreement dated December 29, 2005 by and among Rebel Holdings, LLC, Digicorp and Rebel Crew Films, Inc.*
10.3	*Security Agreement dated December 29, 2005 by and among Digicorp and Rebel Crew Holdings, LLC*
10.4	*Digicorp Stock Option and Restricted Stock Plan (Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on December 22, 2005)*
10.5	*Employment Agreement dated September 20, 2005, among Digicorp and Philip Gatch (Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on September 22, 2005)*
10.6	*Employment Agreement effective as of September 30, 2005 by and between Digicorp and Jay Rifkin*
10.7	*Standard Industrial/Commercial Multi-Tenant Lease dated July 18, 2005 between The Welk Group, Inc. and Rebel Crew Films, Inc.*

10.8	*Videogram License Agreement dated August 19, 2003 by and between Rebel Crew Films and BCI Eclipse, LLC*
10.9	*Videogram License Agreement dated March 29, 2004 by and between Rebel Crew Films and BCI Eclipse Company, LLC*
10.10	*Videogram License Agreement dated May 26, 2004 by and between Rebel Crew Films and BCI Eclipse Company, LLC*
10.11	*License Agreement dated November 15, 2002 between Rebel Crew Films and VAS Entertainment/Rise Above Entertainment*
10.12	*License Agreement dated December 31, 2002 between Rebel Crew Films and VAS Entertainment/Rise Above Entertainment*
16.1	*Letter on change in certifying accountant dated October 31, 2005 from Jones Simkins, P.C. (Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on October 31, 2005) 21.1 Subsidiaries*

SIGNATURES

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

Digicorp

Dated: January 5, 2006

By: /s/ Jay Rifkin
Name: Jay Rifkin
Title: Chief Executive Officer

REBEL CREW FILMS, INC.

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REBEL CREW FILMS, INC.

Condensed Balance Sheets (Unaudited)

<TABLE>
<CAPTION>

	September 30, 2005	DECEMBER 31, 2004
ASSETS		
CURRENT ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$ 3,404	$ 7,856
Accounts receivable, net	27,290	--
Inventories	36,243	--
Other current assets	10,568	--
TOTAL CURRENT ASSETS	77,505	7,856
Property and equipment, net	13,637	--
Intangible assets, net	428,300	188,125
TOTAL ASSETS	$ 519,442	$ 195,981
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 19,386	$ 9,700
Due to related party	601,307	48,986
Deferred revenue	75,411	162,971
TOTAL CURRENT LIABILITIES	696,104	221,657
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, no par value: 100,000 shares authorized; 100,000 shares issued and outstanding	14,625	14,625
Accumulated deficit	(191,287)	(40,301)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(176,662)	(25,676)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 519,442	$ 195,981

</TABLE>

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

REBEL CREW FILMS, INC.

Condensed Statements of Operations (Unaudited)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30, 2005	SEPTEMBER 30, 2004	SEPTEMBER 30, 2005	SEPTEMBER 30, 2004
REVENUE				
<S>	<C>	<C>	<C>	<C>
Licensing fees	$ 4,218	$ 2,572	$ 85,205	$ 22,235
Sales	52,046	--	55,128	--
TOTAL REVENUE	56,264	2,572	140,333	22,235
OPERATING EXPENSES				
Cost of sales	31,433	--	43,465	--
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	118,495	27,961	247,854	80,889
TOTAL OPERATING EXPENSES	149,928	27,961	291,319	80,889
OPERATING INCOME (LOSS)	(93,664)	(25,389)	(150,986)	(58,654)
OTHER INCOME	--	21,013	--	75,768
INCOME (LOSS) BEFORE INCOME TAXES	(93,664)	(4,376)	(150,986)	17,114
PROVISION FOR INCOME TAXES	--	--	--	--
NET INCOME (LOSS)	$ (93,664)	$ (4,376)	$ (150,986)	$ 17,114
BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE	$ (0.94)	$ (0.04)	$ (1.51)	$ 0.17
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	100,000	100,000	100,000	100,000

</TABLE>

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

REBEL CREW FILMS, INC.

Condensed Statements of Cash Flows (Unaudited)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED	
	September 30, 2005	SEPTEMBER 30, 2004
Cash flows from operating activities:		
<S>	<C>	<C>
Net income (loss)	$ (150,986)	$ 17,114
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	577	--
Amortization of licenses	86,825	31,250
Changes in operating assets and liabilities:		
Accounts receivable	(27,290)	--
Inventories	(36,243)	(7,920)
Other current assets	(10,568)	--
Accounts payable and accrued liabilities	9,686	(26,000)
Due to related party	552,321	--
Deferred revenue	(87,560)	127,165
Net cash provided by operating activities	336,762	141,609
Cash flows from investing activities:		
Purchases of licenses	(327,000)	(130,000)
Purchases of property and equipment	(14,214)	--

</TABLE>

Net cash used in investing activities	(341,214)	(130,000)
Net (decrease) increase in cash and cash equivalents	(4,452)	11,609
Cash and cash equivalents at beginning of period	7,856	--
Cash and cash equivalents at end of period	$ 3,404	$ 11,609

</TABLE>

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

REBEL CREW FILMS, INC.
NOTES TO FINANCIAL STATEMENTS - UNAUDITED
SEPTEMBER 30, 2005

1. DESCRIPTION OF BUSINESS

Rebel Crew Films, Inc. ("the Company") was organized under the laws of the State of California on August 7, 2002 to distribute Latino home entertainment products. The Company currently maintains more than 200 Spanish language films and serves wholesale, retail, catalog, and e-commerce accounts. The Company's titles can be found at major retail outlets and independent video outlets across the United States of America and Canada.

During the nine months ended September 30, 2004 and 2005, the Company generated revenue through the direct sales of licensed content and licensing agreements with third parties that distributed the Company's licensed content. The Company is expanding its sales force to focus on direct sales of its licensed content and intends to significantly reduce or eliminate future licensing agreements with third parties.

The Company is organized in a single operating segment. All of the Company's revenues are generated in the United States, and the Company has no long-lived assets outside the United States.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying condensed financial statements do not include all the information and disclosures required by accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The actual results may differ from management's estimates.

The interim condensed financial information is unaudited, but reflects all normal adjustments that are, in the opinion of management, necessary to provide a fair statement of results for the interim periods presented. The condensed interim financial statements should be read in connection with the Company's audited financial statements for the year ended December 31, 2004.

LIQUIDITY

The accompanying financial statements are prepared assuming the Company is a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has a working capital deficiency of $618,599 at September 30, 2005, which includes deferred revenue of $75,411 and amounts due to related parties of $601,307, as discussed below. During the nine months ended September 30, 2005, the Company primarily relied upon loans from a related party to fund its operations and, to a lesser extent, revenues generated from licensing its film content, on a non-exclusive basis, to other distributors of Latino home entertainment content. Management believes that future revenues combined with either loans or direct equity investments into the Company will be sufficient to fund the Company's operations for the 12 months subsequent to September 30, 2005.

REVENUE RECOGNITION

The Company generates revenue through either the direct sales of licensed content or through licensing agreements whereby the Company receives advance payments as consideration for rights granted to third parties that distribute the Company's licensed content. The Company may be entitled to receive additional royalty payments under the licensing agreements, but only to the extent that royalties calculated under the terms of the licensing agreements exceed the amount of the advance payments. Advance payments are initially recorded as deferred revenue. The Company recognizes revenue under its licensing agreements as royalties are earned upon shipment of licensed content to customers by the sub-licensor. Deferred revenue balances of $75,411 and $162,971 at September 30, 2005 and December 31, 2004, respectively, represent advance royalty payments that are expected to be earned over the subsequent twelve month periods. Revenues from direct sales are recorded upon shipment.

REBEL CREW FILMS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

ACCOUNTS RECEIVABLES

Accounts receivables are recorded at the invoice amount and do not bear interest. Accounts receivable at September 30, 2005 are presented net of an allowance for doubtful accounts of $5,000. The allowance for doubtful accounts is the Company's estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience. The Company reviews its allowance for doubtful accounts monthly. Past due balances are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and potential for recovery is considered remote. The Company does not have any off-balance-sheet exposure related to its customers.

INVENTORY

Inventories, consisting primarily of Spanish language DVD titles, are stated at the lower of cost (first-in, first-out basis) or market.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated using the straight-line method over the useful lives of the assets, generally from five to seven years. Property and equipment at September 30, 2005 are presented net of accumulated depreciation of $577. Depreciation expense for the nine months ended September 30, 2005 was $577.

3. INTANGIBLE ASSETS

Intangible assets consist of capitalized license fees for licensed content the Company acquired from owners including producers, studios and distributors. Licensed content acquired is capitalized at the time of purchase. The term of the licensed content agreements usually vary between one to five years (the "TITLE Term"). At the end of the Title Term, the Company generally has the option of discontinuing distribution of the title or extending the Title Term.

The Company amortizes the capitalized license fees, on a straight line basis over the Title Term. During the nine months ended September 30, 2005 and 2004, amortization expense related to the licensed content was $86,825 and $31,250, respectively.

Licensed content and accumulated amortization at September 30, 2005 and December 31, 2004, consisted of the following:

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
Licensed content	$ 581,000	$ 254,000
Less: accumulated amortization	(152,700)	(65,875)
Licensed content, net	$ 428,300	$ 188,125

4. INCOME (LOSS) PER COMMON SHARE

Income (loss) per common share is based on the weighted average number of common shares outstanding. The Company complies with SFAS No. 128, "Earnings Per Share," which requires dual presentation of basic and diluted earnings per share on the face of the statements of operations. Basic per share earnings or loss excludes dilution and is computed by dividing income (loss) available to common stockholders by the weighted-average common shares outstanding for the period. Diluted per share earnings or loss reflects the potential dilution that could occur if convertible preferred stock or debentures, options and warrants were to be exercised or converted or otherwise resulted in the issuance of common stock that then shared in the earnings of the entity. For the nine months ended September 30, 2005 and 2004, there were no potentially dilutive shares outstanding

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at September 30, 2005 and December 31, 2004 are comprised of the following:

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
Income taxes payable	$ 2,400	$ 2,400
Legal fees	--	4,625
Other	16,986	2,675
	$ 19,386	$ 9,700

6. COMMITMENT AND CONTINGENCIES

In August 2005 the Company entered into a commercial lease agreement for office space. The lease requires monthly payments of base rent in the amount of $5,890 from August 21, 2005 through September 30, 2012. Further, on each anniversary date the base rent is subject to a 3% increase over the previous year. Approximate future minimum rent payments under this lease are as follows:

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,						
2005	2006	2007	2008	2009	THEREAFTER	TOTAL
<C>	<C>	<C>	<C>	<C>	<C>	<C>
$ 25,500	$ 71,400	$ 73,500	$ 75,700	$ 78,000	$ 219,400	$ 543,500

</TABLE>

7. RELATED PARTY TRANSACTIONS

At September 30, 2005 and December 31, 2004, the Company has a liability of $568,307 and $48,986, respectively, due to Rebel Holdings, LLC, a California limited liability company ("REBEL HOLDINGS"), an entity that during 2005 acquired approximately 90% of the outstanding shares of the Company's common stock. Additionally, at September 30, 2005 and December 31, 2004, the Company has a liability of $33,000 and $0, respectively, due to the sole member of Rebel Holdings. The liabilities are non-interest bearing, due on demand and secured by all of the assets of the Company.

8. OTHER INCOME

Other income recognized during 2004 consists primarily of finder's fees received by the Company from a distributor of the Company's licensed content as consideration for the Company's efforts in assisting the distributor in securing rights to other third party film distribution rights. No finder's fees were received during 2005.

9. SUBSEQUENT EVENTS

Acquisition

On December 20, 2005, the Company entered into a Stock Purchase Agreement with Digicorp, Inc., a Utah Corporation ("DIGICORP"), whereby Digicorp will purchase (the "ACQUISITION") all of the issued and outstanding shares of the Company's capital stock. Upon closing the Acquisition, Digicorp would issue approximately 21 million shares of its common stock to the shareholders of the Company as compensation for the issued and outstanding capital stock of the Company. Upon completion of the Acquisition, shareholders of the Company will own approximately 58% of Digicorp. The Acquisition closed on December 29, 2005.

Promissory Notes

Between October 2005 and December 2005, the Company issued a series of promissory notes in the aggregate principal amount of $180,000 (the "NOTES") to Digicorp, in consideration for loans from Digicorp to the Company in the amount of $180,000. The principal amount of the Notes and interest at the rate of 5% per annum is payable on April 11, 2006. The obligations under the Notes are collateralized by all of the assets of the Company.

Between October 2005 and December 2005, the Company borrowed additional funds from the sole member of Rebel Holdings, totaling $40,000, bringing the aggregate amount owed to the member to $73,000 at December 29, 2005. In connection with the borrowings, the Company issued a promissory note in the amount of $73,000 to the member (the "NOTE") on December 29, 2005. The monies loaned by the member to the Company were utilized to pay for certain capitalized license agreements and operating expenses of the Company. The Note has a term of approximately six months and bears 5.0% simple interest.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Rebel Crew Films, Inc.

We have audited the accompanying balance sheets of Rebel Crew Films, Inc. (the "Company") as of December 31, 2004, and 2003, and the related statements of operations, stockholders equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Rebel Crew Films, Inc. as of December 31, 2004, and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Peterson & Co., LLP

PETERSON & CO., LLP

San Diego, California
December 29, 2005

REBEL CREW FILMS, INC.

Balance Sheets

<TABLE>
<CAPTION>

	December 31, 2004	DECEMBER 31, 2003
ASSETS		
CURRENT ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$ 7,856	$ --
TOTAL CURRENT ASSETS	7,856	--
Intangible assets, net	188,125	80,000
TOTAL ASSETS	$ 195,981	$ 80,000
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 9,700	$ 27,600
Due to related party	48,986	--
Deferred revenue	162,971	40,433
TOTAL CURRENT LIABILITIES	221,657	68,033
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, no par value: 100,000 shares authorized; 100,000 shares issued and outstanding	14,625	14,625
Accumulated deficit	(40,301)	(2,658)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(25,676)	11,967
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 195,981	$ 80,000

</TABLE>

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

REBEL CREW FILMS, INC.

Statements of Operations

	YEARS ENDED December 31, 2004	DECEMBER 31, 2003
REVENUE	$ 27,963	$ 115,896
EXPENSES		
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	144,434	112,364
OPERATING INCOME (LOSS)	(116,471)	3,532
OTHER INCOME	79,628	800
INCOME (LOSS) BEFORE INCOME TAXES	(36,843)	4,332
PROVISION FOR INCOME TAXES	800	800
NET INCOME (LOSS)	$ (37,643)	$ 3,532
BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE	$ (0.38)	$ 0.04

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	100,000	100,000

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

REBEL CREW FILMS, INC.

Statements of Stockholders' Equity (Deficit)
YEARS ENDED DECEMBER 31, 2004 AND 2003

	COMMON STOCK		ACCUMULATED	TOTAL SHAREHOLDERS'
	SHARES	AMOUNT	DEFICIT	EQUITY (DEFICIT)
BALANCES, December 31, 2002	100,000	$ 5,500	$ (6,190)	$ (690)
Contributed capital		9,125		9,125
Net income	--	--	3,532	3,532
BALANCES, December 31, 2003	100,000	$ 14,625	$ (2,658)	$ 11,967
Net loss	--	--	(37,643)	(37,643)
BALANCES, December 31, 2004	100,000	$ 14,625	$(40,301)	$(25,676)

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

REBEL CREW FILMS, INC.

Statements of Cash Flows

<TABLE>
<CAPTION>

	YEARS ENDED	
	December 31, 2004	DECEMBER 31, 2003
Cash flows from operating activities:		
<S>	<C>	<C>
Net income (loss)	$ (37,643)	$ 3,532
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of licenses	45,875	20,000
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	(17,900)	(1,200)
Due to related party	48,986	--
Deferred revenue	122,538	40,433
Net cash provided by operating activities	161,856	62,765
Cash flows from investing activities:		
Purchases of licenses	(154,000)	(72,000)
Net cash used in investing activities	(154,000)	(72,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock	--	9,125
Net cash used in financing activities	--	9,125
Net increase (decrease) in cash and cash equivalents	7,856	(110)
Cash and cash equivalents at beginning of period	--	110
Cash and cash equivalents at end of period	$ 7,856	$ --

</TABLE>

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

REBEL CREW FILMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. DESCRIPTION OF BUSINESS

Rebel Crew Films, Inc. ("the Company") was organized under the laws of the State of California on August 7, 2002 to distribute Latino home entertainment products. The Company currently maintains more than 200 Spanish language films and serves wholesale, retail, catalog, and e-commerce accounts. The Company's titles can be found at major retail outlets and independent video outlets across the United States of America and Canada.

During 2003 and 2004, the Company generated revenue through licensing agreements with third parties that distributed the Company's licensed content. The Company is expanding its sales force to focus on direct sales of its licensed content and intends to significantly reduce or eliminate future licensing agreements with third parties.

The Company is organized in a single operating segment. All of the Company's revenues are generated in the United States, and the Company has no long-lived assets outside the United States.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

LIQUIDITY

The accompanying financial statements are prepared assuming the Company is a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has a working capital deficiency of $213,801 at December 31, 2004, which includes deferred revenue balance of $162,971, as discussed below. During the year ended December 31, 2004, the Company primarily relied upon revenues generated from licensing its film content, on a non-exclusive basis, to other distributors of Latino home entertainment content and, to a lesser extent, from loans by a related party to fund its operations. Management believes that future revenues combined with either loans or direct equity investments into the Company will be sufficient to fund the Company's operations for the 12 months subsequent to December 31, 2004.

USE OF ESTIMATES

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on knowledge of current events and anticipated future events and accordingly, actual results may differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers only highly liquid investments such as money market funds and commercial paper with maturities of 90 days or less at the date of their acquisition as cash and cash equivalents.

The Company maintains cash in bank and deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

INTANGIBLE ASSETS

Licensed content acquired from owners including producers, studios or distributors is capitalized and amortized on a straight-line basis over the term of the license agreement, which generally ranges between one and five years. The carrying values of intangible assets are periodically reviewed and impairments, if any, are recognized when the expected future benefit to be derived from an intangible asset is less than its carrying value.

STOCK BASED COMPENSATION

As of December 31, 2004, no stock options or other equity instruments had been granted to employees. For future stock-based compensation awards, the Company intends to adopt the provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123(R), Share-Based Payment, that requires corporations to account for awards of stock options or other equity instruments to employees using the fair value method.

REVENUE RECOGNITION

The Company generates revenue through licensing agreements whereby the Company receives advance payments as consideration for rights granted to third parties that distribute the Company's licensed content. The Company may be entitled to receive additional royalty payments under the licensing agreements, but only to the extent that royalties calculated under the terms of the licensing agreements exceed the amount of the advance payments. Advance payments are initially recorded as deferred revenue. The Company recognizes revenue under its licensing agreements as royalties are earned upon shipment of licensed content to customers by the sub-licensor. Deferred revenue balances of $162,971 and $40,433 at December 31, 2004 and 2003, respectively, represent advance royalty payments that are expected to be earned over the subsequent twelve month periods.

INCOME TAXES

Deferred income taxes are provided in amounts sufficient to give effect to temporary differences between financial and tax reporting, principally related to net operating loss carryforwards. Valuation allowances are provided to the extent realization of recorded tax assets is not considered likely.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2004, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue 04-08 The Effect of Contingently Convertible Instruments on Diluted Earnings per Share, which requires the inclusion of shares related to contingently convertible debt instruments for computing diluted earnings per share using the if-converted method, regardless of whether the market price contingency has been met. EITF 04-08 will be effective for all periods ending after December 15, 2004 and includes retroactive adjustment to historically reported diluted earnings per share. The adoption of EITF Issue No. 04-08 does not currently have an impact on the Company's operating results or financial position.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4. SFAS 151 clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs, and wasted materials (spoilage) are required to be recognized as current period charges. The provisions of SFAS 151 are effective for fiscal years beginning after June 15, 2005. The adoption of SFAS 151 is not expected to have a significant impact on the Company's operating results or financial position.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets, which eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 will be effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have an impact on the Company's operating results or financial position.

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payment, which establishes standards for transactions in which an entity exchanges its equity instruments for goods or services. This standard replaces SFAS No. 123 and supercedes APB Opinion No. 25, Accounting for Stock-based compensation. This Standard requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. This eliminates the exception to account for such awards using the intrinsic method previously allowable under APB Opinion No. 25. SFAS No. 123(R) will be effective for interim or annual reporting periods beginning on or after December 15, 2005. The impact on the Company's operating results or financial position based on the adoption of SFAS No. 123(R) has not yet been determined.

3. INTANGIBLE ASSETS

Intangible assets consist of capitalized license fees for licensed content the Company acquired from owners including producers, studios and distributors. Licensed content acquired is capitalized at the time of purchase. The term of the licensed content agreements usually vary between one to five years (the "TITLE TERM"). At the end of the Title Term, the Company generally has the option of discontinuing distribution of the title or extending the Title Term.

The Company amortizes the capitalized license fees, on a straight line basis over the Title Term. During the years ended December 31, 2004 and 2003, amortization expense related to the licensed content was $45,875 and $20,000, respectively.

Licensed content and accumulated amortization consisted of the following:

	YEARS ENDED	
	DECEMBER 31, 2004	DECEMBER 31, 2003
Licensed content	$ 254,000	$ 100,000
Less: accumulated amortization	(65,875)	(20,000)
Licensed content, net	$ 188,125	$ 80,000

In connection with these agreements, the Company expects to record the following amortization expense over the next five years:

FISCAL YEAR ENDED	AMORTIZATION
December 31, 2005	$ 58,500
December 31, 2006	$ 58,500
December 31, 2007	$ 58,500
December 31, 2008	$ 12,625
December 31, 2009	$ --

4. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Significant components of our deferred tax assets as of December 31, 2004 and 2003 are as follows:

	2004	2003
Deferred tax assets		
Federal net operating loss carryforward	$ 9,185	$ 904
State net operating loss carryforward	2,175	93
Deferred revenue	5,343	--
Total gross deferred tax asset	16,703	997
Less valuation allowance	(16,703)	(997)
Net deferred tax asset	$ --	$ --

The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon our loss for the year ended December 31, 2004 we have provided a valuation allowance in the amount of $16,703, an increase of $15,706. The amount of deferred tax asset considered realizable could change in the near term if projected future taxable income is realized. Included in deferred tax assets is federal and state net operating loss carry forwards of approximately $27,000 and $25,000 respectively. Utilization of operating loss carryforwards may be limited if a cumulative change in ownership of more than 50% occurs within a three year period. The net operating losses will begin to expire in 2024 and 2014, respectively.

At December 31, 2004 and 2003, the Company's tax provision consists of:

	2004	2003
Current		
Federal	$ --	$ --
State	800	800
Deferred		
Federal	--	--
State	--	--
Total	$ 800	$ 800

For the years ended December 31, 2004 and 2003, a reconciliation of the federal statutory tax rate to the Company's effective tax rate is as follows:

<TABLE>
<CAPTION>

	2004	2003
<S>	<C>	<C>
Federal statutory tax rate	(34.00)%	34.00%
State and local income taxes, net of federal tax benefit	1.43	12.19
Non deductible items	0.75	--
Valuation allowance	33.99	(27.73)
Total effective tax rate	2.17%	18.46%

</TABLE>

5. INCOME (LOSS) PER COMMON SHARE

Income (loss) per common share is based on the weighted average number of common shares outstanding. The Company complies with SFAS No. 128, "Earnings Per Share," which requires dual presentation of basic and diluted earnings per share on the face of the statements of operations. Basic per share earnings or loss excludes dilution and is computed by dividing income (loss) available to common stockholders by the weighted-average common shares outstanding for the period. Diluted per share earnings or loss reflects the potential dilution that could occur if convertible preferred stock or debentures, options and warrants were to be exercised or converted or otherwise resulted in the issuance of common stock that then shared in the earnings of the entity. For the years ended December 31, 2004 and 2003, there were no potentially dilutive shares outstanding

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at December 31, 2004 and 2003 are comprised of the following:

	DECEMBER 31, 2004	DECEMBER 31, 2003
Obligations on license agreements	$ --	$26,000
Income taxes payable	2,400	1,600
Legal fees	$ 4,625	$ --
Other	2,675	--

$ 9,700	$27,600

7. RELATED PARTY TRANSACTIONS

At December 31, 2004 and 2003, the Company has a liability of $48,986 and $0, respectively, due to Rebel Holdings, LLC, a California limited liability company ("REBEL HOLDINGS"), an entity that during 2005 acquired approximately 90% of the outstanding shares of the Company's common stock. The liability is non-interest bearing, is due on demand and is secured by all of the assets of the Company.

8. OPERATING LEASE

During 2004 and 2003 the Company rented space on a month to month basis. Rent expense during the years ended December 31, 2004 and 2003 was $11,505 and $8,700, respectively.

9. OTHER INCOME

Other income recognized during 2004 consists primarily of finder's fees received by the Company from a distributor of the Company's licensed content as consideration for the Company's efforts in assisting the distributor in securing rights to other third party film distribution rights.

10. CONCENTRATION RISK

During 2003, one sub-licensor accounted for 100% of licensing fee revenues recognized. During 2004, two sub-licensors accounted for 70% and 30% respectively, of license fee revenues recognized.

11. SUBSEQUENT EVENTS

Operating Lease

In August 2005 the Company entered into a commercial lease agreement for office space. The lease requires monthly payments of base rent in the amount of $5,890 from August 21, 2005 through September 30, 2012. Further, on each anniversary date the base rent is subject to a 3% increase over the previous year.

Acquisition

On December 20, 2005, the Company entered into a Stock Purchase Agreement with Digicorp, Inc., a Utah Corporation ("DIGICORP"), whereby Digicorp will purchase (the "ACQUISITION") all of the issued and outstanding shares of the Company's capital stock. Upon closing the Acquisition, Digicorp would issue approximately 21 million shares of its common stock to the shareholders of the Company as compensation for the issued and outstanding capital stock of the Company. Upon completion of the Acquisition, shareholders of the Company will own approximately 58% of Digicorp. The Acquisition closed on December 29, 2005.

Promissory Notes

Between September 2005 and December 2005, the Company borrowed funds from the sole member of Rebel Holdings, totaling $73,000. In connection with the borrowings, the Company issued a promissory note in the amount of $73,000 to the member (the "REBEL NOTE") on December 29, 2005. The monies loaned by the member to the Company were utilized to pay for certain capitalized license agreements and operating expenses of the Company. The Rebel Note has a term of approximately six months and bears 5.0% simple interest.

Between October 2005 and December 2005, the Company issued a series of promissory notes in the aggregate principal amount of $180,000 (the "NOTES") to Digicorp, in consideration for loans from Digicorp to the Company in the amount of $180,000. The principal amount of the Notes and interest at the rate of 5% per annum is payable on April 11, 2006. The obligations under the Notes are collateralized by all of the assets of the Company.

During 2005, the Company borrowed additional funds from Rebel Holdings, totaling $507,321, bringing the aggregate amount owed to Rebel Holdings to $556,307 at December 29, 2005. In connection with the borrowings, the Company issued a convertible note in the amount of $556,307 to Rebel Holdings (the "NOTE") on December 29, 2005. The monies loaned by Rebel Holdings to the Company were utilized to pay for certain capitalized license agreements and operating expenses of the Company. The Note has a term of five years from closing, bears 4.5% simple interest and is convertible into shares of the Company's common stock at a conversion price of $1.112614 per share.

PURCHASER DISCLOSURE SCHEDULES
TO
STOCK PURCHASE AGREEMENT

(Prepared in connection with the Stock Purchase Agreement dated as of December 29, 2005 among Digicorp, a Utah Corporation, Rebel Crew Films, Inc., a California corporation, Rebel Holdings, LLC, a California limited liability company and Cesar Chatel (the "Stock Purchase Agreement"). Capitalized terms not defined herein shall have the meaning given to such terms in the Stock Purchase Agreement.)

DECEMBER 29, 2005

SCHEDULE 6.9
ABSENCE OF CERTAIN DEVELOPMENTS

Effective July 20, 2005, the Board of Directors of the Purchaser approved the Purchaser's Stock Option and Restricted Stock Plan (the "Plan"). Under the Plan, the Purchaser can issue restricted shares of common stock, options to purchase shares of common stock (both incentive stock options and non-incentive stock options) and warrants to purchase shares of common stock to employees, directors and consultants. The number of shares subject to the Plan may not exceed 15,000,000 shares. The Plan will be administered by the Purchaser's Compensation Committee. See Form 8-K filed on Dec. 22, 2005 for a copy of the plan.

On September 20, 2005, the Purchaser entered into an employment agreement with Philip Gatch documenting the terms of his employment as the Purchaser's Chief Technology Officer. The term of the employment continues for 36 months from September 20, 2005 and automatically renews for successive one-year terms unless either party delivers to the other party written notice of termination at least 30 days before the end of the then current term. Mr. Gatch's base compensation under the agreement is $95,000 in cash per year and $45,000 in a restricted stock grants each year. Prior to signing the employment agreement, the Purchaser granted Mr. Gatch options entitling him to purchase 250,000 shares of the Purchaser's common stock vesting annually over three years with a strike price of $0.25 per share, which stock options are reflected in the employment agreement. Mr. Gatch is also eligible to receive an annual bonus determined by the Purchaser's chief executive officer based on the performance of the Purchaser. In addition, Mr. Gatch was granted rights for three years to (a) veto a chief executive officer candidate as a replacement to Milton "Todd" Ault, III, and (b) veto a decision to sell the Purchaser or any of its core assets or technologies related to the iCodemedia suite of websites and internet properties and all related intellectual property (the "iCodemedia Assets") in the event the Purchaser sells for less than $50,000,000. If Mr. Gatch's employment is terminated for any reason, the veto rights will be forfeited. The agreement also contains customary provisions for disability, death, confidentiality, indemnification and non-competition. If Mr. Gatch voluntarily terminates the agreement or if the Purchaser terminates the agreement for cause, Mr. Gatch will not be entitled to any compensation for the period between the effective termination date and the end of the employment term and all unvested restricted stock and stock options will be forfeited. If the Purchaser voluntarily terminates the agreement without cause, the Purchaser must pay Mr. Gatch a cash sum equal to (a) all accrued base salary through the date of termination plus all accrued vacation pay and cash bonuses, if any, plus (b) as severance compensation, 500,000 unrestricted shares of common stock and $250,000 cash. In the event of a merger, consolidation, sale, or change of control, the surviving or resulting company is required to honor the terms of the agreement with Mr. Gatch. See Form 8-K filed on Sept. 22, 2005 for a copy of employment agreement.

In connection with the development of the Icodemedia Assets the Purchaser has incurred a liability of approx. $152,000 to EAI Technologies.

On October 25, 2005, the Purchaser engaged the firm of Peterson & Co. to serve as its independent registered public accountants for the fiscal year ending June 30, 2006. On October 27, 2005, the Purchaser notified Jones Simkins, P.C. that it was terminating Jones Simkins' services as the Purchaser's

independent registered public accountants.

As reported in a Form 8-K filed by the Purchaser on May 24, 2005, on May 18, 2005, the Purchaser sold 2,941,176 shares of common stock and warrants (the "May Warrants") to purchase an aggregate of 3,000,000 shares of common stock with exercise prices ranging from $0.25 to $1.50 per share to Bodnar Capital Management, LLC. On October 27, 2005, the Purchaser entered into an agreement with Bodnar Capital Management, LLC to cancel the May Warrants in exchange for the issuance by the Purchaser of a warrant to purchase 500,000 shares of common stock with a an exercise price of $0.01 per share exercisable for a period of five years.

On December 28, 2005, the Purchaser entered into an agreement granting piggy-back registration rights to Patient Safety Technologies, Inc. and Alan Morelli with respect to an aggregate of 1,224,000 shares of Purchaser's common stock. The Purchaser also agreed to redeem and re-issue such 1,224,000 shares of Purchaser's common stock if the resale of such shares is not registered by June 30, 2005.

Between September 2005 and October 2005, Jay Rifkin loaned an aggregate total principal amount of $73,000 to the Company. The Purchaser has agreed to repay the $73,000 to Mr. Rifkin.

SCHEDULE 6.10
TAXES

Taxable years for which the Purchaser has provided tax returns to the Company and Sellers:

June 30, 2002
June 30, 2003
June 30, 2004

Material Taxes:

U.S. Corporation Federal Income Tax Return
Utah Corporation Franchise or Income Tax Return

Claims for Taxes by Taxing Authorities in Jurisdictions where Purchaser does not File Tax Returns:

None.

SCHEDULE 6.11
REAL PROPERTY

None.

SCHEDULE 6.12
TANGIBLE PERSONAL PROPERTY

None.

SCHEDULE 6.13
INTANGIBLE PROPERTY

Intangible property purchased and or developed that directly relates to the acquisition of the Icodemedia Assets. In connection with the development of the Icodemedia Assets the Purchaser has incurred a liability of approx. $152,000 to EAI Technologies.

SCHEDULE 6.15
EMPLOYEE BENEFITS

Effective July 20, 2005, the Board of Directors of the Purchaser approved the Purchaser's Stock Option and Restricted Stock Plan (the "Plan"). Under the Plan, the Purchaser can issue restricted shares of common stock, options to purchase shares of common stock (both incentive stock options and non-incentive stock options) and warrants to purchase shares of common stock to employees, directors and consultants. The number of shares subject to the Plan may not exceed 15,000,000 shares. The Plan will be administered by the Purchaser's Compensation Committee. See Form 8-K filed on Dec. 22, 2005 for a copy of the plan.

On September 20, 2005, the Purchaser entered into an employment agreement with Philip Gatch documenting the terms of his employment as the Purchaser's Chief Technology Officer. The term of the employment continues for 36 months from September 20, 2005 and automatically renews for successive one-year terms unless either party delivers to the other party written notice of termination at least 30 days before the end of the then current term. Mr. Gatch's base compensation under the agreement is $95,000 in cash per year and $45,000 in a restricted stock grants each year. Prior to signing the employment agreement, the Purchaser granted Mr. Gatch options entitling him to purchase 250,000 shares of the Purchaser's common stock vesting annually over three years with a strike price of $0.25 per share, which stock options are reflected in the employment agreement. Mr. Gatch is also eligible to receive an annual bonus determined by the Purchaser's chief executive officer based on the performance of the Purchaser. In addition, Mr. Gatch was granted rights for three years to (a) veto a chief executive officer candidate as a replacement to Milton "Todd" Ault, III, and (b) veto a decision to sell the Purchaser or any of its core assets or technologies related to the iCodemedia suite of websites and internet properties and all related intellectual property in the event the Purchaser sells for less than $50,000,000. If Mr. Gatch's employment is terminated for any reason, the veto rights will be forfeited. The agreement also contains customary provisions for disability, death, confidentiality, indemnification and non-competition. If Mr. Gatch voluntarily terminates the agreement or if the Purchaser terminates the agreement for cause, Mr. Gatch will not be entitled to any compensation for the period between the effective termination date and the end of the employment term and all unvested restricted stock and stock options will be forfeited. If the Purchaser voluntarily terminates the agreement without cause, the Purchaser must pay Mr. Gatch a cash sum equal to (a) all accrued base salary through the date of termination plus all accrued vacation pay and cash bonuses, if any, plus (b) as severance compensation, 500,000 unrestricted shares of common stock and $250,000 cash. In the event of a merger, consolidation, sale, or change of control, the surviving or resulting company is required to honor the terms of the agreement with Mr. Gatch. See Form 8-K filed on Sept. 22, 2005 for a copy of employment agreement

SCHEDULE 6.20
INSURANCE

Workman's Comp Insurance: Zurich-American Ins. Co., Policy # WC 45-76-489-01

Expires 7/1/06

Health Insurance: United Health Care, Policy # 184514, Expires 7/1/06
Dental Insurance: MetLife, Policy # 101125, Expires 7/1/06
Long Term and Short Term Disability: Paid through the State of California
Life Insurance: MetLife, Policy # 462919, Expires 7/1/06

Executive and Organization Liability Insurance: National Union Fire Ins. Co. of Pittsburg, PA
Policy # 004941482, Expires 9/29/06

Chubb Group Insurance Companies (Expire on 12/7/06):
General Liability Policy # 35295206
Automobile Liability Policy # 73183432
Excess Liability Umbrella Policy # 79658385

SCHEDULE 6.23
BANKS

JPMorgan Chase Bank
Attn: Melissa Nawotniak
726 Madison Avenue
New York, New York, 10021
(212)745-1315
Checking Acct #: 904-117790
Money Market Acct #: 904-118207
Signors: William B. Horne
Lynne Silverstein

Bear Stearns Securities Corp.
1 Metrotech Center North
Brooklyn, NY 11201
Account: 130-46006 099
Authorized Signatory: William B. Horne
Jay Rifkin

COMPANY DISCLOSURE SCHEDULES

SECTION 4.3
CAPITALIZATION

None.

SECTION 4.4
SUBSIDIARIES

None.

SECTION 4.9
ABSENCE OF CERTAIN DEVELOPMENTS

None.

SECTION 4.10
TAXES

List of material types of taxes paid and material types of tax returns filed:

Tax Returns filed:
2002
- - US Corporation Income Tax Return - no activity - California Corporation Income Tax Return - no activity 2003 - - US Corporation Income Tax Return - negative taxable income - California Corporation Income Tax Return - paid $800 2004 - - US Corporation Income Tax Return - negative taxable income - California Corporation Income Tax Return - paid $892

SECTION 4.11
REAL PROPERTY

See Property Lease referred to in Section 4.14 of the Company Disclosure Schedules.

SECTION 4.12
TANGIBLE PERSONAL PROPERTY

No personal property involving personal payments of at least $25,000 a year.

SECTION 4.13
INTANGIBLE PROPERTY

BRAND MARKS/BRAND NAMES

LICENSES:

REBEL CREW FILMS:
1. Cine Producciones Molinar S.A. de C.V., dated 10/01/2002
2. Cinematografica R.A. De C.V., dated 01/06/2003
3. Dibujos Animados Mexicanos, S.A., dated 04/06/2004
4. New Latin Image Corp., dated 01/08/2005 (1)
5. New Latin Image Corp., dated 01/08/2005 (2)
6. Productora Filmica Real S.A., dated 02/15/2005
7. Productora Filmica Real S.A. 10/12/2005
8. Ultra Films Industries, Inc., dated 12/26/2002

REBEL HOLDINGS LLC
1. Mario Moreno Ivanova, dated 02/14/2005 2. New Latin Image Corp. , dated 03/23/2005 3. Rene Cardona Chavez, dated 06/01/2005 4. Ultra Films Industries, Inc. , dated 08/08/2005

SECTION 4.14
COMPANY MATERIAL CONTRACTS

PROPERTY LEASE

A Standard Industrial/Commercial lease was executed between The Welk Group, Inc. and Rebel Crew Films, Inc on July 18, 2005. The property is located at 4143 Glencoe Avenue, Marina Del Rey, County of Los Angeles, State of California with zip code of 90292. The area is approximately 3,800 rentable square feet, more or less, and includes 8 or 9 parking slots, depending on striping. The term is 7 years and 2 months commencing August 1, 2005 and ending Sept. 30, 2012. It will have a base rent of $5,890 per month payable on the first day of each month commencing August 15, 2005.

DISTRIBUTION CONTRACTS

1. BCI Eclipse, dated 08/19/2003
2. VAS Entertainment/Rise Above Entertainment: Santo Infraterrestre, dated 11/15/2002 3. VAS Entertainment/Rise Above Entertainment: Santo Programs, dated 12/31/2002

SECTION 4.15
EMPLOYEE BENEFITS

None.

SECTION 4.16
LABOR

None.

SECTION 4.17
LITIGATION

PENDING SETTLEMENTS:

1. MARIO MORENO IVANOVA

Insufficient Chain of Title documentation for eight (8) films relating to the contract: Mario Moreno Ivanova, dated 02/14/2005. Settlement discussions are ongoing.

2. SHERMAN AND NATHANSON

On September 1, 2005, Sherman & Nathanson, P.C. filed a collection action against the Company seeking to recover $4,927.00, plus interest and attorney's fees, for legal services allegedly rendered by them for the Company. The Company has caused the matter to be referred for resolution by binding arbitration and intends to vigorously contest their claim. It is not possible to provide an evaluation of the likelihood of an unfavorable outcome at this time, but if the outcome is unfavorable, it is unlikely that the amount of the potential loss will exceed $7,500.00.

3. SPEISER

On or about April 28, 2005, a transaction was effected pursuant to which Elliott Speiser, the former owner of 10% of the Company's authorized, issued and outstanding shares, sold his shares of the Company to Rebel Holdings LLC ("Holdings"). Commencing on or about November 21, 2005, Mr. Speiser has alleged his signature was forged on the documents pursuant to which he sold his shares of the Company to Holdings and that a fraud allegedly took place in which Mr. Chatel participated. No suit on these claims has as yet been filed by Mr. Speiser. The Company denies and refutes Mr. Speiser's claims and intends to vigorously contest any suit which Mr. Speiser might file against it or its agents, including Mr. Chatel. It is not possible to provide an evaluation of the likelihood of an unfavorable outcome at this time, nor is it possible to provide an estimate at this time of the amount or range of potential loss.

4. FELIPE MARINO

A demand was made to Felipe Marino on October 18, 2005 for the immediate payment of a promissory note for the sum of $1,500 due September 15, 2005.

SECTION 4.19
ENVIRONMENTAL MATTERS

None.

SECTION 4.20
INSURANCE

LIABILITY INSURANCE:

PRODUCER:
Wheatman Insurance Services LLC
License #0C36866
6345 Balboa Blvd., Suite 285

Encino, CA 91316

INSURER: Hartford Insurance Group

Type of Insurance: Commercial General Liability
Policy Number 72SBAG8174
Effective Date: 8/01/2005 to 8/01/2006

LIMITS:
Each Occurrence = 1,000,000
Damage to Rented Premise = 300,000
Med exp (any one person) = 10,000
Personal & Adv Injury: 1,000,000
General Aggregate: 2,000,000
Products - Comp/OP/AGG : 1,000,000

OTHER TYPE OF INSURANCE: Bus. Personal Property; Business Income
Limits: $30,000/$1,000 deductible; Actual Loss Sustain - 12 months

SECTION 4.22
RELATED PARTY TRANSACTIONS

1) *Inducement Agreement between Cesar Chatel and Rebel Crew Films with Jay Rifkin and Rebel Holdings LLC, dated October 3, 2005.*
2) *Stock Purchase Agreement among Jay Rifkin, or nominee, as the Purchaser, Rebel Crew Films, Inc., as the Company, and Cesar Chatel and Robert Arevalo, as the Shareholders, dated November 30, 2004 (the "Stock Purchase Agreement")*
3) *First Amendment to Stock Purchase Agreement dated effective January 15, 2005 (the "First Amendment to Stock Purchase Agreement")*
4) *Security Agreement, dated November 30, 2004, executed and delivered pursuant to the Stock Purchase Agreement*
5) *Personal Guaranty of Cesar Chatel, dated November 30, 2004, executed and delivered pursuant to the Stock Purchase Agreement*
6) *Revised Personal Guaranty of Cesar Chatel, dated November 30, 2004 executed and delivered pursuant to the First Amendment to Stock Purchase Agreement*
7) *Personal Guaranty of Robert Arevalo, dated November 30, 2004, executed and delivered pursuant to the Stock Purchase Agreement*
8) *Revised Personal Guaranty of Robert Arevalo, dated November 30, 2004, executed and delivered pursuant to the First Amendment to Stock Purchase Agreement*
9) *Sub-Distribution Agreement, dated November 30, 2004 ("the Sub-distribution Agreement") between Rebel Crew Films, Inc. and Jay Rifkin executed and delivered pursuant to the Stock Purchase Agreement.*
10) *First Amendment to Sub-Distribution Agreement, dated January__, 2005, between Rebel Holdings LLC and Rebel Crew Films, Inc.*
11) *Second Amendment to Sub-Distribution Agreement, dated January__, 2005, between Rebel Holdings LLC and Rebel Crew Films, Inc.*
12) *Stock Purchase Agreement, dated April 28, 2005 between Rebel Holdings LLC, as Purchaser, and J. Scott Lowry, as Seller*
13) *Stock Purchase Agreement, dated April 28, 2005 between Rebel Holdings LLC, as Purchaser, and J. Elliot R. Speiser, as Seller*
14) *Stock Purchase Agreement, dated May 16, 2005 between Rebel Holdings LLC, as Purchaser, and Robert Arevalo, as Seller*
15) *Finder's Fee Agreement, dated May 11, 2005 between Rebel Holdings LLC, as the Company and Robert Arevalo, as the Finder*
16) *Share Purchase Side-Letter signed by Cesar Chatel and Robert Arevalo, dated April 7, 2005*

SECTION 4.23
BANKS

Bank:

Account Name: Rebel Crew Films, Inc.
Account # 724-2253990

WELLS FARGO
13400 Washington Blvd.
Marina Del Rey, CA 90292
Tel: (310) 578 4100
Fax: (310) 578 4104

EXHIBIT B
LOCK-UP AGREEMENT

Pursuant to Section 2.1(c)(i) of that certain Stock Purchase Agreement dated December 20, 2005 by and among Digicorp, a Utah corporation, Rebel Crew Films, Inc., a California corporation, Rebel Holdings, LLC, a California limited liability company, and Cesar Chatel (the "Stock Purchase Agreement"), the undersigned hereby agrees that he, she or it will not, directly or indirectly, agree or offer to sell, sell, grant an option for the purchase or sale of, transfer, pledge, assign, hypothecate, distribute or otherwise encumber or dispose of (other than to donees who agree to be similarly bound) three million (3,000,000) shares of Purchaser's Common Stock (as defined in the Stock Purchase Agreement) until one (1) year after the Closing Date (as defined in the Stock Purchase Agreement) without the prior written consent of Digicorp.

In order to enable the aforesaid covenants to be enforced, the undersigned hereby consents to the placing of stop-transfer orders with the transfer agent of the securities of Digicorp with respect to the above referenced shares registered in the name of the undersigned or beneficially owned by the undersigned.

Dated: December 29, 2005

Signature

REBEL HOLDINGS, LLC

By: /s/ Jay Rifkin

Jay Rifkin,
Managing Member

Address

Print Social Security Number
or Taxpayer I.D. Number

LOCK-UP AGREEMENT

Pursuant to Section 2.1(c)(i) of that certain Stock Purchase Agreement dated December 20, 2005 by and among Digicorp, a Utah corporation, Rebel Crew Films, Inc., a California corporation, Rebel Holdings, LLC, a California limited liability company, and Cesar Chatel (the "Stock Purchase Agreement"), the undersigned hereby agrees that he, she or it will not, directly or indirectly, agree or offer to sell, sell, grant an option for the purchase or sale of, transfer, pledge, assign, hypothecate, distribute or otherwise encumber or dispose of (other than to donees who agree to be similarly bound) three hundred thirty-three thousand three hundred thirty-three (333,333) shares of Purchaser's Common Stock (as defined in the Stock Purchase Agreement) until one (1) year after the Closing Date (as defined in the Stock Purchase Agreement) without the prior written consent of Digicorp.

In order to enable the aforesaid covenants to be enforced, the undersigned hereby consents to the placing of stop-transfer orders with the transfer agent of the securities of Digicorp with respect to the above referenced shares registered in the name of the undersigned or beneficially owned by the undersigned.

Dated: December 29, 2005

Signature

By: /s/ Cesar Chatel

Cesar Chatel

_____
_____
_____

Address

_____
Print Social Security Number
or Taxpayer I.D. Number

LOCK-UP AGREEMENT

Pursuant to Section 2.1(c)(ii) of that certain Stock Purchase Agreement dated December 20, 2005 by and among Digicorp, a Utah corporation, Rebel Crew Films, Inc., a California corporation, Rebel Holdings, LLC, a California limited liability company, and Cesar Chatel (the "Stock Purchase Agreement"), the undersigned hereby agrees that he, she or it will not, directly or indirectly, agree or offer to sell, sell, grant an option for the purchase or sale of, transfer, pledge, assign, hypothecate, distribute or otherwise encumber or dispose of (other than to donees who agree to be similarly bound) six million (6,000,000) shares of Purchaser's Common Stock (as defined in the Stock Purchase Agreement) until two (2) years after the Closing Date (as defined in the Stock Purchase Agreement) without the prior written consent of Digicorp.

In order to enable the aforesaid covenants to be enforced, the undersigned hereby consents to the placing of stop-transfer orders with the transfer agent of the securities of Digicorp with respect to the above referenced shares registered in the name of the undersigned or beneficially owned by the undersigned.

Dated: December 29, 2005

Signature

REBEL HOLDINGS, LLC

By: /s/ Jay Rifkin
_____
Jay Rifkin,
Managing Member

_____
_____
_____

Address

_____
Print Social Security Number
or Taxpayer I.D. Number

LOCK-UP AGREEMENT

Pursuant to Section 2.1(c)(ii) of that certain Stock Purchase Agreement dated December 20, 2005 by and among Digicorp, a Utah corporation, Rebel Crew Films, Inc., a California corporation, Rebel Holdings, LLC, a California limited liability company, and Cesar Chatel (the "Stock Purchase Agreement"), the undersigned hereby agrees that he, she or it will not, directly or indirectly, agree or offer to sell, sell, grant an option for the purchase or sale of, transfer, pledge, assign, hypothecate, distribute or otherwise encumber or dispose of (other than to donees who agree to be similarly bound) six hundred sixty-six thousand six hundred sixty-seven (666,667) shares of Purchaser's Common Stock (as defined in the Stock Purchase Agreement) until two (2) years after the Closing Date (as defined in the Stock Purchase Agreement) without the prior written consent of Digicorp.

In order to enable the aforesaid covenants to be enforced, the undersigned

hereby consents to the placing of stop-transfer orders with the transfer agent of the securities of Digicorp with respect to the above referenced shares registered in the name of the undersigned or beneficially owned by the undersigned.

Dated: December 29, 2005

Signature

By: /s/ Cesar Chatel
Cesar Chatel

Address

Print Social Security Number or Taxpayer I.D. Number

LOCK-UP AGREEMENT

Pursuant to Section 2.1(c)(iii) of that certain Stock Purchase Agreement dated December 20, 2005 by and among Digicorp, a Utah corporation, Rebel Crew Films, Inc., a California corporation, Rebel Holdings, LLC, a California limited liability company, and Cesar Chatel (the "Stock Purchase Agreement"), the undersigned hereby agrees that he, she or it will not, directly or indirectly, agree or offer to sell, sell, grant an option for the purchase or sale of, transfer, pledge, assign, hypothecate, distribute or otherwise encumber or dispose of (other than to donees who agree to be similarly bound) six million (6,000,000) shares of Purchaser's Common Stock (as defined in the Stock Purchase Agreement) of which 3,600,000 of the Escrow Performance Shares are a component of, until three (3) years after the Closing Date (as defined in the Stock Purchase Agreement) without the prior written consent of Digicorp.

In order to enable the aforesaid covenants to be enforced, the undersigned hereby consents to the placing of stop-transfer orders with the transfer agent of the securities of Digicorp with respect to the above referenced shares registered in the name of the undersigned or beneficially owned by the undersigned.

Dated: December 29, 2005

Signature

REBEL HOLDINGS, LLC

By: /s/ Jay Rifkin
Jay Rifkin,
Managing Member

Address

Print Social Security Number or Taxpayer I.D. Number

LOCK-UP AGREEMENT

Pursuant to Section 2.1(c)(iii) of that certain Stock Purchase Agreement dated December 20, 2005 by and among Digicorp, a Utah corporation, Rebel Crew Films, Inc., a California corporation, Rebel Holdings, LLC, a California limited liability company, and Cesar Chatel (the "Stock Purchase Agreement"), the undersigned hereby agrees that he, she or it will not, directly or indirectly, agree or offer to sell, sell, grant an option for the purchase or sale of, transfer, pledge, assign, hypothecate, distribute or otherwise encumber or dispose of (other than to donees who agree to be similarly bound) six hundred sixty-six thousand six hundred sixty-seven (666,667) shares of Purchaser's Common Stock (as defined in the Stock Purchase Agreement) of which 400,000 of the Escrow Performance Shares are a component of, until three (3) years after the Closing Date (as defined in the Stock Purchase Agreement) without the prior written consent of Digicorp.

In order to enable the aforesaid covenants to be enforced, the undersigned hereby consents to the placing of stop-transfer orders with the transfer agent of the securities of Digicorp with respect to the above referenced shares registered in the name of the undersigned or beneficially owned by the undersigned.

Dated: December 29, 2005

Signature

By: /s/ Cesar Chatel
Cesar Chatel

Address

Print Social Security Number
or Taxpayer I.D. Number

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (this "Agreement") is made as of December 29, 2005, by and among Digicorp, a Utah corporation (the "Purchaser"), Rebel Holdings, LLC, a California limited liability company ("Rebel Holdings"), Cesar Chatel ("Chatel" and together with Rebel Holdings, the "Sellers"), and Sichenzia Ross Friedman Ference LLP, a New York limited liability partnership (the "Escrow Agent").

W I T N E S S E T H:

WHEREAS, the Purchaser, Rebel Crew Films, Inc., a California corporation (the "Company") and the Sellers have, as of December 20, 2005, entered into an agreement (the "Stock Purchase Agreement"), which, among other matters, provides for the purchase by the Purchaser of all of the outstanding shares of capital stock of the Company from the Sellers in exchange for consideration consisting of shares of the Purchaser's common stock, $.001 par value ("Common Stock"); and

WHEREAS, pursuant to the terms of the Stock Purchase Agreement, the Purchaser and the Sellers have agreed to escrow 4,000,000 shares of Common Stock pending satisfaction of a performance milestone in accordance with the terms hereof.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements herein contained, and in consideration of the parties thereto entering into the Stock Purchase Agreement, the parties hereto covenant and agree as follows:

1. Deposit of Stock. Concurrently with the execution and delivery of this Agreement, the Purchaser shall deliver to the Escrow Agent four million (4,000,000) shares of Common Stock in the form of two certificates, one issued in the name of Rebel Holdings representing three million six hundred thousand (3,600,000) shares of Common Stock and one issued in the name of Chatel representing four hundred thousand (400,000) shares of Common Stock (the "Escrowed Stock"). The Escrow Agent shall hold and dispose of the Escrowed Stock in accordance with the terms of this Agreement.

2. Release of Escrowed Stock.

(a) Release upon Satisfaction or Waiver of Condition. Upon receipt by the Escrow Agent of a Notice of Satisfaction of Condition, Notice of Partial Satisfaction or Notice of Waiver of Condition pursuant to Section 2(b) of this Agreement on or before May 22, 2007 or as soon thereafter as reasonably practicable, the Escrow Agent shall release the Escrowed Stock in accordance with such Notice of Satisfaction of Condition, Notice of Partial Satisfaction or Notice of Waiver of Condition, as applicable, after which this Agreement shall be deemed terminated and the Escrow Agent shall be deemed released and discharged from further obligations hereunder.

(b) Condition.

(i) The condition for the release of the Escrowed Stock subject to Section 2(a) of this Agreement is as follows: if the Company generates revenue (determined in accordance with United States generally accepted accounting principles) of at least $1,200,000 during any twelve (12) month period beginning October 1, 2005 and through March 31, 2007 (the "Condition"), then the Escrowed Stock shall be released from escrow and delivered to the Sellers. Upon satisfaction of the Condition, the Purchaser and the Sellers shall as soon as practicable deliver to the Escrow Agent a Notice of Satisfaction of Condition signed by the Purchaser and the Sellers instructing the Escrow Agent to release the Escrowed Stock to the Sellers.

(ii) For each $12,000 (1%) that the Company's revenue is below $1,200,000 during any twelve (12) month period beginning October 1, 2005 and through March 31, 2007, 200,000 (5%) of the Escrowed Stock

shall be cancelled (90% of which shall be shares of Common Stock issued in the name of Rebel Holding and 10% of which shall be shares of Common Stock issued in the name of Chatel) and returned to treasury of the Purchaser ("Partial Satisfaction"). For purposes of clarification, if, for example, the Company generates a maximum of $960,000 of revenue during any twelve (12) month period beginning October 1, 2005 and through March 31, 2007, then all of the Escrowed Stock would be cancelled and returned to treasury of Purchaser. In the event of a Partial Satisfaction, the Purchaser and the Sellers shall as soon as practicable deliver to the Escrow Agent a Notice of Partial Satisfaction signed by the Purchaser and the Sellers specifically instructing the Escrow Agent what portion of the Escrowed Stock shall be released to the Sellers and what portion of the Escrowed Stock shall be released to the Purchaser to be cancelled.

(iii) Notwithstanding the foregoing, the Condition shall not be applicable in the event: (A) Purchaser sells the Company (or sells, conveys or otherwise disposes of all of the assets of the Company) on or before March 31, 2007 for consideration equal to or greater than $1,200,000; and (B) such sale of the Company (or sale, conveyance or disposition of all of the assets of the Company) is approved by an affirmative vote of all directors designated or elected by Milton "Todd" Ault, III pursuant to Section 6.9 of the Stock Purchase Agreement (the "Waiver of Condition"). In the event of a Waiver of Condition, the Purchaser and the Sellers shall as soon as practicable deliver to the Escrow Agent a Notice of Waiver of Condition signed by the Purchaser and the Sellers instructing the Escrow Agent to release the Escrowed Stock to the Sellers.

(c) Release of Escrowed Stock if there is a Dispute. If a dispute arises between the Purchaser and the Sellers in connection with this Agreement, then either the Purchaser or the Sellers shall within five (5) business days after the date such dispute arises deliver notice of such dispute ("Notice of Dispute") to the Escrow Agent, and simultaneously deliver a copy of such Notice of Dispute to the other parties to this Agreement. If a Notice of Dispute is received by the Escrow Agent or if no Notice of Satisfaction of Condition, Notice of Partial Satisfaction or Notice of Waiver of Condition is received by the Escrow Agent on or before May 22, 2007 or as soon thereafter as reasonably practicable pursuant to Section 2 of this Agreement, then the Escrow Agent shall retain custody of the Escrowed Stock until the first to occur of the following:

(i) Receipt by the Escrow Agent of a notice signed by the Purchaser and the Sellers containing instructions to the Escrow Agent as to the delivery of the Escrowed Stock; or

(ii) Receipt by the Escrow Agent of a final order of a court of competent jurisdiction resolving the dispute from which no appeal is or can be taken;

after which the Escrow Agent shall promptly deliver the Escrowed Stock in accordance with the notice from the parties or decision of the court, as the case may be. Upon delivery thereof, this Agreement shall be deemed terminated and the Escrow Agent shall be deemed released and discharged from further obligations hereunder.

3. Termination by the Parties. If at any time the Escrow Agent shall receive a written notice signed by the Purchaser and the Sellers that this Agreement has been terminated and instructing the Escrow Agent with respect to the disposition of the Escrowed Stock, the Escrow Agent shall release the Escrowed Stock in accordance with the instructions contained in such notice, and upon such release this Agreement shall be deemed terminated and the Escrow Agent shall be deemed released and discharged from further obligations hereunder.

4. Nature of Duties; No Conflict; Liability. It is understood and agreed that the duties of the Escrow Agent hereunder are purely ministerial in nature and do not represent a conflict of interest for the Escrow Agent to act, or continue to act, as counsel for any party to this Agreement with respect to any litigation or other matters arising out of this Agreement or otherwise. The Escrow Agent shall not be liable for any error of judgment, fact, or law, or any act done or omitted to be done, except for its own willful misconduct or gross negligence or that of its partners, employees, and agents. The Escrow Agent's determination as

to whether an event or condition has occurred, or been met or satisfied, or as to whether a provision of this Agreement has been complied with, or as to whether sufficient evidence of the event or condition or compliance with the provision has been furnished to it, shall not subject the Escrow Agent to any claim, liability, or obligation whatsoever, even if it shall be found that such determination was improper and incorrect; provided that the Escrow Agent and its partners, employees, and agents shall not have been guilty of willful misconduct or gross negligence in making such determination.

5. Indemnification. The Purchaser and the Sellers jointly and severally agree to indemnify the Escrow Agent for, and to hold it harmless against, any loss, liability, or expense ("Cost") incurred without gross negligence or willful misconduct on the part of the Escrow Agent, arising out of or in connection with its entering into this Agreement and carrying out its duties hereunder, including costs and expenses of defending itself against any claim of liability in connection herewith or therewith. The right to indemnification set forth in the preceding sentence shall include the right to be paid by the Purchaser and the Sellers in respect of Costs as they are incurred (including Costs incurred in connection with defending itself against any claim of liability in connection herewith). The Escrow Agent shall repay any amounts so paid if it shall ultimately be determined by a final order of a court of competent jurisdiction from which no appeal is or can be taken that the Escrow Agent is not entitled to such indemnification.

6. Documents and Instructions. The Escrow Agent may act in reliance upon any notice, instruction, certificate, statement, request, consent, confirmation, agreement or other instrument which it believes to be genuine and to have been signed by a proper person or persons, and may assume that any of the officers of Purchaser purporting to act on behalf of Purchaser in giving any such notice or other instrument in connection with the provisions hereof has been duly authorized to do so. The Escrow Agent acts hereunder as a depository only and shall not be responsible or liable in any manner whatsoever for the genuineness, sufficiency, correctness, or validity of any agreement, document, certificate, instrument, or item deposited with it or any notice, consent, approval, direction, or instruction given to it, and the Escrow Agent shall be fully protected, under Sections 4 and 5 above, for all acts taken in accordance with any written instruction or instrument given to it hereunder, and reasonably believed by the Escrow Agent to be genuine and what it purports to be.

7. Conflicting Notices, Claims, Demands, or Instructions. If at any time the Escrow Agent shall receive conflicting notices, claims, demands, or instructions with respect to the Escrowed Stock, or if for any other reason it shall in good faith be unable to determine the party or parties entitled to receive the Escrowed Stock, or any part thereof, the Escrow Agent may refuse to make any distribution or payment and may retain the Escrowed Stock in its possession until it shall have received instructions in writing concurred in by all parties in interest, or until directed by a final order or judgment of a court of competent jurisdiction from which no appeal is or can be taken, whereupon the Escrow Agent shall make such disposition in accordance with such instructions or such order. The Escrow Agent shall also be entitled to commence an interpleader action in any court of competent jurisdiction to seek an adjudication of the rights of the Purchaser and the Sellers.

8. Advice of Counsel. The Escrow Agent may consult with, and obtain advice from, legal counsel in the event of any dispute or question as to the construction of any of the provisions hereof or its duties hereunder, and it shall incur no liability and shall be fully protected and indemnified under Section 5 above for all acts taken, in the absence of gross negligence or willful misconduct, in accordance with the advice and instructions of such counsel. In the event that the Escrow Agent retains counsel or otherwise incurs any legal fees by virtue of any provision of this Agreement, the reasonable fees and disbursements of such counsel and any other liability, loss or expense which the Escrow Agent may thereafter suffer or incur in connection with this Agreement or the performance or attempted performance in good faith of its duties hereunder shall be paid (or reimbursed to it) by the Purchaser and the Sellers, jointly and severally. In the event that the Escrow Agent shall become a party to any litigation in connection with its functions as Escrow Agent pursuant to this Agreement, whether such litigation shall be brought by or against it, the reasonable fees and disbursements of counsel of the Escrow Agent including the amounts attributable to services rendered by partners or associates of Escrow Agent at the then prevailing hourly rate charged by them and disbursements incurred by

them, together with any other liability, loss or expense which it may suffer or incur in connection therewith, shall be paid (or reimbursed to it) by the Purchaser and the Sellers, jointly and severally, unless such loss, liability or expense is due to the willful breach by the Escrow Agent of its duties hereunder.

9. Compensation and Expenses. The Escrow Agent agrees to serve without compensation for its services. Subject to Section 5, all expenses of the Escrow Agent incurred in the performance of its duties hereunder shall be paid by the Purchaser.

10. Resignation of Escrow Agent. The Escrow Agent may resign at any time upon giving the other parties hereto thirty (30) days' written notice to that effect. In such event, the successor escrow agent shall be such person, firm, or corporation as the Purchaser and the Sellers shall mutually select. It is understood and agreed that the Escrow Agent's resignation shall not be effective until a successor escrow agent agrees to act hereunder; provided, however, that in the event no successor escrow agent is appointed and acting hereunder within thirty (30) days after notice is delivered to the other parties hereto of the Escrow Agent's resignation, the Escrow Agent may (a) deliver the Escrowed Stock to a court of competent jurisdiction; or (b) appoint a successor escrow agent hereunder so long as such successor shall accept and agree to be bound by the terms of this Agreement (except that any such successor escrow agent shall be entitled to customary fees which shall be payable by the Purchaser) and shall be a bank or trust company insured by the Federal Deposit Insurance Corporation.

11. Escrow Agent as Counsel to the Purchaser. The Sellers hereby acknowledge that the Escrow Agent is counsel to the Purchaser and the Sellers hereby agree that they will not seek to disqualify the Escrow Agent from acting and continuing to act as counsel to the Purchaser in the event of a dispute hereunder or in the course of the defense or prosecution of any claim relating to the transactions contemplated hereby or by the Stock Purchase Agreement.

12. Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed given when delivered personally, by overnight commercial delivery service or mailed by certified mail, return receipt requested, or sent via facsimile (receipt confirmed) to the parties at the following addresses (or to such other address or facsimile numbers as a party may have specified by notice given to the other party pursuant to this provision):

(a) If to the Purchaser, to it at the address and facsimile number set forth in or furnished pursuant to the provisions of the Stock Purchase Agreement;

(b) If to the Sellers, to them at the address(es) and facsimile number(s) set forth in or furnished pursuant to the provisions of the Stock Purchase Agreement; and

(c) If to the Escrow Agent, to it at:

Attn: Marc J. Ross, Esq.
Sichenzia Ross Friedman Ference LLP
1065 Avenue of the Americas
New York, NY 10018
Facsimile: (212) 930-9725;

or to such other persons or addresses as any party may have furnished in writing to the other parties. Copies of all communications hereunder shall be sent to the Escrow Agent.

13. Entire Agreement, Etc. This Agreement contains the entire agreement among the parties with respect to the subject matter hereof. This Agreement may not be amended, supplemented, or discharged, and no provision hereof may be modified or waived, except by an instrument in writing signed by all of the parties hereto. No waiver of any provision hereof by any party shall be deemed a continuing waiver of any matter by such party. If a conflict between the terms and provisions hereof and of the Stock Purchase Agreement occurs, the terms and provisions hereof shall govern the rights, obligations, and liabilities of the Escrow Agent.

14. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of each of the parties hereto, and their respective heirs, successors, assigns, distributees, and legal representatives.

15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed original, but such counterparts together shall constitute one and the same instrument.

16. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the law (other than the law governing conflict of law questions) of the State of New York. Any action to enforce, arising out of, or relating in any way to any of the provisions of this Agreement may be brought and prosecuted in such court or courts located within New York County, New York as is provided by law; and the parties hereto consent to the jurisdiction of the court or courts located within New York County, New York and to service of process by registered or certified mail, return receipt requested, or by any other manner provided by law.

17. Additional Documents and Acts. The Purchaser and the Sellers shall, from time to time, execute such documents and perform such acts as Escrow Agent may reasonably request and as may be necessary to enable Escrow Agent to perform its duties hereunder or effectuate the transactions contemplated by this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed or caused this Agreement to be duly executed as a sealed instrument as of the day and year first above written.

PURCHASER:

DIGICORP

By: /s/ William B. Horne
William B. Horne,
Chief Executive Officer

SELLERS:

REBEL HOLDINGS, LLC

By: /s/ Jay Rifkin
Jay Rifkin,
Managing Member

/s/Cesar Chatel
Cesar Chatel

ESCROW AGENT:

SICHENZIA ROSS FRIEDMAN FERENCE LLP

By: /s/ Thomas A. Rose
Thomas A. Rose,
Partner

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE SECURITIES MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER SAID SECURITIES ACT, OR AN OPINION OF COUNSEL IN FORM, SUBSTANCE AND SCOPE CUSTOMARY FOR OPINIONS OF COUNSEL IN COMPARABLE TRANSACTIONS THAT REGISTRATION IS NOT REQUIRED UNDER SAID SECURITIES ACT OR UNLESS SOLD PURSUANT TO RULE 144 OR REGULATION S UNDER SAID SECURITIES ACT.

SECURED CONVERTIBLE NOTE

Santa Monica, California

December 29, 2005 *$556,306.53*

FOR VALUE RECEIVED, DIGICORP, a Utah corporation (hereinafter called the "Borrower"), hereby promises to pay to the order of REBEL CREW HOLDINGS, LLC or its registered assigns (the "Holder") the sum of Five Hundred Fifty-Six Thousand Three Hundred Six Dollars and Fifty-Three Cents ($556,306.53), on December 29, 2010 (the "Maturity Date"), plus simple interest on the unpaid principal balance hereof at the rate of four and one half percent (4.5%). The issue date of this secured convertible note (the "Note") is December 29, 2005. All payments due hereunder (to the extent not converted into common stock, $.001 par value per share, of the Borrower (the "Common Stock") in accordance with the terms hereof) shall be made in lawful money of the United States of America or, at the option of the Borrower, in whole or in part, in shares of Common Stock valued at the then applicable Conversion Price (as defined herein). All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day. As used in this Note, the term "business day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed. Each capitalized term used herein, and not otherwise defined, shall have the meaning ascribed thereto in that certain Securities Purchase Agreement, dated December 29, 2005, pursuant to which this Note was originally issued (the "Purchase Agreement").

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof. The obligations of the Borrower under this Note shall be secured by that certain Security Agreement, dated December 29, 2005, by and between the Borrower and the Holder (the "Security Agreement").

The following terms shall apply to this Note:

ARTICLE I. CONVERSION RIGHTS

1.1 Conversion Right. The Holder shall have the right from time to time, and at any time on or prior to the Maturity Date in respect of the remaining outstanding principal amount of this Note to convert all or any part of the outstanding and unpaid principal amount of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price of $1.112614 per share (the "Conversion Price"). The number of shares of Common Stock to be issued upon each conversion (a "Conversion") of this Note shall be determined by dividing the principal amount of this Note or portion thereof as indicated in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), by the applicable Conversion Price then in effect on the date specified in the Notice of conversion delivered to the Borrower by the Holder in accordance with Section 1.3 below; provided that the Notice of Conversion is submitted by facsimile (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 5:00 p.m., New York, New York time on such conversion date (the "Conversion Date").

1.2 Authorized Shares. The Borrower covenants that during the period

the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Note shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Note. The Borrower agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

1.3 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part at any time from time to time after the Issue Date, by: (i) submitting to the Borrower a Notice of Conversion (by facsimile or other reasonable means of communication dispatched on the Conversion Date prior to 5:00 p.m., New York, New York time); and (ii) subject to Section 1.3(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.3, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within three (3) business days after such receipt (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) (such third business day being hereinafter referred to as the "Deadline") in accordance with the terms hereof and the Purchase Agreement (including, without limitation, in accordance with the requirements of Section 3(w) of the Purchase Agreement that certificates for shares of Common Stock issued on or after the effective date of the Registration Statement upon conversion of this Note shall not bear any restrictive legend).

(d) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as

herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 5:00 p.m., New York, New York time, on such date.

(e) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower's transfer agent is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.3, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

1.4 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless: (a) such shares are sold pursuant to an effective registration statement under the Securities Act; (b) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration; or (c) such shares are sold or transferred pursuant to Rule 144 under the Securities Act (or a successor rule) ("Rule 144"). Except as otherwise provided in the Purchase Agreement (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Securities Act as contemplated by the Registration Rights Agreement or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

> *"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SECURITIES MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER SAID SECURITIES ACT, OR AN OPINION OF COUNSEL IN FORM, SUBSTANCE AND SCOPE CUSTOMARY FOR OPINIONS OF COUNSEL IN COMPARABLE TRANSACTIONS, THAT REGISTRATION IS NOT REQUIRED UNDER SAID SECURITIES ACT UNLESS SOLD PURSUANT TO RULE 144 OR REGULATION S UNDER SAID SECURITIES ACT."*

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefor free of any transfer legend if: (a) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Securities Act and the shares are so sold or transferred; or (b) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Securities Act or otherwise may be sold pursuant to Rule 144. Nothing in this Note shall limit the Borrower's obligation under Section 4(c) of the Purchase Agreement or affect in any way the Holder's obligations to comply with applicable prospectus delivery requirements upon the resale of the securities referred to herein.

1.5 Effect of Certain Events.

(a) Adjustment Due to Merger, Consolidation, Etc. If, at any time when this Note is issued and outstanding and prior to conversion of the Note, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the Borrower shall be changed into the same or a different number of shares of another class or classes of stock or securities of the Borrower or another entity, or in case of any sale or conveyance of all or substantially all of the assets of the Borrower other than in connection with a plan of complete liquidation of the Borrower, then the Holder of this Note shall thereafter have the right to receive upon conversion of this Note, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such stock, securities or assets which the Holder would have been entitled to receive in such transaction had this Note been converted in full immediately prior to such transaction (without regard to any limitations on conversion set forth herein), and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holder of this Note to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Price and of the number of shares issuable upon conversion of the Note) shall thereafter be applicable, as nearly as may be practicable in relation to any securities or assets thereafter deliverable upon the conversion hereof.

(b) Adjustment Due to Distribution. If the Borrower shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a dividend, stock repurchase, by way of return of capital or otherwise (including any dividend or distribution to the Borrower's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e., a spin-off)) (a "Distribution"), then the Holder of this Note shall be entitled, upon any conversion of this Note after the date of record for determining shareholders entitled to such Distribution, to receive the amount of such assets which would have been payable to the Holder with respect to the shares of Common Stock issuable upon such conversion had such Holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution.

(c) Notice of Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price as a result of the events described in this Section 1.5, the Borrower, at its expense, shall promptly compute such adjustment or readjustment and prepare and furnish to the Holder of a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Borrower shall, upon the written request at any time of the Holder, furnish to such Holder a like certificate setting forth: (i) such adjustment or readjustment; (ii) the Conversion Price at the time in effect; nd (iii) the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon conversion of the Note.

1.6 Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, provided that the Notice of Conversion is submitted by facsimile (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 5:00 p.m., New York, New York time: (a) the shares covered thereby shall be deemed converted into shares of Common Stock and; (b) the Holder's rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note.

ARTICLE II. CERTAIN COVENANTS

2.1 Compliance with Laws. So long as the Borrower shall have any obligation under this Note, the Borrower shall comply, in all material respects with all applicable laws, rules, regulations and orders, except to the extent that noncompliance would not have a material adverse effect upon the business, operations or financial condition of the Borrower, taken as a whole.

2.2 Preservation of Existence. So long as the Borrower shall have

any obligation under this Note, the Borrower shall maintain and preserve, and cause each subsidiary, if any, to maintain and preserve, its existence, and become or remain duly qualified and in good standing in each jurisdiction in which the failure to be so qualified would have a material adverse effect on the business, operations or financial condition of the Borrower, taken as a whole.

2.3 Maintenance of Properties. So long as the Borrower shall have any obligation under this Note, the Borrower shall maintain and preserve, all of its properties which are necessary in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply, at all times with the provisions of all leases to which it is a party as lessee or under which it occupies property, so as to prevent any forfeiture or material loss thereof or thereunder.

2.4 Maintenance of Insurance. So long as the Borrower shall have any obligation under this Note, the Borrower shall maintain, with responsible and reputable insurers, insurance with respect to its properties and business, in such amounts and covering such risks, as is carried generally in accordance with sound business practice by companies in similar businesses in the same localities in which the Borrower is situated.

2.5 Keeping of Records and Books of Account. So long as the Borrower shall have any obligation under this Note, the Borrower shall keep adequate records and books of account, with complete entries made in accordance with generally accepted accounting principles, reflecting all of its financial and other business transactions.

2.6 Compliance with the Securities Exchange Act of 1934. So long as the Borrower shall have any obligation under this Note, the Borrower shall comply in all respects with the requirements of the Securities Exchange Act of 1934, as amended, including the filing of all reports due thereunder.

2.7 Reservation of Common Stock. So long as the Borrower shall have any obligation under this Note, the Borrower shall have authorized and reserved, free from preemptive rights, a sufficient number of shares of Common Stock to provide for the conversion of this Note in full in accordance with Section 1.2 of this Note.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note;

3.2 Conversion and the Shares. The Borrower fails to issue shares of Common Stock to the Holder (or announces or threatens that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (electronically or in certificated form) any certificate for shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note or Section 4(c) of the Purchase Agreement and any such failure shall continue uncured for thirty (30) days after the Borrower shall have been notified thereof in writing by the Holder;

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in 1.2 or Article II of this Note, or Section 4(c) of the Purchase Agreement and such breach continues for a period of thirty (30) days after written notice thereof to the Borrower from the Holder;

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Purchase Agreement and the Security Agreement), shall be false or misleading in any material respect when made and

the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note, the Purchase Agreement or the Security Agreement;

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed;

3.6 Bankruptcy.

(a) Commencement by the Borrower of a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect) or under the comparable laws of any jurisdiction; or

(b) Commencement of a proceeding or case in respect of the Borrower, in any court of competent jurisdiction, seeking: (i) the liquidation, reorganization, moratorium, dissolution, winding up, or composition or readjustment of its debts; (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets in connection with the liquidation or dissolution of the Borrower; or (iii) similar relief in respect of the Borrower under any law providing for the relief of debtors, and such proceeding or case described in clause (i), (ii), or (iii) shall continue undismissed, or unstayed and in effect, for a period of thirty (30) days; or

3.7 Delisting of Common Stock. If the Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTCBB or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange; then, upon the occurrence and during the continuation of any Event of Default specified in Section 3.1, 3.2, 3.3, 3.4, or 3.7 which is not cured within thirty (30) days after receipt by the Borrower of written notice that such an Event of Default has occurred, at the option of the Holder exercisable through the delivery of written notice to the Borrower by such Holder (the "Default Notice"), and upon the occurrence of an Event of Default specified in Section 3.5 or 3.6, the Note shall become immediately due and payable and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice (only upon the occurrence of an Event of Default specified in Section 3.5 or 3.6), all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. Any notice herein required or permitted to be given shall be in writing and may be personally served or delivered by courier or sent by United States mail and shall be deemed to have been given upon receipt if personally served (which shall include telephone line facsimile transmission) or sent by courier or three (3) days after being deposited in the United States mail, certified, with postage pre-paid and properly addressed, if sent by mail. For the purposes hereof, the address of the Holder shall be as shown on the records of the Borrower; and the address of the Borrower shall be 100 Wilshire Boulevard, Suite 1750, Santa Monica, California 90401, facsimile number: (310) 752-1486. Both the Holder and the Borrower may change the address for service by delivery of written notice to the other as herein provided.

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or

supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Each transferee of this Note must be an "accredited investor" (as defined in Rule 501(a) of the Securities Act).

4.5 Governing Law. THIS NOTE SHALL BE ENFORCED, GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS. THE PARTIES HERETO HEREBY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES FEDERAL COURTS LOCATED IN LOS ANGELES COUNTY, CALIFORNIA WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT, THE AGREEMENTS ENTERED INTO IN CONNECTION HEREWITH OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. BOTH PARTIES IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH SUIT OR PROCEEDING. BOTH PARTIES AGREE THAT A FINAL NON-APPEALABLE JUDGMENT IN ANY SUCH SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON SUCH JUDGMENT OR IN ANY OTHER LAWFUL MANNER.

4.6 Denominations. At the request of the Holder, upon surrender of this Note, the Borrower shall promptly issue new Notes in the aggregate outstanding principal amount hereof, in the form hereof, in such denominations as the Holder shall reasonably request.

4.7 Purchase Agreement. By its acceptance of this Note, the Holder agrees to be bound by the applicable terms of the Purchase Agreement.

4.8 Notice of Corporate Events. Except as otherwise provided below, the Holder of this Note shall have no rights as a Holder of Common Stock unless and only to the extent that it converts this Note into Common Stock. The Borrower shall provide the Holder with prior notification of any meeting of the Borrower's shareholders (and copies of proxy materials and other information sent to shareholders). In the event of any taking by the Borrower of a record of its shareholders for the purpose of determining shareholders who are entitled to receive payment of any dividend or other distribution, any right to subscribe for, purchase or otherwise acquire (including by way of merger, consolidation, reclassification or recapitalization) any share of any class or any other securities or property, or to receive any other right, or for the purpose of determining shareholders who are entitled to vote in connection with any proposed sale, lease or conveyance of all or substantially all of the assets of the Borrower or any proposed liquidation, dissolution or winding up of the Borrower, the Borrower shall mail a notice to the Holder, at least twenty (20) days prior to the record date specified therein (or thirty (30) days prior to the consummation of the transaction or event, whichever is earlier), of the date on which any such record is to be taken for the purpose of such dividend, distribution, right or other event, and a brief statement regarding the amount and character of such dividend, distribution, right or other event to the extent known at such time.

4.9 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

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IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this 29th day of December 2005.

DIGICORP

/s/ William B. Horne
_____
William B. Horne
Chief Executive Officer

EXHIBIT A

NOTICE OF CONVERSION
(To be Executed by the Registered Holder in order to Convert the Note)

The undersigned hereby irrevocably elects to convert $_____ principal amount of the Note (defined below) into shares of common stock, par value $.001 per share ("Common Stock"), of Digicorp, a Utah corporation (the "Borrower") according to the conditions of the Secured Convertible Note of the Borrower dated as of December __, 2005 (the "Note"), as of the date written below. If securities are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any. A copy of the Note is attached hereto (or evidence of loss, theft or destruction thereof).

The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime Broker: *_____*

Account Number: *_____*

In lieu of receiving shares of Common Stock issuable pursuant to this Notice of Conversion by way of a DWAC Transfer, the undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Name: *_____*

Address: *_____*

The undersigned represents and warrants that all offers and sales by the undersigned of the securities issuable to the undersigned upon conversion of the Notes shall be made pursuant to registration of the securities under the Securities Act of 1933, as amended (the "Securities Act"), or pursuant to an exemption from registration under the Securities Act. The undersigned further represents that it is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D, promulgated pursuant to the Securities Act.

Date of Conversion: *_____*

Applicable Conversion Price: *_____*

Number of Shares of Common Stock to be Issued Pursuant to Conversion of the Note: *_____*

Signature: *_____*

Name: *_____*

Address: *_____*

PROMISSORY NOTE

$73,000.00 *Santa Monica, CA*
December 29, 2005

FOR VALUE RECEIVED, Digicorp, Inc. (the "Maker"), a Utah corporation, HEREBY PROMISES TO PAY to the order of Jay Rifkin (the "Noteholder"), the principal sum of Seventy Three Thousand Dollars ($73,000.00) plus accrued interest thereon in lawful money of the United States on June 30, 2006 (the "Maturity Date").

The following is a statement of the other terms and conditions to which this promissory note (the "Note") is subject and to which the Noteholder by the acceptance of this Note agrees:

1. Interest Rate. Maker further promises to pay interest on the unpaid principal balance hereof at the rate of five percent (5%) per annum, such interest to be paid on the Maturity Date. Interest shall commence accruing on the issue date and shall be calculated on the basis of a 365-day year and actual days elapsed. In no event shall the interest charged hereunder exceed the maximum permitted under the laws of the State of California. However, in the event of a breach of any provision of this Note, the interest rate shall increase to a per annum rate equal to eight percent (8%).

2. Prepayment. The Maker shall have the right, at any time, to prepay without penalty, in whole or in part, the unpaid principal and interest due on this Note as of the date of such prepayment.

3. Application of Payments to Principal and Interest. All payments made pursuant to this note shall first be applied to accrued but unpaid interest then outstanding, and then to principal, and interest shall thereupon cease to accrue upon the principal amount so paid.

4. No Usury. Notwithstanding any provision of this Note to the contrary, the rate of interest charged by the Noteholder to the Maker in connection with this Note shall not exceed the maximum rate permitted by applicable law. To the extent that any interest otherwise paid or payable by the Maker to the Noteholder shall have been finally adjudicated to exceed the maximum amount permitted by applicable law, such interest shall be retroactively deemed to have been a required repayment of principal (and any such amount paid in excess of the outstanding principal amount shall be promptly returned to the Maker).

5. Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due, whether at the stated maturity, by acceleration or otherwise, of this Note, the Maker hereby grants to the Noteholder a security interest in the Maker's Accounts Receivable. Upon repayment of this Note, the Noteholder shall release the aforesaid security interest in the pledged Interest.

6. Default Provisions. In the event this note shall be in default, and placed with an attorney for collection, then the Maker agrees to pay all reasonable attorney fees and costs of collection.

7. Assignment. The Noteholder may not assign either the right to receive payment under this Note, or any other right conferred upon the Noteholder under the terms hereof to any other party without the consent of the Maker. Any transferee or transferees of this Note, by their acceptance hereof, agree to assume the obligations of the holder of this Note as set forth herein, and shall be deemed to be the "Noteholder" for all purposes hereunder.

8. Entire Agreement. This Note contains the entire understanding between the Maker and the Noteholder (the "Parties") with respect to this Note and supersedes any prior written or oral agreement between them respecting the subject matter hereof. The Maker hereby irrevocably consents to the jurisdiction of the state and federal courts in Los Angeles County, California in connection with any action or proceeding arising out of or relating to this Note. If any term or provision of this Note shall be held invalid, illegal or unenforceable, the validity of all other terms and provisions hereof shall in no way be affected thereby.

9. Governing Law. In the event of any litigation with respect to the

obligations evidenced by this Note, the Maker waives the right to a trial by jury and all rights of set-off and rights to interpose permissive counterclaims and cross-claims. This Note shall be governed by and construed in accordance with the laws of the State of California and shall be binding upon the successors, assigns, heirs, administrators and executors of the Maker and inure to the benefit of the Payee, his successors, endorsees, assigns, heirs, administrators and executors.

IN WITNESS WHEREOF, this Note has been executed and delivered on the date first specified above.

MAKER:

Digicorp, Inc.

- ----------
William B. Horne, CFO

NOTEHOLDER:

Jay Rifkin

- ----------
Jay Rifkin

VOTING AGREEMENT

THIS VOTING AGREEMENT (this "Agreement") is entered into as of December 29, 2005, by and among Jay Rifkin ("Rifkin") and the stockholders of Digicorp, a Utah corporation (the "Company"), listed on the signature pages hereto (the "Stockholders").

W I T N E S S E T H:

WHEREAS, concurrently with the execution of this Agreement, the Company is entering in to a Stock Purchase Agreement of even date herewith (the "Purchase Agreement"), pursuant to which the Company has agreed to purchase all of the outstanding shares of capital stock of Rebel Crew Films, Inc., a California corporation, from Rebel Holdings, LLC, a California limited liability company, and Cesar Chatel (the "Sellers"); WHEREAS, as of the date hereof, each of the Stockholders is the Beneficial Owner (as defined hereinafter) of Existing Shares (as defined hereinafter) of the common stock, $0.001 par value, of the Company (the "Company Common Stock"); and

WHEREAS, as an inducement and a condition to entering into the Purchase Agreement, the Sellers have requested that the Stockholders enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, representations, warranties, covenants and agreements contained herein, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the following meanings:

(a) "Beneficially Own" or "Beneficial Ownership" with respect to any securities means having "beneficial ownership" of such securities as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except for those shares of Company Common Stock which Stockholders have the right to acquire within 60 days; provided, however, that for the purposes of this Agreement, the Stockholders shall be deemed to Beneficially Own only those securities held of record by such Stockholders or over which such Stockholders have sole voting and dispositive power.

(b) "Existing Shares" means shares of the Company Common Stock Beneficially Owned by Rifkin and the Stockholders as of the date hereof.

(c) "Securities" means the Existing Shares together with any shares of the Company Common Stock or other securities of the Company acquired by Rifkin and the Stockholders in any capacity after the date hereof and prior to the termination of this Agreement whether upon the exercise of options, warrants or rights, the conversion or exchange of convertible or exchangeable securities, or by means of purchase, dividend, distribution, split-up, recapitalization, combination, exchange of shares or the like, gift, bequest, inheritance or as a successor in interest in any capacity or otherwise.

Section 2. Representations and Warranties of Rifkin and the Stockholders. Rifkin (with respect to himself and Securities Beneficially Owned by him) and each Stockholder (with respect to itself and Securities Beneficially Owned by them) hereby represents and warrants to one another as follows:

(a) Ownership of Shares. As of the date hereof and at all times prior to the termination of this Agreement, Rifkin and each Stockholder is (and will be, unless any Existing Shares are transferred pursuant to Section 4(a) hereof or any Stockholder Options are exercised) the Beneficial Owner of the Existing Shares and an Company options to purchase shares of Company Common Stock (the "Stockholder Options") set forth on the signature pages of this Agreement. As of the date hereof, neither Rifkin nor the Stockholders Beneficially Own any securities of the Company other than the shares of Company Common Stock and Stockholder Options set forth on the signature pages of this Agreement.

(b) Authority. Rifkin and each Stockholder has the requisite power to agree to all of the matters set forth in this Agreement, in each case with

respect to all of the Existing Shares with no limitations, qualifications or restrictions on such power, subject to applicable securities laws and the terms of this Agreement.

(c) Power; Binding Agreement. Rifkin and each Stockholder has the legal capacity and authority to enter into and perform all of their respective obligations under this Agreement. This Agreement has been duly and validly executed and delivered by Rifkin and each Stockholder and constitutes a valid and binding agreement, enforceable against them in accordance with its terms except that: (i) such enforcement may be subject to applicable bankruptcy, insolvency or other similar laws, now or hereafter in effect, affecting creditors' rights generally; and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(d) No Conflicts. No filing with, and no permit, authorization, consent or approval of, any governmental entity is necessary for the execution of this Agreement by Rifkin or any Stockholder and the consummation by Rifkin and the Stockholders of the transactions contemplated hereby. Except as contemplated by the Purchase Agreement, none of the execution and delivery of this Agreement by Rifkin or any Stockholder, the consummation by Rifkin or any Stockholder of the transactions contemplated hereby or compliance by Rifkin or any Stockholder with any of the provisions hereof shall (i) conflict with or result in any breach of any organizational documents applicable to Stockholder, if applicable, or (ii) violate any order, writ, injunction, decree, judgment, statute, rule or regulation applicable to Rifkin or any Stockholder or any of Rifkin's or any Stockholder's properties or assets, except in the case of clause (ii) where such violations, breaches or defaults would not, individually or in the aggregate, materially impair the ability of Rifkin or any Stockholder to perform this Agreement.

(e) No Encumbrance. Except as permitted by this Agreement, the Existing Shares are now and, at all times during the term hereof, and the Securities will be, held by Rifkin and each Stockholder, or by a nominee or custodian for the benefit of Rifkin and each Stockholder, free and clear of all liens, charges or encumbrances of any kind or nature ("Liens") except for any such Liens arising hereunder or under applicable federal and state securities laws, other than Liens that are not material to performance of this Agreement by Rifkin or any Stockholder.

(f) Community Property. All representations and warranties by Rifkin and each Stockholder made herein are qualified in their entirety by the effects of applicable community property laws and the laws affecting the rights of marital partners generally.

Section 3. Disclosure. Rifkin and each Stockholder hereby agrees to permit the Company to publish and disclose in any documents and schedules filed with the Securities and Exchange Commission, and in any press release or other disclosure document in which the Company reasonably determines in its good faith judgment that such disclosure is required by law, including the rules and regulations of the Securities and Exchange Commission, or appropriate, in connection with the Purchase Agreement and any transactions related thereto, Rifkin's and each Stockholder's identity and ownership of the Company Common Stock and the nature of Rifkin's and such Stockholder's commitments, arrangements and understandings under this Agreement.

Section 4. Transfer And Other Restrictions. Prior to the termination of this Agreement, Rifkin and each Stockholder agrees not to, directly or indirectly:

(a) except pursuant to the terms of the Purchase Agreement or any related agreement thereto, offer for sale, sell, transfer, tender, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to or consent to the offer for sale, sale, transfer, tender, pledge, encumbrance, assignment or other disposition (collectively, "Transfer") of any or all of the Securities or any interest therein, except: (i) for Transfers of the Securities in the open market; (ii) for private block trades of the Securities, provided that under no circumstances may Rifkin or any Stockholder transfer any Securities pursuant to this Section 4(a)(ii) (A) to any person or group which is the "beneficial owner"

(as determined pursuant to Rule 13d-3 under the Exchange Act) of 5% or more of the outstanding shares of Company Common Stock or (B) representing 2% or more of the outstanding shares of Company Common Stock to any one person or group; and/or (iii) other Transfers (including distributions of Securities by a Stockholder to its equity holders) in which each transferee shall have: (A) executed a counterpart of this Agreement and a proxy in the form attached hereto as Annex I, and (B) agreed in writing to hold such Securities (or interest in such Securities) subject to all of the terms and provisions of this Agreement;

(b) grant any proxy or power of attorney, deposit any of the Securities into a voting trust or enter into a voting agreement or arrangement with respect to the Securities except as provided in this Agreement; or

(c) take any other action for the purpose of making any representation or warranty contained herein untrue or incorrect or of preventing or disabling Rifkin or any Stockholder from performing its obligations under this Agreement.

Notwithstanding anything to the contrary in this Agreement, any Securities Transferred in a manner permitted by Section 4(a) hereof shall be Transferred free and clear of any voting restriction and of the Proxy (as defined below), in each case except to the extent specifically provided by Section 4(a)(iii).

Section 5. Election of Directors.

(a) Rifkin and each Stockholder hereby agrees that, during the period commencing on the date hereof and continuing until termination of this Agreement in accordance with its terms, the number of authorized directors of the Company shall initially be set at five (5). At each annual meeting of the stockholders of the Company, or at any meeting of the stockholders of the Company at which members of the Company's Board of Directors are to be elected, or whenever members of the Board are to be elected by written consent, Rifkin and each Stockholder hereby agrees that, during the period commencing on the date hereof and continuing until termination of this Agreement in accordance with its terms, the members of the Company's Board of Directors shall consist of:

(i) two (2) persons designated by Milton "Todd" Ault, III, which persons shall initially be William B. Horne and Alice Campbell; and

(ii) three (3) persons designated by Rifkin, one of which shall be Rifkin.

(b) If after the date hereof and until termination of this Agreement in accordance with its terms, the number of authorized directors of the Company shall increase to seven (7), then the Company's Board of Directors shall consist of:

(i) three (3) persons designated by Milton "Todd" Ault, III; and

(ii) four (4) persons designated by Rifkin, one of which shall be Rifkin.

(c) If after the date hereof and until termination of this Agreement in accordance with its terms, the number of authorized directors of the Company shall be other than five (5) or seven (7), then the Company's Board of Directors shall consist of:

(i) such persons designated by Rifkin, one of which shall be Rifkin, which persons shall represent a simple majority of the directors; and

(ii) such persons designated by Milton "Todd" Ault, III, which persons shall represent the balance of the Company's Board of Directors.

(d) Except as otherwise permitted under Section 4(a) hereof, neither Rifkin nor any Stockholder may enter into any agreement or understanding with any person the effect of which would be inconsistent with or violative of any

provision contained in this Section 5. Notwithstanding any provision of this Agreement to the contrary, nothing in this Agreement shall limit or restrict Rifkin or any Stockholder from acting in the capacity as a director of the Company (it being understood that this Agreement shall apply to Rifkin and the Stockholders solely in their capacity as stockholders of the Company).

Section 6. Irrevocable Proxy. Subject to the agreements and covenants among Rifkin and the Stockholders contained in Section 5, each Stockholder agrees to grant and deliver to Rifkin an irrevocable proxy in the form attached hereto as Annex I (the "Proxy"), which shall be irrevocable to the fullest extent permitted by applicable law, with respect to voting of the Securities at any meeting (whether annual or special and whether or not an adjourned or postponed meeting) of the holders of the Company Common Stock, however called, or in connection with any written consent of the holders of the Company Common Stock; provided, however, that, the Proxy shall terminate and be revoked: (a) with respect to any Securities concurrently with the Transfer of such Securities in accordance with Section 4(a) without any notice or action by any Stockholder, the transferee or any other person; or (b) upon termination of this Agreement pursuant to Section 8 hereof.

Section 7. Stop Transfer; Legending of Shares.

(a) Rifkin and each Stockholder agrees and covenants to one another that they will not request that the Company register the transfer (book-entry or otherwise) of any certificate or uncertificated interest representing any of the Securities, unless such transfer is made in compliance with this Agreement.

(b) In the event of a stock dividend or distribution, or any change in the Company Common Stock by reason of any stock dividend, split-up, recapitalization, combination, exchange of shares or similar transaction, the term "Existing Shares" will be deemed to refer to and include the shares of the Company Common Stock as well as all such stock dividends and distributions and any shares into which or for which any or all of the Existing Shares may be changed or exchanged and appropriate adjustments shall be made to the terms and provisions of this Agreement. Section 8. Termination. This Agreement shall terminate upon the earliest to occur of: (a) Rifkin's death, or disability if Rifkin becomes disabled beyond a period of four (4) months; (b) the agreement of all parties hereto to terminate this Agreement; (c) any merger, consolidation, reorganization, sale of substantially all of the assets of the Company, or other sale of the Company as a result of which securities representing a majority of the voting power of the Company are held by persons or entities that held less than a majority of the voting power of the Company prior to such transaction; (d) the liquidation, dissolution or indefinite cessation of the business operations of the Company; or (e) the execution by the Company of a general assignment for the benefit of creditors, the appointment of a receiver or trustee to take possession of the property and assets of the Company, or the filing of a petition under applicable bankruptcy laws with respect to the Company; provided, however, that this Agreement shall earlier terminate with respect to any Securities Transferred by Rifkin or any Stockholder in accordance with Section 4(a) hereof upon such Transfer.

Section 9. Miscellaneous.

(a) Entire Agreement. This Agreement (including the Proxy referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

(b) Successors and Assigns. This Agreement shall not be assigned by operation of law or otherwise without the prior written consent of the other parties hereto. Except as contemplated by Section 8 hereof and with respect to Securities Transferred by Rifkin or a Stockholder as contemplated by Section 4(a) hereof, this Agreement shall be binding upon, inure to the benefit of and be enforceable by each party and such party's respective heirs, beneficiaries, executors, representatives and permitted assigns.

(c) Amendment and Modification. This Agreement may not be amended, altered, supplemented or otherwise modified or terminated except upon the execution and delivery of a written agreement executed by all of the parties hereto.

(d) Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by overnight commercial delivery service, or sent via facsimile (receipt confirmed) to the parties at the following addresses or facsimile numbers (or at such other address or facsimile numbers for a party as shall be specified by like notice):

(i) If to Rifkin, to:

c/o Rebel Crew Films, Inc.
4143 Glencoe Avenue
Marina Del Rey, CA 90292
Facsimile: (866) 897-6525

with a copy to:

Danzig Kaye Cooper Fiore & Kay, LLP
Attn: David M. Kaye, Esq.
30A Vreeland Road
Florham Park, NJ 07932
Facsimile: (973) 443-0609

(ii) If to the Stockholders, to the addresses and facsimile numbers set forth for such Stockholders on the signature pages hereto.

(e) Severability. In the event that any provision of this Agreement or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties hereto. The parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

(f) Other Remedies; Specific Performance. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

(g) No Waiver; Remedies Cumulative. No failure or delay on the part of any party hereto in the exercise of any right hereunder will impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor will any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. Except as otherwise provided herein, all rights and remedies existing under this Agreement are cumulative to, and not exclusive to, and not exclusive of, any rights or remedies otherwise available and the exercise by a party of any one remedy will not preclude the exercise of any other remedy.

(h) No Survival. None of the representations, warranties, covenants and agreements made in this Agreement shall survive the termination of the Agreement in accordance with its terms, except for the agreements in this Section 9.

(i) No Third Party Beneficiaries. This Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

(j) Governing Law and Venue. This Agreement shall be governed and construed in accordance with the laws of the State of Utah, without giving effect to the principles of conflict of law thereof. In addition, each of the parties hereto: (i) consents to submit itself to the personal jurisdiction of

any state court of competent jurisdiction in the event any dispute arises out of this Agreement; and (ii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court.

(k) Descriptive Heading. The descriptive headings used herein are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

(l) Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

(m) Counterparts. This Agreement may be executed in one or more counterparts, and by facsimile, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

[Signature Pages Follow.]

IN WITNESS WHEREOF, Rifkin and the Stockholders have caused this Agreement to be duly executed as of the day and year first written above.

RIFKIN:

/s/ Jay Rifkin
Jay Rifkin

STOCKHOLDERS:

/s/ Alice Campbell
Alice Campbell

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

BODNAR CAPITAL MANAGEMENT, LLC

By: _____
Steven J. Bodnar,
Managing Member

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

STOCKHOLDERS (CONT'):

/s/ Darrell Grimsley, Jr.
Darrell Grimsley, Jr.

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

/s/ Jeanne Olsky

Jeanne Olsky

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

/s/ Kathryn Queen_____

Kathryn Queen

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

STOCKHOLDERS (CONT'):

/s/ Lynne Silverstein

Lynne Silverstein

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

/s/ Melanie Glazer

Melanie Glazer

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

/s/ Milton "Todd" Ault, III

Milton "Todd" Ault, III

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

STOCKHOLDERS (CONT'):

/s/ Nicholas Soichet
---------- Nicholas Soichet

PATIENT SAFETY TECHNOLOGIES, INC.

By: /s/ Milton "Todd" Ault, III
---------- Milton "Todd" Ault, III, Chief Executive Officer

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

/s/ Philip Gatch
---------- Philip Gatch

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

STOCKHOLDERS (CONT'):

/s/ Sothi Thillairajah
---------- Sothi Thillairajah

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

/s/ Steve Jafarzadeh

Steve Jafarzadeh

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

/s/ William B. Horne
---------- William B. Horne

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

STOCKHOLDERS (CONT'):

SICHENZIA ROSS FRIEDMAN FERENCE LLP

By: /s/ Thomas A. Rose

Thomas A. Rose,
Partner

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

/s/ Cesar Chatel

Cesar Chatel

Shares Beneficially Owned:

_____ shares of Company Common Stock
_____ shares of Company Common Stock issuable upon exercise of Company Options

Address:

Facsimile: (___) ___-____

ANNEX I
FORM OF IRREVOCABLE PROXY

The undersigned stockholder of Digicorp, a Utah corporation (the "Company"), hereby irrevocably (to the fullest extent permitted by applicable law) constitutes and appoints Jay Rifkin ("Rifkin") individually, as the sole and exclusive agent, attorney and proxy of the undersigned, with full power of substitution and re-substitution, to the full extent of the undersigned's right, with respect to the Securities (as defined in the Voting Agreement dated as of

the date hereof (the "Voting Agreement") by and among Rifkin and the stockholders of the Company listed on the signature pages thereto) which the undersigned stockholder Beneficially Owns (as defined in the Voting Agreement) until the termination of the Voting Agreement pursuant to its terms (including terminations of the Voting Agreement with respect to Securities Transferred (as defined in the Voting Agreement) in accordance with Section 4(a) thereof). Capitalized terms used and not defined herein have the respective meanings ascribed to them in the Voting Agreement. Upon the execution hereof, all prior proxies given by the undersigned with respect to the matters set forth in clauses (A), (B) and (C) below are hereby revoked and no subsequent proxies will be given.

This Proxy is irrevocable to the fullest extent permitted by applicable law, is granted pursuant to the Voting Agreement and is granted in consideration of the Sellers and the Company entering into the Stock Purchase Agreement. This Proxy is executed and intended to be irrevocable to the fullest extent permitted by law in accordance with the provisions of Section 16-10a-722 of the Utah Code. The attorney and proxy named above is empowered to exercise all voting rights (including, without limitation, the power to execute and deliver written consents with respect to the Securities) of the undersigned at any time prior to termination of the Voting Agreement at every annual, special or adjourned meeting of the stockholders of the Company and in every written consent in lieu of such meeting, subject to the following:

(a) As of the date hereof, the number of authorized directors of the Company shall initially be set at five (5). At each annual meeting of the stockholders of the Company, or at any meeting of the stockholders of the Company at which members of the Company's Board of Directors are to be elected, or whenever members of the Board are to be elected by written consent, until termination of the Voting Agreement, the members of the Company's Board of Directors shall consist of:

(i) two (2) persons designated by Milton "Todd" Ault, III, which persons shall initially be William B. Horne and Alice Campbell; and

(ii) three (3) persons designated by Rifkin, one of which shall be Rifkin.

(b) If after the date hereof and until termination of the Voting Agreement, the number of authorized directors of the Company shall increase to seven (7), then the Company's Board of Directors shall consist of:

(i) three (3) persons designated by Milton "Todd" Ault, III; and

(ii) four (4) persons designated by Rifkin, one of which shall be Rifkin.

(c) If after the date hereof and until termination of the Voting Agreement, the number of authorized directors of the Company shall be other than five (5) or seven (7), then the Company's Board of Directors shall consist of:

(i) such persons designated by Rifkin, one of which shall be Rifkin, which persons shall represent a simple majority of the directors; and

(ii) such persons designated by Milton "Todd" Ault, III, which persons shall represent the balance of the Company's Board of Directors.

The attorney and proxy named above may exercise this Proxy on any matter except as provided in clauses (a), (b) and (c) above.

Any obligation of the undersigned hereunder shall be binding upon the successors and assigns of the undersigned; provided, however, that this Proxy shall terminate and be revoked with respect to any Securities Transferred (as defined in the Voting Agreement) in accordance with Section 4(a) of the Voting Agreement upon such Transfer without any notice or action by the undersigned, the transferee or any other person, and shall thereafter have no further force or effect with respect to such Securities.

This Proxy is coupled with an interest and is irrevocable to the fullest extent permitted by law.

Dated: _____, 20__

Signature of Stockholder:

_____

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT (this "Agreement"), dated as of December 29, 2005, by and among Rebel Holdings, LLC, a California limited liability company with headquarters located at 6601 Center Drive West, Suite 200, Los Angeles, California 90045 (the "Company"), and Digicorp, a Utah corporation with headquarters located at 100 Wilshire Boulevard, Suite 1750, Santa Monica, California (the "Buyer").

WHEREAS, the Company and the Buyer is executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act");

WHEREAS, Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement, a $556,306.53 loan receivable (the "Loan Receivable") from Rebel Crew Films, Inc., a California corporation ("Rebel Crew Films"), in exchange for the issuance to the Company of a 4.5% secured convertible note, in the form attached hereto as Exhibit "A", in the aggregate principal amount of Five Hundred Fifty-Six Thousand Three Hundred Six Dollars and Fifty-Three Cents ($556,306.53) (the "Note"), convertible into shares of common stock, par value $.001 per share, of Buyer (the "Common Stock"), upon the terms and subject to the limitations and conditions set forth in such Note;

WHEREAS, simultaneously herewith, the Buyer is entering into a Stock Purchase Agreement (the "Stock Purchase Agreement") pursuant to which the Buyer is purchasing all of the issued and outstanding shares of capital stock of Rebel Crew Films from the stockholders of Rebel Crew Films (the "Rebel Crew Films Stockholders"); and

WHEREAS, it is a condition to the obligations of the Rebel Crew Films Stockholders under the Stock Purchase Agreement that this Agreement be executed and the parties hereto are willing to execute, and to be bound by, the provisions of this Agreement.

NOW THEREFORE, in consideration of the foregoing and the premises and the mutual covenants and agreements hereinafter contained, the Company and the Buyer hereby agree as follows:

1. PURCHASE AND SALE OF LOAN RECEIVABLE.

a. Purchase of Loan Receivable. On the Closing Date (as defined below), the Company shall sell and assign to the Buyer and the Buyer agrees to purchase from the Company the Loan Receivable.

b. Form of Payment. On the Closing Date (as defined below), the Buyer shall issue and deliver the Note to the Company as consideration for the Loan Receivable.

c. Closing Date. Subject to the satisfaction (or written waiver) of the conditions thereto set forth in Sections 5 and 6 below, the date and time of the purchase, sale and assignment of the Loan Receivable pursuant to this Agreement (the "Closing Date") shall be December 29, 2005, or such other mutually agreed upon time. The closing of the transactions contemplated by this Agreement (the "Closing") shall occur on the Closing Date at such location as may be agreed to by the parties.

2. BUYER REPRESENTATIONS AND WARRANTIES. The Buyer represents and warrants to the Company that:

a. Organization and Good Standing. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Utah and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted. The Buyer is duly qualified or authorized to do business as a foreign corporation and is in good standing under the laws of each jurisdiction in which it owns or leases real property and each other jurisdiction in which the conduct of its business or the ownership of its properties requires such qualification or

authorization, except where the failure to be so qualified would not have a material adverse effect on the business, properties, assets, results of operations, or condition (financial or otherwise) ("Material Adverse Effect") on the Buyer and any subsidiaries taken as a whole.

b. Authorization of Agreement. The Buyer has full corporate power and authority to execute and deliver this Agreement and each other agreement, document, instrument or certificate contemplated by this Agreement or to be executed by the Buyer in connection with the consummation of the transactions contemplated hereby and thereby (the "Buyer Documents"), and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Buyer of this Agreement and each Buyer Document have been duly authorized by all necessary corporate action on behalf of the Buyer. This Agreement has been, and each Buyer Document will be at or prior to the Closing, duly executed and delivered by the Buyer and (assuming the due authorization, execution and delivery by the other parties hereto and thereto) this Agreement constitutes, and each Buyer Document when so executed and delivered will constitute, legal, valid and binding obligations of the Buyer, enforceable against the Buyer in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

c. Capitalization.

(i) The authorized capital stock of the Buyer consists of 50,000,000 shares of common stock, $.001 par value per share. As of the date hereof, there are 14,200,104 shares of Common Stock of the Buyer issued and outstanding. All of the issued and outstanding shares of Common Stock of the Buyer were duly authorized for issuance and are validly issued, fully paid and non-assessable.

(ii) Except as set forth in the Commission Documents (defined below), there is no existing option, warrant, call, right, commitment or other agreement of any character to which the Buyer is a party requiring, and there are no securities of the Buyer outstanding which upon conversion or exchange would require, the issuance, sale or transfer of any additional shares of capital stock or other equity securities of the Buyer or other securities convertible into, exchangeable for or evidencing the right to subscribe for or purchase shares of capital stock or other equity securities of the Buyer. The Buyer is not, and to the Buyer's knowledge none of the Buyer's shareholders is, a party to any voting trust or other voting agreement with respect to any of the shares of Common Stock of the Buyer or to any agreement relating to the issuance, sale, redemption, transfer or other disposition of the capital stock of the Buyer.

d. Subsidiaries. The Buyer has no subsidiaries.

e. Corporate Records.

(i) The Buyer has delivered to the Company true, correct and complete copies of the articles of incorporation (each certified by the Secretary of State or other appropriate official of the applicable jurisdiction of organization) and bylaws (each certified by the secretary, assistant secretary or other appropriate officer) or comparable organizational documents of the Buyer.

(ii) The minute books of the Buyer previously made available to the Company contain complete and accurate records of all meetings since December 31, 2004 and accurately reflect all other corporate action of the stockholders and board of directors (including committees thereof) of the Buyer since December 31, 2004. The stock transfer ledger of the Buyer previously made available to the Buyer are true, correct and complete.

f. Conflicts; Consents of Third Parties.

(i) Neither of the execution and delivery by the Buyer of this Agreement and of the Buyer Documents, nor the compliance by the Buyer with any of the provisions hereof or thereof will: (i) conflict with, or result

in the breach of, any provision of the articles of incorporation or bylaws of the Buyer; (ii) conflict with, violate, result in the breach of, or constitute a default under any note, bond, mortgage, indenture, license, agreement or other obligation to which the Buyer is a party or by which the Buyer or its properties or assets are bound; or (iii) violate any statute, rule, regulation, order or decree of any governmental body or authority by which the Buyer is bound; or (iv) result in the creation of any lien of any kind or nature upon the properties or assets of the Buyer.

(ii) No consent, waiver, approval, order, permit or authorization of, or declaration or filing with, or notification to, any person or governmental body is required on the part of the Buyer in connection with the execution and delivery of this Agreement or the Buyer Documents or the compliance by Buyer with any of the provisions hereof or thereof.

g. Commission Documents; Financial Statements. The Buyer's Common Stock is registered pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and since December 31, 2004 the Buyer has filed all reports, schedules, forms, statements and other documents required to be filed by it with the Securities and Exchange Commission (the "Commission") pursuant to the reporting requirements of the Exchange Act, including pursuant to Sections 13, 14 or 15(d) thereof (all of the foregoing and all exhibits included therein and financial statement and schedules thereto, including filings incorporated by reference therein being referred to herein as the "Commission Documents"). At the times of their respective filings, the Buyer's Form 10-QSB for the fiscal quarter ended September 30, 2005 (the "Form 10-QSB") and the Buyer's Form 10-KSB for the fiscal year ended June 30, 2005 (the "Form 10-KSB") complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder, and the Form 10-QSB and Form 10-KSB at the time of their respective filings did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the Commission Documents were complete and correct in all material respects and complied with applicable accounting requirements and the published rules and regulations of the Commission or other applicable rules and regulations with respect thereto. Such financial statements have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except (a) as may be otherwise indicated in such financial statements or the Notes thereto or (b) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present in all material respects the financial position of the Buyer as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

h. Registration and Listing. The Buyer's Common Stock is currently quoted on the OTC Bulletin Board and is in compliance with any continued listing requirements thereunder.

i. No Undisclosed Liabilities or Liens. The Buyer does not have any indebtedness, obligations, liabilities, or Liens of any kind (whether accrued, absolute, contingent or otherwise, and whether due or to become due) that are not reflected in the Commission Documents.

j. Absence of Certain Developments. Except as expressly contemplated by this Agreement, as set forth in the attached disclosure schedules of the Buyer (the "Buyer Disclosure Schedules") or as set forth in the Commission Documents, since June 30, 2005:

(i) there has not been any material adverse change in the business, assets or financial condition of the Buyer nor has there occurred any event which is reasonably likely to result in a material adverse change in the business, assets or financial condition of the Buyer;

(ii) there has not been any damage, destruction or loss, whether or not covered by insurance, with respect to the property and assets of the Buyer having a replacement cost of more than $25,000 for any single loss or $50,000 for all such losses;

(iii) there has not been any declaration, setting aside or payment of any dividend or other distribution in respect of any shares of capital stock of the Buyer or any repurchase, redemption or other acquisition by the Buyer of any outstanding shares of capital stock or other securities of, or other ownership interest in, the Buyer;

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(iv) the Buyer has not awarded or paid any bonuses to employees of the Buyer or agreed to increase the compensation payable or to become payable by it to any of the Buyer's directors, officers, employees, agents or representatives or agreed to increase the coverage or benefits available under any severance pay, termination pay, vacation pay, company awards, salary continuation for disability, sick leave, deferred compensation, bonus or other incentive compensation, insurance, pension or other employee benefit plan, payment or arrangement made to, for or with such directors, officers, employees, agents or representatives (other than normal increases in the ordinary course of business consistent with past practice and that in the aggregate have not resulted in a material increase in the benefits or compensation expense of the Buyer);

(v) there has not been any change by the Buyer in accounting or tax reporting principles, methods or policies;

(vi) the Buyer has not entered into any transaction or conducted its business other than in the ordinary course consistent with past practice;

(vii) the Buyer has not failed to promptly pay and discharge current liabilities except where disputed in good faith by appropriate proceedings;

(viii) the Buyer has not made any loans, advances or capital contributions to, or investments in, any person or entity;

(ix) the Buyer has not mortgaged, pledged or subjected to any lien any of its assets, or acquired any assets or sold, assigned, transferred, conveyed, leased or otherwise disposed of any assets of the Buyer, except for assets acquired or sold, assigned, transferred, conveyed, leased or otherwise disposed of in the ordinary course of business consistent with past practice;

(x) the Buyer has not discharged or satisfied any lien, or paid any obligation or liability (fixed or contingent), except in the ordinary course of business consistent with past practice and which, in the aggregate, would not be material to the Buyer;

(xi) the Buyer has not canceled or compromised any debt or claim or amended, canceled, terminated, relinquished, waived or released any contract or right except in the ordinary course of business consistent with past practice and which, in the aggregate, would not be material to the Buyer;

(xii) the Buyer has not made or committed to make any capital expenditures or capital additions or betterments in excess of $20,000 individually or $40,000 in the aggregate;

(xiii) the Buyer has instituted or settled any material legal proceeding; and (xiv) the Buyer has not agreed to do anything set forth in this Section 2(j).

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k. Taxes.

(i) Except as set forth in the Buyer Disclosure Schedules, to the Buyer's knowledge: (i) all material tax returns required to be filed by or on behalf of the Buyer have been properly prepared and duly and timely filed with the appropriate taxing authorities in all jurisdictions in which such tax returns are required to be filed (after giving effect to any valid extensions of time in which to make such filings), and all such tax returns were true, complete and correct in all material respects; (ii) all amounts shown on such tax returns (including interest and penalties) as due from the Buyer have been fully and timely paid, and adequate reserves or accruals for

taxes have been provided in the Commission Documents with respect to any period for which tax returns have not yet been filed or for which taxes are not yet due and owing; and (iii) the Buyer has not executed or filed with the IRS or any other taxing authority any agreement, waiver or other document or arrangement extending or having the effect of extending the period for assessment or collection of taxes (including, but not limited to, any applicable statute of limitation), and no power of attorney with respect to any tax matter is currently in force.

(ii) To the Buyer's knowledge, the Buyer has complied in all material respects with all applicable laws, rules and regulations relating to the payment and withholding of taxes and has duly and timely withheld from employee salaries, wages and other compensation and has paid over to the appropriate taxing authorities all amounts required to be so withheld and paid over for all periods under all applicable laws.

(iii) The Company has received complete copies of: (A) all material federal, state, local and foreign income or franchise tax returns of the Buyer relating to the taxable periods since January 1, 2002; and (B) any audit report issued within the last three years relating to any material taxes due from or with respect to the Buyer its income, assets or operations. To the Buyer's knowledge, all income and franchise tax returns filed by or on behalf of the Buyer for the taxable years ended on the respective dates set forth in the Buyer Disclosure Schedules have been examined by the relevant taxing authority or the statute of limitations with respect to such tax returns has expired.

(iv) The Buyer Disclosure Schedules list all material types of taxes paid and material types of tax returns filed by or on behalf of the Buyer. Except as set forth in the Buyer Disclosure Schedules, to the Buyer's knowledge, no claim has been made by a taxing authority in a jurisdiction where the Buyer does not file tax returns such that it is or may be subject to taxation by that jurisdiction.

(v) To the Buyer's knowledge, no claim has been made by a taxing authority in a jurisdiction where the Buyer does not file tax returns such that it is or may be
subject to taxation by that jurisdiction.

(vi) To the Buyer's knowledge, all deficiencies asserted or assessments made as a result of any examinations by the IRS or any other taxing authority of the tax returns of or covering or including the Buyer have been fully paid, and there are no other audits or investigations by any taxing authority in progress, nor to the Buyer's knowledge has the Buyer received any notice from any taxing authority that it intends to conduct such an audit or investigation. To the Buyer's knowledge, no issue has been raised by a federal, state, local or foreign taxing authority in any current or prior examination which, by application of the same or similar principles, could reasonably be expected to result in a proposed deficiency for any subsequent taxable period.

(vii) To the Buyer's knowledge, the Buyer is not subject to any private letter ruling of the IRS or comparable rulings of other taxing authorities.

(viii) To the Buyer's knowledge, there are no liens as a result of any unpaid taxes upon any of the assets of the Buyer.

1. Real Property.

(i) The Buyer Disclosure Schedules set forth a complete list of all real property and interests in real property leased by the Buyer (individually, a "Buyer Real Property Lease" and the real properties specified in such leases being referred to herein individually as a "Buyer Property" and collectively as the "Buyer Properties") as lessee or lessor. Buyer Property constitutes all interests in real property currently used or currently held for use in connection with the business of the Buyer and which are necessary for the continued operation of the business of the Buyer as the business is currently conducted. The Buyer has a valid and enforceable leasehold interest under each of the Buyer Real Property Leases, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in

equity), and the Buyer has not received any written notice of any default or event that with notice or lapse of time, or both, would constitute a default by the Buyer under any of the Buyer Real Property Leases. All of the Buyer Property, buildings, fixtures and improvements thereon owned or leased by the Buyer are in good operating condition and repair (subject to normal wear and tear). The Buyer has delivered or otherwise made available to the Company and the Sellers true, correct and complete copies of the Buyer Real Property Leases, together with all amendments, modifications or supplements, if any, thereto.

(ii) The Buyer has all material certificates of occupancy and permits of any governmental body necessary or useful for the current use and operation of each Buyer Property, and the Buyer has fully complied with all material conditions of the permits applicable to them. No default or violation, or event that with the lapse of time or giving of notice or both would become a default or violation, has occurred in the due observance of any permit.

m. Tangible Personal Property.

(i) The Buyer Disclosure Schedules set forth all leases of personal property ("Buyer Personal Property Leases") involving annual payments in excess of $25,000 relating to personal property used in the business of the Buyer to which the Buyer is a party or by which the properties or assets of the Buyer is bound.

(ii) The Buyer has a valid leasehold interest under each of the Buyer Personal Property Leases under which it is a lessee, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity), and there is no default under any Buyer Personal Property Lease by the Buyer or, to the best knowledge of the Buyer, by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder.

(iii) The Buyer has good and marketable title to all of the items of tangible personal property reflected in the Commission Documents (except as sold or disposed of subsequent to the date thereof in the ordinary course of business consistent with past practice), free and clear of any and all Liens, other than as set forth in the Commission Documents. All such items of tangible personal property which, individually or in the aggregate, are material to the operation of the business of the Buyer are in good condition and in a state of good maintenance and repair (ordinary wear and tear excepted) and are suitable for the purposes used.

(iv) All of the items of tangible personal property used by the Buyer under the Buyer Personal Property Leases are in good condition and repair (ordinary wear and tear excepted) and are suitable for the purposes used.

n. Intangible Property. The Buyer Disclosure Schedules contain a complete and correct list of each patent, trademark, trade name, service mark and copyright owned or used by the Buyer as well as all registrations thereof and pending applications therefor, and each license or other agreement relating thereto. Except as set forth in the Buyer Disclosure Schedules, each of the foregoing is owned by the party shown in such Buyer Disclosure Schedules as owning the same, free and clear of all Liens and is in good standing and not the subject of any challenge. There have been no claims made and the Buyer has not received any notice or otherwise knows or has reason to believe that any of the foregoing is invalid or conflicts with the asserted rights of others. The Buyer possesses all patents, patent licenses, trade names, trademarks, service marks, brand marks, brand names, copyrights, know-how, formulate and other proprietary and trade rights necessary for the conduct of its business as now conducted, not subject to any restrictions and without any known conflict with the rights of others and the Buyer has not forfeited or otherwise relinquished any such patent, patent license, trade name, trademark, service mark, brand mark, brand name, copyright, know-how, formulate or other proprietary right necessary for the conduct of its business as conducted on the date hereof. The Buyer is not under any obligation to pay any royalties or similar payments in connection with any license.

o. Company Material Contracts. The Commission Documents describe all of the following contracts, agreements, commitments ("Contracts") to which the Buyer is a party or by which it is bound (collectively, the "Buyer Material Contracts"): (a) Contracts with any current officer or director of the Buyer; (b) Contracts with any labor union or association representing any employee of the Buyer; (c) Contracts pursuant to which any party is required to purchase or sell a stated portion of its requirements or output from or to another party; (d) Contracts for the sale of any of the assets of the Buyer other than in the ordinary course of business or for the grant to any person or entity of any preferential rights to purchase any of its assets; (e) joint venture agreements; (f) material Contracts containing covenants of the Buyer not to compete in any line of business or with any person or entity in any geographical area or covenants of any other person or entity not to compete with the Buyer in any line of business or in any geographical area; (g) Contracts relating to the acquisition by the Buyer of any operating business or the capital stock of any other person or entity; (h) Contracts relating to the borrowing of money; or (i) any other Contracts, other than Buyer Real Property Leases, which involve the expenditure of more than $50,000 in the aggregate or $25,000 annually or require performance by any party more than one year from the date hereof. Except as set forth in the Commission Documents, all of the Buyer Material Contracts and other agreements are in full force and effect and are the legal, valid and binding obligation of the Buyer, enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). Except as set forth in the Commission Documents, the Buyer is not in default in any material respect under any Buyer Material Contracts, nor, to the knowledge of the Buyer, is any other party to any Buyer Material Contract in default thereunder in any material respect. There have been made available to the Company, its affiliates and their representatives true and complete copies of all of the Buyer Material Contracts.

p. Employee Benefits.

(i) The Buyer Disclosure Schedules set forth a complete and correct list of: (i) all "employee benefit plans," as defined in Section 3(3) of ERISA, and any other pension plans or employee benefit arrangements, programs or payroll practices (including, without limitation, severance pay, vacation pay, company awards, salary continuation for disability, sick leave, retirement, deferred compensation, bonus or other incentive compensation, stock purchase arrangements or policies, hospitalization, medical insurance, life insurance and scholarship programs) maintained by the Buyer or to which the Buyer contributes or is obligated to contribute thereunder with respect to employees of the Buyer ("Buyer Employee Benefit Plans"); and (ii) all "employee pension plans," as defined in Section 3(2) of ERISA, maintained by the Buyer or any ERISA Affiliate or to which the Buyer or any ERISA Affiliate contributed or is obligated to contribute thereunder ("Buyer Pension Plans").

(ii) All contributions and premiums required by law or by the terms of any Buyer Employee Benefit Plan or Buyer Pension Plan which are defined benefit plans or money purchase plans or any agreement relating thereto have been timely made (without regard to any waivers granted with respect thereto) to any funds or trusts established thereunder or in connection therewith, and no accumulated funding deficiencies exist in any of such plans subject to Section 412 of ERISA.

(iii) There has been no violation of ERISA with respect to the filing of applicable returns, reports, documents and notices regarding any of the Buyer Employee Benefit Plans or Buyer Pension Plans with the Secretary of Labor or the Secretary of the Treasury or the furnishing of such notices or documents to the participants or beneficiaries of the Buyer Employee Benefit Plans or Buyer Pension Plans.

(iv) True, correct and complete copies of the following documents, with respect to each of the Buyer Employee Benefit Plans and Buyer Pension Plans (as applicable), have been delivered to the Company and the Sellers: (i) any plans and related trust documents, and all amendments thereto; (ii) the most recent Forms 5500 for the past three years and schedules thereto; (iii) the most recent financial statements and actuarial valuations for the past

three years; (iv) the most recent IRS determination letter; (v) the most recent summary plan descriptions (including letters or other documents updating such descriptions); and (vi) written descriptions of all non-written agreements relating to the Buyer Employee Benefit Plans and Buyer Pension Plans.

q. Labor.

(i) The Buyer is not a party to any labor or collective bargaining agreement and there are no labor or collective bargaining agreements which pertain to employees of the Buyer.

(ii) Except as set forth in the Commission Documents, no employees of the Buyer are represented by any labor organization. No labor organization or group of employees of the Buyer has made a pending demand for recognition, and there are no representation proceedings or petitions seeking a representation proceeding presently pending or, to the best knowledge of the Buyer, threatened to be brought or filed, with the National Labor Relations Board or other labor relations tribunal. There is no organizing activity involving the Buyer pending or, to the best knowledge of the Buyer, threatened by any labor organization or group of employees of the Buyer.

(iii) There are no (i) strikes, work stoppages, slowdowns, lockouts or arbitrations or (ii) material grievances or other labor disputes pending or, to the best knowledge of the Buyer, threatened against or involving the Buyer. There are no unfair labor practice charges, grievances or complaints pending or, to the best knowledge of the Buyer, threatened by or on behalf of any employee or group of employees of the Buyer.

r. Litigation. To the knowledge of the Buyer, there is no suit, action, proceeding, investigation, claim or order pending or overtly threatened against the Buyer (or to the knowledge of the Buyer, pending or threatened, against any of the officers, directors or key employees of the Buyer with respect to their business activities on behalf of the Buyer), or to which the Buyer is otherwise a party, which, if adversely determined, would have a Material Adverse Effect on the Buyer, before any court, or before any governmental department, commission, board, agency, or instrumentality; nor to the knowledge of the Buyer is there any reasonable basis for any such action, proceeding, or investigation. The Buyer is not subject to any judgment, order or decree of any court or governmental agency except to the extent the same are not reasonably likely to have a Material Adverse Effect on the Buyer and the Buyer is not engaged in any legal action to recover monies due it or for damages sustained by it. There are no legal proceedings pending or, to the best knowledge of the Buyer, threatened that are reasonably likely to prohibit or restrain the ability of the Buyer to enter into this Agreement or consummate the transactions contemplated hereby.

s. Compliance with Laws; Permits. The Buyer is in compliance with all laws applicable to the Buyer or to the conduct of the business or operations of the Buyer or the use of its properties (including any leased properties) and assets, except for such non-compliances as would not, individually or in the aggregate, have a Material Adverse Effect on the Buyer. The Buyer has all governmental permits and approvals from state, federal or local authorities which are required for the Buyer to operate its business as currently conducted, except for those the absence of which would not, individually or in the aggregate, have a Material Adverse Effect on the Buyer.

t. Environmental Matters. Except as set forth in the Commission Documents:

(i) the operations of the Buyer are in compliance with all Environmental Laws and all permits issued pursuant to Environmental Laws or otherwise;

(ii) the Buyer has obtained all permits required under all applicable Environmental Laws necessary to operate its business;

(iii) the Buyer is not the subject of any outstanding written order or Contract with any governmental authority, person or entity respecting Environmental Laws or any violation or potential violations thereof; and

(iv) the Buyer has not received any written communication alleging either or both that the Buyer may be in violation of any Environmental Law, or any permit issued pursuant to Environmental Law, or may have any liability under any Environmental Law.

u. Insurance. The Buyer Disclosure Schedules set forth a complete and accurate list of all policies of insurance of any kind or nature covering the Buyer or any of its employees, properties or assets, including, without limitation, policies of life, disability, fire, theft, workers compensation, employee fidelity and other casualty and liability insurance. All such policies are in full force and effect, and, to the Buyer's knowledge, the Buyer is not in default of any provision thereof, except for such defaults as would not, individually or in the aggregate, have a Material Adverse Effect on the Buyer.

v. Inventories; Receivables; Payables.

(i) The Buyer has no inventories or accounts receivable.

(ii) All accounts payable of the Buyer reflected in the Commission Documents or arising after the date thereof are the result of bona fide transactions in the ordinary course of business and have been paid or are not yet due and payable.

w. Related Party Transactions. Except as set forth in the Commission Documents no employee, officer, director or other affiliate of the Buyer has borrowed any moneys from or has outstanding any indebtedness or other similar obligations to the Buyer. Except as set forth in the Commission Documents, neither the Buyer nor any affiliate of the Buyer: (a) owns any direct or indirect interest of any kind in, or controls or is a director, officer, employee or partner of, or consultant to, or lender to or borrower from or has the right to participate in the profits of, any person or entity which is (i) a competitor, supplier, customer, landlord, tenant, creditor or debtor of the Buyer, (ii) engaged in a business related to the business of the Buyer, or (iii) a participant in any transaction to which the Buyer is a party; or (b) is a party to any Contract with the Buyer.

x. Banks. The Buyer Disclosure Schedules contain a complete and correct list of the names and locations of all banks in which the Buyer has accounts or safe deposit boxes and the names of all persons authorized to draw thereon or to have access thereto. Except as set forth in the Buyer Disclosure Schedules, no person holds a power of attorney to act on behalf of the Buyer.

y. Investment Intention. The Buyer is acquiring the Loan Receivable for its own account, for investment purposes only and not with a view to the distribution (as such term is used in Section 2(11) of the Securities Act). Buyer understands that the Loan Receivable has not been registered under the Securities Act and cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available.

z. Financial Advisors. Except for Aegis Equity, LLC, no person has acted, directly or indirectly, as a broker, finder or financial advisor for the Buyer in connection with the transactions contemplated by this Agreement and no person is entitled to any fee or commission or like payment in respect thereof.

aa. No Misrepresentation. No representation or warranty of the Buyer contained in this Agreement or in any schedule hereto or in any certificate or other instrument furnished by the Buyer to the Sellers pursuant to the terms hereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Buyer that:

a. Organization and Qualification. The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby and thereby and to sell and assign the Loan Receivable, in accordance with the terms hereof; (ii) the execution and delivery of this Agreement and the consummation by it of the transactions contemplated hereby (including without limitation, the assignment of the Loan Receivable to the Buyer) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required; (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly; and (iv) this Agreement constitutes, and upon execution and delivery by the Company an instrument of assignment of the Loan Receivable, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. No Conflicts. The execution, delivery and performance of this Agreement and the consummation by the Company of the transactions contemplated hereby will not: (i) conflict with or result in a violation of any provision of the Company's articles of organization; (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company is a party; or (iii) result in a violation of any law, rule, regulation, order, judgment or decree applicable to the Company or by which any property or asset of the Company is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). The Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement or an instrument of assignment of the Loan Receivable, in accordance with the terms hereof or thereof or to sell and assign the Loan Receivable in accordance with the terms hereof. The Company is unaware of any facts or circumstances which might give rise to any of the foregoing.

d. Acknowledgment Regarding Buyer's Purchase of Loan Receivable. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of an arm's length purchaser with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer' purchase of the Loan Receivable. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Buyer.

e. Investment Purpose. As of the date hereof, the Company is acquiring the Note for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the Securities Act.

f. Accredited Investor Status. The Company is an Accredited Investor, as that term is defined in Rule 501(a) of Regulation D, promulgated pursuant to the Securities Act.

g. Reliance on Exemptions. The Company understands that the Note is being offered and issued to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Buyer is relying upon the truth and accuracy of, and the Company's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Company set forth herein in order to determine the availability of such exemptions and the eligibility of the Company to acquire the Note.

h. Governmental Review. The Company understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Note.

i. Transfer or Re-sale. The Company understands that: (i) except as provided pursuant to Section 4(c) of this Agreement, the sale or re-sale of the Note and the conversion shares issuable upon conversion thereof have not been and are not being registered under the Securities Act or any applicable state securities laws, and such securities may not be transferred unless (A) such securities are sold pursuant to an effective registration statement under the Securities Act, (B) such securities are sold pursuant to Rule 144, promulgated under the Securities Act (or a successor rule) ("Rule 144"), or (C) such securities are sold pursuant to Regulation S under the Securities Act (or a successor rule) ("Regulation S"); (ii) any sale of the Note and the conversion shares issuable upon conversion thereof made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register the Note or the conversion shares issuable upon conversion thereof under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case, other than pursuant to the Section 4(c) of this Agreement).

j. Legends. The Company understands that the Note and, until such time as the conversion shares issuable upon conversion thereof have been registered under the Securities Act as contemplated by Section 4(c) of this Agreement or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the conversion shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such securities):

> *"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended. The securities may not be sold, transferred or assigned in the absence of an effective registration statement for the securities under said Act, or an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, that registration is not required under said Act or unless sold pursuant to Rule 144 or Regulation S under said Act."*

The legend set forth above shall be removed and the Buyer shall issue a certificate without such legend to the holder of any security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such security is registered for sale under an effective registration statement filed under the Securities Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold. The Company agrees to sell the Note and the conversion shares issuable upon conversion thereof, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any.

k. No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby.

l. No Misrepresentation. No representation or warranty of the Buyer contained in this Agreement or in any schedule hereto or in any certificate or other instrument furnished by the Buyer to the Sellers pursuant to the terms hereof, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

4. COVENANTS.

a. Best Efforts. The parties shall use their best efforts to satisfy timely each of the conditions described in Sections 5 and 6 of this Agreement.

b. Form D; Blue Sky Laws. The Buyer agrees to file a Form D with respect to the Note as required under Regulation D, promulgated pursuant to the Securities Act. The Buyer shall, on or before the Closing Date, take such action as the Buyer shall reasonably determine is necessary to qualify the Note for sale to the Company pursuant to this Agreement under applicable securities or "blue sky" laws of the states of the United States (or to obtain an exemption from such qualification).

c. Registration Rights.

(i) As promptly as possible, but in any event no later than ninety (90) days following the Closing Date, the Buyer shall prepare and file with the SEC a registration statement (the "Registration Statement") on Form SB-2 (or other applicable form) covering the resale of the Common Stock issuable upon conversion of the Note (the "Registrable Securities"). The Buyer shall use its best efforts to cause the Registration Statement to be declared effective by the SEC as promptly as possible after the filing thereof and shall use its best efforts to keep the Registration Statement continuously effective under the Securities Act until the earlier of: (i) the date when all Registrable Securities covered by such Registration Statement have been sold publicly; or (ii) the date when all Registrable Securities may be sold pursuant to Rule 144(k) (the "Effectiveness Period").

(ii) In connection with the Buyer's registration obligations hereunder, the Buyer shall: (A) prepare and file with the SEC such amendments, including post-effective amendments, to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period; (B) cause the related prospectus to be amended or supplemented by any required prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424 promulgated under the Securities Act; (C) respond as promptly as reasonably possible to any comments received from the SEC with respect to the Registration Statement or any amendment thereto; and (D) comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by the Registration Statement during the applicable period in accordance with the intended methods of disposition by the Company set forth in the Registration Statement as so amended or in such prospectus as so supplemented.

(iii) The Buyer shall promptly deliver to the Company, without charge, as many copies of the final prospectus or final prospectuses and each amendment or supplement thereto as the Company may reasonably request.

(iv) The Buyer shall cooperate with the Company to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by law, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as the Company may request.

(v) The Buyer shall pay all fees and expenses incident to the performance of or compliance with this Section 4(c), including: (A) all registration and filing fees and expenses, including without limitation those related to filings with the SEC and in connection with applicable state securities or "blue sky" laws; and (B) printing expenses (including without limitation expenses of printing certificates for Registrable Securities and of printing prospectuses requested by the Sellers).

(vi) Subject to the last sentence of this Section 4(c)(vi), if at any time prior to the expiration of the Effectiveness Period the Buyer shall determine to file with the SEC a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities (other than on Form S-4 or Form S-8 or their then equivalents relating to equity securities to be issued solely in connection with an acquisition of any entity or business or equity securities issuable in connection with employee benefit plans), the Buyer shall send to the Company

written notice of such determination and, if within fifteen (15) days after the effective date of such notice, the Company shall so request in writing, the Buyer shall include in such registration statement all or any part of the Registrable Securities the Company requests to be registered. No right to registration of Registrable Securities under this Section 4(c)(vi) shall be construed to limit any registration required under Section 4(c)(i) hereof. Notwithstanding anything to the contrary set forth herein, the registration rights of the Company pursuant to this Section 4(c)(vi) shall only be available in the event the Buyer fails to timely file, obtain effectiveness or maintain effectiveness of any Registration Statement to be filed pursuant to Section 4(c)(i) in accordance with the terms of this Agreement.

d. Authorization and Reservation of Shares. The Buyer shall at all times have authorized, and reserved for the purpose of issuance, a sufficient number of shares of Common Stock to provide for the full conversion of the outstanding Note and issuance of the conversion shares in connection therewith (based on the conversion price of the Note in effect from time to time) and as otherwise required by the Note. The Company shall not reduce the number of shares of Common Stock reserved for issuance upon conversion of the Note without the consent of the Company. If at any time the number of shares of Common Stock authorized and reserved for issuance is below that which is required for the full conversion of the Note, the Buyer will promptly take all corporate action necessary to authorize and reserve a sufficient number of shares, including, without limitation, calling a special meeting of shareholders to authorize additional shares to meet the Company's obligations under this Section 4(d).

5. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL. The obligation of the Company hereunder to sell and assign the Note to the Buyer at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

a. The Buyer shall have executed this Agreement, and delivered the same to the Company.

b. The Buyer shall have delivered the Note in accordance with Section 1(b) above.

c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date. The Company shall have received a certificate or certificates, executed by the chief executive officer of the Buyer, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Company.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

6. CONDITIONS TO THE BUYER'S OBLIGATION TO PURCHASE. The obligation of the Buyer hereunder to purchase the Note at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

a. Rebel Crew Films and the Rebel Crew Films Stockholders, including the Company, shall have executed the Stock Purchase Agreement and all related agreements and delivered the same to the Buyer.

b. The Company shall have executed this Agreement and delivered the same to the Buyer.

c. The Company shall have delivered to the Buyer a duly executed form of assignment, in such form and substance as is acceptable to the Buyer and the Buyer's counsel, to transfer ownership and right to the Loan Receivable to the Buyer.

d. The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date. The Buyer shall have received a certificate or certificates, executed by the managing member of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer.

e. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

7. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law. THIS AGREEMENT SHALL BE ENFORCED, GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS. THE PARTIES HERETO HEREBY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES FEDERAL COURTS LOCATED IN LOS ANGELES COUNTY, CALIFORNIA WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT, THE AGREEMENTS ENTERED INTO IN CONNECTION HEREWITH OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. BOTH PARTIES IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH SUIT OR PROCEEDING. BOTH PARTIES AGREE THAT A FINAL NON-APPEALABLE JUDGMENT IN ANY SUCH SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON SUCH JUDGMENT OR IN ANY OTHER LAWFUL MANNER.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the party to be charged with enforcement.

f. Notices. Any notices required or permitted to be given under the terms of this Agreement shall be sent by certified or registered mail (return receipt requested) or delivered personally or by courier (including a recognized overnight delivery service) or by facsimile and shall be effective five days after being placed in the mail, if mailed by regular United States mail, or upon receipt, if delivered personally or by courier (including a recognized overnight

delivery service) or by facsimile, in each case addressed to a party. The addresses for such communications shall be:

If to the Company:

Rebel Holdings, LLC
Attention: Jay Rifkin
6601 Center Drive West
Suite 200
Los Angeles, California
Facsimile: (310) 499-4334

With a copy to:

Danzig Kaye Cooper Fiore & Kay, LLP
Attn: David M. Kaye, Esq.
30A Vreeland Road
Florham Park, New Jersey 07932
Facsimile: (973) 443-0609

If to the Buyer:

Digicorp
Attn: William B. Horne
100 Wilshire Boulevard, Suite 1750
Santa Monica, CA 90401
Facsimile: (310) 752-1486

With copy to (which shall not constitute notice):

Sichenzia Ross Friedman Ference LLP
1065 Avenue of the Americas
21st Floor
New York, New York 10018
Attention: Marc J. Ross, Esq.
Facsimile: (212) 930-9725

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Non-Survival. The parties hereto hereby agree that none of the representations and warranties contained in this Agreement or in any certificate, document or instrument delivered in connection herewith, shall survive the execution and delivery of this Agreement, and the Closing hereunder.

j. Further Assurances. The Company and the Buyer each shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

l. Remedies. The Company and the Buyer each acknowledge that a

breach by it of its obligations hereunder will cause irreparable harm to the other party by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company and the Buyer each acknowledge that the remedy at law for a breach of its obligations under this Agreement will be inadequate and each agrees, in the event of a breach or threatened breach by it of the provisions of this Agreement, that the other party shall be entitled, in addition to all other available remedies at law or in equity, to an injunction or injunctions restraining, preventing or curing any breach of this Agreement and to enforce specifically the terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.

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IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

DIGICORP

/s/ William B. Horne

William B. Horne
Chief Executive Officer

REBEL HOLDINGS, LLC

/s/ Jay Rifkin

Jay Rifkin
Managing Member

ASSIGNMENT AGREEMENT

This Assignment Agreement (the "Assignment") is made as of December 29, 2005 by and among Rebel Holdings, LLC, a California limited liability company as assignor (the "Assignor"), Digicorp, a Utah corporation as assignee ("Assignee"), and Rebel Crew Films, Inc., a California corporation (the "Company").

WITNESSETH:

WHEREAS, simultaneously with executing this Assignment, the Assignor and the Assignee are entering into a Securities Purchase Agreement (the "Purchase Agreement") pursuant to which Assignee is purchasing a $556,306.53 loan receivable (the "Loan Receivable") of Assignor which is owed to Assignor from the Company in exchange for the issuance by Assignee to Assignor of a $556,306.53 principal amount convertible note; and

WHEREAS, pursuant to the terms hereof and the terms of the Purchase Agreement, the parties hereto are entering into this Assignment.

NOW, THEREFORE, in consideration of and for the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. All capitalized terms not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

2. For value received, Assignor assigns and transfers to Assignee all rights to the Loan Receivable, subject to all the conditions and terms contained in the Purchase Agreement. A copy of the Purchase Agreement is attached hereto as Exhibit A and made a part hereof by reference.

3. This Assignment shall be construed and interpreted in accordance with the laws of the State of California without giving effect to the conflict of laws rules thereof or the actual domiciles of the parties.

4. This Assignment may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single Assignment.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Assignment as of the day and year first written above.

ASSIGNOR:

REBEL HOLDINGS, LLC

/s/ Jay Rifkin
Jay Rifkin
Managing Member

ASSIGNEE:

DIGICORP

/s/ William B. Horne
William B. Horne
Chief Executive Officer

CONSENT OF THE COMPANY

The Company identified in the above Assignment hereby consent to that Assignment.

Dated: December 29, 2005 *REBEL CREW FILMS, INC.*

/s/ Cesar Chatel

Cesar Chatel
President

Exhibit A
Purchase Agreement

SECURITY AGREEMENT

SECURITY AGREEMENT (this "Agreement"), dated as of December 29, 2005, by and among Digicorp, a Utah corporation (the "Company"), and the Rebel Crew Holdings, LLC and its respective endorsees, transferees and assigns (the "Secured Party").

W I T N E S S E T H:

WHEREAS, pursuant to a Securities Purchase Agreement, dated the date hereof, between Company and the Secured Party (the "Purchase Agreement"), the Company has agreed to issue to the Secured Party and the Secured Party has agreed to purchase from the Company a 4.5% Secured Convertible Note, due five years from the date of issue (the "Note"), which is convertible into shares of the Company's Common Stock, par value $.001 per share (the "Common Stock");

WHEREAS, simultaneously herewith, the Company is entering into a Stock Purchase Agreement (the "Stock Purchase Agreement") pursuant to which the Company is purchasing all of the issued and outstanding shares of capital stock of Rebel Crew Films, Inc., a California corporation ("Rebel Crew Films"), from the stockholders of Rebel Crew Films (the "Rebel Crew Films Stockholders"); and

WHEREAS, in order to induce the Rebel Crew Films Stockholders to enter into the Stock Purchase Agreement and to induce the Secured Party to purchase the Note, the Company has agreed to execute and deliver to the Secured Party this Agreement for the benefit of the Secured Party and to grant to it a first priority security interest in certain property of the Company to secure the prompt payment, performance and discharge in full of all of the Company's obligations under the Note.

NOW, THEREFORE, in consideration of the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the meanings set forth in this Section 1. Terms used but not otherwise defined in this Agreement that are defined in Article 9 of the UCC (such as "general intangibles" and "proceeds") shall have the respective meanings given such terms in Article 9 of the UCC.

(a) "Collateral" means the collateral in which the Secured Party is granted a security interest by this Agreement and which shall include the following, whether presently owned or existing or hereafter acquired or coming into existence, and all additions and accessions thereto and all substitutions and replacements thereof, and all proceeds, products and accounts thereof, including, without limitation, all proceeds from the sale or transfer of the Collateral and of insurance covering the same and of any tort claims in connection therewith:

(i) All Goods of the Company, including, without limitations, all machinery, equipment, computers, motor vehicles, trucks, tanks, boats, ships, appliances, furniture, special and general tools, fixtures, test and quality control devices and other equipment of every kind and nature and wherever situated, together with all documents of title and documents representing the same, all additions and accessions thereto, replacements therefor, all parts therefor, and all substitutes for any of the foregoing and all other items used and useful in connection with the Company's businesses and all improvements thereto (collectively, the "Equipment");

(ii) All Inventory of the Company;

(iii) All of the Company's contract rights and general intangibles, including, without limitation, all partnership interests, stock or other securities, licenses, distribution and other agreements, computer software development rights, leases, franchises, customer lists, quality control procedures, grants and rights, goodwill, trademarks, service marks, trade styles, trade names, patents, patent applications, copyrights, deposit accounts, and income tax refunds (collectively, the "General Intangibles");

(iv) All Receivables of the Company including all insurance proceeds, and rights to refunds or indemnification whatsoever owing, together with all instruments, all documents of title representing any of the foregoing, all rights in any merchandising, goods, equipment, motor vehicles and trucks which any of the same may represent, and all right, title, security and guaranties with respect to each Receivable, including any right of stoppage in transit; and

(v) All of the Company's documents, instruments and chattel paper, files, records, books of account, business papers, computer programs and the products and proceeds of all of the foregoing Collateral set forth in clauses (i)-(iv) above; and

(vi) All of the capital stock of any corporation or other entity owned by the Company.

(b) "Obligations" means all of the Company's obligations under this Agreement and the Note, in each case, whether now or hereafter existing, voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later decreased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from the Secured Party as a preference, fraudulent transfer or otherwise as such obligations may be amended, supplemented, converted, extended or modified from time to time.

(c) "UCC" means the Uniform Commercial Code, as currently in effect in the State of California.

2. Grant of Security Interest. As an inducement for the Secured Party to purchase the Note and to secure the complete and timely payment, performance and discharge in full, as the case may be, of all of the Obligations, the Company hereby, unconditionally and irrevocably, pledges, grants and hypothecates to the Secured Party, a continuing security interest in, a continuing first lien upon, an unqualified right to possession and disposition of and a right of set-off against, in each case to the fullest extent permitted by law, all of the Company's right, title and interest of whatsoever kind and nature in and to the Collateral (the "Security Interest").

3. Representations, Warranties, Covenants and Agreements of the Company. The Company represents and warrants to, and covenants and agrees with, the Secured Party as follows:

(a) The Company has the requisite corporate power and authority to enter into this Agreement and otherwise to carry out its obligations thereunder. The execution, delivery and performance by the Company of this Agreement and the filings contemplated therein have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company. This Agreement constitutes a legal, valid and binding obligation of the Company enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor's rights generally.

(b) The Company represents and warrants that it has no place of business or offices where its respective books of account and records are kept (other than temporarily at the offices of its attorneys or accountants) or places where Collateral is stored or located, except as set forth on Schedule A attached hereto;

(c) The Company is the sole owner of the Collateral (except for non-exclusive licenses granted by the Company in the ordinary course of business), free and clear of any liens, security interests, encumbrances, rights or claims, and is fully authorized to grant the Security Interest in and to pledge the Collateral. There is not on file in any governmental or regulatory authority, agency or recording office an effective financing statement, security agreement, license or transfer or any notice of any of the foregoing (other than those that have been filed in favor of the Secured Party pursuant to this Agreement) covering or affecting any of the Collateral. So long as this Agreement shall be in effect, the Company shall not execute and shall not

knowingly permit to be on file in any such office or agency any such financing statement or other document or instrument (except to the extent filed or recorded in favor of the Secured Party pursuant to the terms of this Agreement).

(d) No part of the Collateral has been judged invalid or unenforceable. No written claim has been received that any Collateral or the Company's use of any Collateral violates the rights of any third party. There has been no adverse decision to the Company's claim of ownership rights in or exclusive rights to use the Collateral in any jurisdiction or to the Company's right to keep and maintain such Collateral in full force and effect, and there is no proceeding involving said rights pending or, to the best knowledge of the Company, threatened before any court, judicial body, administrative or regulatory agency, arbitrator or other governmental authority.

(e) The Company shall at all times maintain its books of account and records relating to the Collateral at its principal place of business and its Collateral at the locations set forth on Schedule A attached hereto and may not relocate such books of account and records or tangible Collateral unless it delivers to the Secured Party at least 30 days prior to such relocation: (i) written notice of such relocation and the new location thereof (which must be within the United States); and (ii) evidence that appropriate financing statements and other necessary documents have been filed and recorded and other steps have been taken to perfect the Security Interest to create in favor of the Secured Party valid, perfected and continuing first priority liens in the Collateral.

(f) This Agreement creates in favor of the Secured Party a valid security interest in the Collateral securing the payment and performance of the Obligations and, upon making the filings described in the immediately following sentence, a perfected first priority security interest in such Collateral. Except for the filing of financing statements on Form UCC-1 under the UCC with the jurisdictions indicated on Schedule B, attached hereto, no authorization or approval of or filing with or notice to any governmental authority or regulatory body is required either: (i) for the grant by the Company of, or the effectiveness of, the Security Interest granted hereby or for the execution, delivery and performance of this Agreement by the Company; or (ii) for the perfection of or exercise by the Secured Party of its rights and remedies hereunder.

(g) On the date of execution of this Agreement, the Company will deliver to the Secured Party one or more executed UCC financing statements on Form UCC-1 with respect to the Security Interest for filing with the jurisdictions indicated on Schedule B, attached hereto and in such other jurisdictions as may be requested by the Secured Party.

(h) The execution, delivery and performance of this Agreement does not conflict with or cause a breach or default, or an event that with or without the passage of time or notice, shall constitute a breach or default, under any agreement to which the Company is a party or by which the Company is bound. No consent (including, without limitation, from stock holders or creditors of the Company) is required for the Company to enter into and perform its obligations hereunder.

(i) The Company shall at all times maintain the liens and Security Interest provided for hereunder as valid and perfected first priority liens and security interests in the Collateral in favor of the Secured Party until this Agreement and the Security Interest hereunder shall terminate pursuant to Section 11. The Company hereby agrees to defend the same against any and all persons. The Company shall safeguard and protect all Collateral for the account of the Secured Party. At the request of the Secured Party, the Company will sign and deliver to the Secured Party at any time or from time to time one or more financing statements pursuant to the UCC (or any other applicable statute) in form reasonably satisfactory to the Secured Party and will pay the cost of filing the same in all public offices wherever filing is, or is deemed by the Secured Party to be, necessary or desirable to effect the rights and obligations provided for herein. Without limiting the generality of the foregoing, the Company shall pay all fees, taxes and other amounts necessary to maintain the Collateral and the Security Interest hereunder, and the Company shall obtain and furnish to the Secured Party from time to time, upon demand, such releases and/or subordinations of claims and liens which may be required to maintain the priority of the Security Interest hereunder.

(j) The Company will not transfer, pledge, hypothecate, encumber, license (except for non-exclusive licenses granted by the Company in the ordinary course of business), sell or otherwise dispose of any of the Collateral without the prior written consent of the Secured Party.

(k) The Company shall keep and preserve its Equipment, Inventory and other tangible Collateral in good condition, repair and order and shall not operate or locate any such Collateral (or cause to be operated or located) in any area excluded from insurance coverage.

(l) The Company shall, within ten (10) business days of obtaining knowledge thereof, advise the Secured Party promptly, in sufficient detail, of any substantial change in the Collateral, and of the occurrence of any event which would have a material adverse effect on the value of the Collateral or on the Secured Party's security interest therein.

(m) The Company shall promptly execute and deliver to the Secured Party such further deeds, mortgages, assignments, security agreements, financing statements or other instruments, documents, certificates and assurances and take such further action as the Secured Party may from time to time reasonably request to perfect, protect or enforce its security interest in the Collateral.

(n) The Company shall permit the Secured Party and its representatives and agents to inspect the Collateral at any time, and to make copies of records pertaining to the Collateral as may be requested by the Secured Party from time to time.

(o) The Company will take all steps reasonably necessary to diligently pursue and seek to preserve, enforce and collect any rights, claims, causes of action and accounts receivable in respect of the Collateral.

(p) The Company shall promptly notify the Secured Party in sufficient detail upon becoming aware of any attachment, garnishment, execution or other legal process levied against any Collateral and of any other information received by the Company that may materially affect the value of the Collateral, the Security Interest or the rights and remedies of the Secured Party hereunder.

(q) All information heretofore, herein or hereafter supplied to the Secured Party by or on behalf of the Company with respect to the Collateral is accurate and complete in all material respects as of the date furnished.

4. Defaults. The following events shall be "Events of Default":

(a) The occurrence of an Event of Default (as defined in the Note) under the Note;

(b) Any representation or warranty of the Company in this Agreement shall prove to have been incorrect in any material respect when made; and

(c) The failure by the Company to observe or perform any of its obligations hereunder for thirty (30) days after receipt by the Company of notice of such failure from the Secured Party.

5. Duty To Hold In Trust. Upon the occurrence of any Event of Default and at any time thereafter, the Company shall, upon receipt by it of any revenue, income or other sums subject to the Security Interest, whether payable pursuant to the Note or otherwise, or of any check, draft, note, trade acceptance or other instrument evidencing an obligation to pay any such sum, hold the same in trust for the Secured Party and shall forthwith endorse and transfer any such sums or instruments, or both, to the Secured Party for application to the satisfaction of the Obligations.

6. Rights and Remedies Upon Default. Upon occurrence of any Event of Default and at any time thereafter, the Secured Party shall have the right to exercise all of the remedies conferred hereunder and under the Note, and the Secured Party shall have all the rights and remedies of a secured party under the UCC and/or any other applicable law (including the Uniform Commercial Code

of any jurisdiction in which any Collateral is then located). Without limitation, the Secured Party shall have the following rights and powers:

(a) The Secured Party shall have the right to take possession of the Collateral and, for that purpose, enter, with the aid and assistance of any person, any premises where the Collateral, or any part thereof, is or may be placed and remove the same, and the Company shall assemble the Collateral and make it available to the Secured Party at places which the Secured Party shall reasonably select, whether at the Company's premises or elsewhere, and make available to the Secured Party, without rent, all of the Company's respective premises and facilities for the purpose of the Secured Party taking possession of, removing or putting the Collateral in saleable or disposable form.

(b) The Secured Party shall have the right to operate the business of the Company using the Collateral and shall have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the Collateral, at public or private sale or otherwise, either with or without special conditions or stipulations, for cash or on credit or for future delivery, in such parcel or parcels and at such time or times and at such place or places, and upon such terms and conditions as the Secured Party may deem commercially reasonable, all without (except as shall be required by applicable statute and cannot be waived) advertisement or demand upon or notice to the Company or right of redemption of the Company, which are hereby expressly waived. Upon each such sale, lease, assignment or other transfer of Collateral, the Secured Party may, unless prohibited by applicable law which cannot be waived, purchase all or any part of the Collateral being sold, free from and discharged of all trusts, claims, right of redemption and equities of the Company, which are hereby waived and released.

7. Applications of Proceeds. The proceeds of any such sale, lease or other disposition of the Collateral hereunder shall be applied first, to the expenses of retaking, holding, storing, processing and preparing for sale, selling, and the like (including, without limitation, any taxes, fees and other costs incurred in connection therewith) of the Collateral, to the reasonable attorneys' fees and expenses incurred by the Secured Party in enforcing its rights hereunder and in connection with collecting, storing and disposing of the Collateral, and then to satisfaction of the Obligations, and to the payment of any other amounts required by applicable law, after which the Secured Party shall pay to the Company any surplus proceeds. If, upon the sale, license or other disposition of the Collateral, the proceeds thereof are insufficient to pay all amounts to which the Secured Party is legally entitled, the Company will be liable for the deficiency. To the extent permitted by applicable law, the Company waives all claims, damages and demands against the Secured Party arising out of the repossession, removal, retention or sale of the Collateral, unless due to the gross negligence or willful misconduct of the Secured Party.

8. Costs and Expenses. The Company agrees to pay all out-of-pocket fees, costs and expenses incurred in connection with any filing required hereunder, including without limitation, any financing statements, continuation statements, partial releases and/or termination statements related thereto or any expenses of any searches reasonably required by the Secured Party. The Company shall also pay all other claims and charges which in the reasonable opinion of the Secured Party might prejudice, imperil or otherwise affect the Collateral or the Security Interest therein. The Company will also, upon demand, pay to the Secured Party the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which the Secured Party may incur in connection with (a) the enforcement of this Agreement, (b) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, or (c) the exercise or enforcement of any of the rights of the Secured Party under the Note.

9. Responsibility for Collateral. The Company assumes all liabilities and responsibility in connection with all Collateral, and the obligations of the Company hereunder or under the Note and the Warrants shall in no way be affected or diminished by reason of the loss, destruction, damage or theft of any of the Collateral or its unavailability for any reason.

10. Security Interest Absolute. All rights of the Secured Party and all Obligations of the Company hereunder, shall be absolute and unconditional, irrespective of: (a) any lack of validity or enforceability of this Agreement, the Note or any agreement entered into in connection with the foregoing, or any portion hereof or thereof; (b) any change in the time, manner or place of

payment or performance of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Note or any other agreement entered into in connection with the foregoing; (c) any exchange, release or nonperfection of any of the Collateral, or any release or amendment or waiver of or consent to departure from any other collateral for, or any guaranty, or any other security, for all or any of the Obligations; (d) any action by the Secured Party to obtain, adjust, settle and cancel in its sole discretion any insurance claims or matters made or arising in connection with the Collateral; or (e) any other circumstance which might otherwise constitute any legal or equitable defense available to the Company, or a discharge of all or any part of the Security Interest granted hereby. Until the Obligations shall have been paid and performed in full, the rights of the Secured Party shall continue even if the Obligations are barred for any reason, including, without limitation, the running of the statute of limitations or bankruptcy. The Company expressly waives presentment, protest, notice of protest, demand, notice of nonpayment and demand for performance. In the event that at any time any transfer of any Collateral or any payment received by the Secured Party hereunder shall be deemed by final order of a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under the bankruptcy or insolvency laws of the United States, or shall be deemed to be otherwise due to any party other than the Secured Party, then, in any such event, the Company's obligations hereunder shall survive cancellation of this Agreement, and shall not be discharged or satisfied by any prior payment thereof and/or cancellation of this Agreement, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof. The Company waives all right to require the Secured Party to proceed against any other person or to apply any Collateral which the Secured Party may hold at any time, or to marshal assets, or to pursue any other remedy.

11. Term of Agreement. This Agreement and the Security Interest shall terminate on the date on which all payments under the Note have been made in full and all other Obligations have been paid or discharged. Upon such termination, the Secured Party, at the request and at the expense of the Company, will join in executing any termination statement with respect to any financing statement executed and filed pursuant to this Agreement.

12. Power of Attorney; Further Assurances.

(a) The Company authorizes the Secured Party, and does hereby make, constitute and appoint it, and its respective officers, agents, successors or assigns with full power of substitution, as the Company's true and lawful attorney-in-fact, with power, in its own name or in the name of the Company, to, after the occurrence and during the continuance of an Event of Default: (i) endorse any notes, checks, drafts, money orders, or other instruments of payment (including payments payable under or in respect of any policy of insurance) in respect of the Collateral that may come into possession of the Secured Party; (ii) to sign and endorse any UCC financing statement or any invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts, and other documents relating to the Collateral; (iii) to pay or discharge taxes, liens, security interests or other encumbrances at any time levied or placed on or threatened against the Collateral; (iv) to demand, collect, receipt for, compromise, settle and sue for monies due in respect of the Collateral; and (v) generally, to do, at the option of the Secured Party, and at the Company's expense, at any time, or from time to time, all acts and things which the Secured Party deems necessary to protect, preserve and realize upon the Collateral and the Security Interest granted therein in order to effect the intent of this Agreement and the Note, all as fully and effectually as the Company might or could do; and the Company hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable for the term of this Agreement and thereafter as long as any of the Obligations shall be outstanding.

(b) On a continuing basis, the Company will make, execute, acknowledge, deliver, file and record, as the case may be, in the proper filing and recording places in any jurisdiction, including, without limitation, the jurisdictions indicated on Schedule B, attached hereto, all such instruments, and take all such action as may reasonably be deemed necessary or advisable, or as reasonably requested by the Secured Party, to perfect the Security Interest granted hereunder and otherwise to carry out the intent and purposes of this

Agreement, or for assuring and confirming to the Secured Party the grant or perfection of a security interest in all the Collateral.

(c) The Company hereby irrevocably appoints the Secured Party as the Company's attorney-in-fact, with full authority in the place and stead of the Company and in the name of the Company, from time to time in the Secured Party's discretion, to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including the filing, in its sole discretion, of one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of the Company where permitted by law.

(d) The Company shall execute such additional agreements and documents necessary or advisable to accomplish the purposes of this Agreement.

13. Notices. All notices, requests, demands and other communications hereunder shall be in writing, with copies to all the other parties hereto, and shall be deemed to have been duly given when: (a) if delivered by hand, upon receipt, (b) if sent by facsimile, upon receipt of proof of sending thereof, (c) if sent by nationally recognized overnight delivery service (receipt requested), the next business day or (d) if mailed by first-class registered or certified mail, return receipt requested, postage prepaid, four days after posting in the U.S. mails, in each case if delivered to the following addresses:

If to the Company:
Digicorp
100 Wilshire Boulevard, Suite 1750
Santa Monica, California 90401
Attention: Chief Executive Officer
Facsimile: (310) 752-1486

With a copy to (which shall not constitute notice):

Sichenzia Ross Friedman Ference LLP
1065 Avenue of the Americas, 21st Floor
New York, New York 10018
Attention: Marc J. Ross, Esq.
Facsimile: (212) 930-9725

If to the Secured Party:
Rebel Holdings, LLC
6601 Center Drive West, Suite 200
Los Angeles, California 90045
Attention: Jay Rifkin
Facsimile: (310) 499-4334

With a copy to:
Danzig Kaye Cooper Fiore & Kay, LLP
30A Vreeland Road
Florham Park, New Jersey 07932
Attention: David M. Kaye, Esq.
Facsimile: (973) 443-0609

14. Other Security. To the extent that the Obligations are now or hereafter secured by property other than the Collateral or by the guarantee, endorsement or property of any other person, firm, corporation or other entity, then the Secured Party shall have the right, in its sole discretion, to pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of the Secured Party's rights and remedies hereunder.

15. Miscellaneous.

(a) No course of dealing between the Company and the Secured Party, nor any failure to exercise, nor any delay in exercising, on the part of the Secured Party, any right, power or privilege hereunder or under the Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(b) All of the rights and remedies of the Secured Party with respect to the Collateral, whether established hereby or by the Note or by any other

agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

(c) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and is intended to supersede all prior negotiations, understandings and agreements with respect thereto. Except as specifically set forth in this Agreement, no provision of this Agreement may be modified or amended except by a written agreement specifically referring to this Agreement and signed by the parties hereto.

(d) In the event that any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction for any reason, unless such provision is narrowed by judicial construction, this Agreement shall, as to such jurisdiction, be construed as if such invalid, prohibited or unenforceable provision had been more narrowly drawn so as not to be invalid, prohibited or unenforceable. If, notwithstanding the foregoing, any provision of this Agreement is held to be invalid, prohibited or unenforceable in any jurisdiction, such provision, as to such jurisdiction, shall be ineffective to the extent of such invalidity, prohibition or unenforceability without invalidating the remaining portion of such provision or the other provisions of this Agreement and without affecting the validity or enforceability of such provision or the other provisions of this Agreement in any other jurisdiction.
(e) No waiver of any breach or default or any right under this Agreement shall be considered valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach or default or right, whether of the same or similar nature or otherwise.

(f) This Agreement shall be binding upon and inure to the benefit of each party hereto and its successors and assigns.

(g) Each party shall take such further action and execute and deliver such further documents as may be necessary or appropriate in order to carry out the provisions and purposes of this Agreement.

(h) This Agreement shall be construed in accordance with the laws of the State of California, except to the extent the validity, perfection or enforcement of a security interest hereunder in respect of any particular Collateral which are governed by a jurisdiction other than the State of California in which case such law shall govern. Each of the parties hereto irrevocably submit to the exclusive jurisdiction of any California State or United States federal court sitting in the County of Los Angeles over any action or proceeding arising out of or relating to this Agreement, and the parties hereto hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such California State or federal court. The parties hereto agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The parties hereto further waive any objection to venue in the State of California and any objection to an action or proceeding in the State of California on the basis of forum non conveniens.

(i) EACH PARTY HERETO HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATER OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT FOR EACH PARTY TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH PARTY HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH PARTY WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH PARTY FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY HAS KNOWINGLY AND VOLUNTARILY WAIVES ITS RIGHTS TO A JURY TRIAL FOLLOWING SUCH CONSULTATION. THIS WAIVER IS IRREVOCABLE, MEANING THAT, NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS AND SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. IN THE EVENT OF A LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(j) This Agreement may be executed in any number of counterparts, each of which

when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature were the original thereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed on the day and year first above written.

DIGICORP

/s/ William B. Horne

William B. Horne
Chief Executive Officer

REBEL HOLDINGS, LLC

/s/ Jay Rifkin

Jay Rifkin
Managing Member

SCHEDULE A

Principal Place of Business of the Company:

100 Wilshire Boulevard, Suite 1750
Santa Monica, California 90401

Locations Where Collateral is Located or Stored:

100 Wilshire Boulevard, Suite 1750
Santa Monica, California 90401

SCHEDULE B

Jurisdictions:

Utah

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of September 30, 2005 (the "Effective Date") by and between Digicorp, a Utah corporation, with an office located at 100 Wilshire Boulevard, Suite 1750, Santa Monica, CA 90401 (the "Company") and Jay Rifkin, an individual with an address c/o Rebel Crew Films, Inc., 4143 Glencoe Avenue, Marina Del Rey, CA 90292 ("Rifkin").

WHEREAS, the Company has entered into an agreement to acquire Rebel Crew Films Inc. (the "Rebel Acquisition"); and

WHEREAS, the Company desires to retain the services of Rifkin as the Company's Chief Executive Officer and, in the event that the Rebel Acquisition is consummated, Rifkin is willing to be employed by the Company in such capacity.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Employment. Upon the Effective Date of this Agreement, Rifkin will become the interim President of the Company, subject to termination of the Rebel Acquisition. Upon consummation of the Rebel Acquisition, Rifkin will serve the Company as its Chief Executive Officer and Rifkin does hereby accept, and Rifkin hereby agrees to such engagement and employment as the Company's Chief Executive Officer. In addition, Rifkin shall be elected to the Company's Board of Directors upon consummation of the Rebel Acquisition and, during the "Employment Term" (as defined below), shall also serve as the Chairman of the Board of Directors of the Company.

2. Duties. Rifkin shall be responsible for the overall development, operations and corporate governance of the Company. In addition, Rifkin's duties shall be such duties and responsibilities as the Company shall specify from time to time, but only if and to the extent that such duties and responsibilities are those customarily performed by the Chief Executive Officer of a company with a business commensurate with that of the Company. Rifkin shall have such authority, discretion, power and responsibility, and shall be entitled to office, secretarial and other facilities and conditions of employment, as are customary or appropriate to his position. Rifkin shall diligently and faithfully execute and perform such duties and responsibilities, subject to the general supervision and control of the Company's Board of Directors. Rifkin shall be responsible and report to the Company's Board of Directors. Rifkin shall devote such amount of his time, attention, energy, and skill during normal business hours to the business and affairs of the Company as he may deem reasonably necessary to fulfill his responsibilities hereunder.

Nothing in this Agreement shall preclude Rifkin from devoting reasonable periods required for:

(a) serving as a director or member of a committee of any organization or corporation involving no conflict of interest with the interests of the Company;

(b) serving as a consultant in his area of expertise (in areas other than in connection with the business of the Company), to government, industrial, business and academic panels where it does not conflict with the interests of the Company; and

(c) managing his personal or family investments or engaging in any other non-competing business; provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement.

3. Efforts of Rifkin. During his employment and while performing his services hereunder, Rifkin shall, subject to the direction and supervision of the Company's Board of Directors, use his business judgment, skill and knowledge to advance the Company's interests and to discharge his duties and responsibilities hereunder. Notwithstanding the foregoing, nothing herein shall be construed as preventing Rifkin from investing his assets in any business.

4. Employment Term. The term of this Agreement shall commence as of the Effective Date and shall, unless terminated pursuant to Section 12 of this Agreement, and continue for a term of three (3) years (the "Initial Term"), and shall be automatically renewed for successive one (1) year terms (a "Renewal Term") unless a party hereto delivers to the other party written notice of such party's intention not to renew at least thirty (30) days prior to the end of the Initial Term or the applicable Renewal Term, as the case may be. The terms "Initial Term" and "Renewal Term" are collectively referred to herein as the "Employment Term."

5. Compensation of Rifkin.

(a) Compensation. As compensation for the services provided by Rifkin under this Agreement, the Company shall pay Rifkin a base salary of One Hundred Fifty Thousand Dollars ($150,000) for the initial year of the Employment Term (the "Initial Salary"). The parties acknowledge and agree that the Initial Salary does not represent a market salary for an executive of Rifkin's experience and is based upon the Company's early stage. The Company agrees that Rifkin's salary for subsequent periods should take into consideration the Company's growth and the market compensation for executives of Rifkin's caliber, including compensation and benefits such as life insurance. Irrespective of the Company's growth, Rifkin's base salary shall increase at least 10% in the second year of the Employment Term and at least 10% more for the third year of the Employment Term. The compensation of Rifkin under this Section shall be paid in accordance with the Company's usual payroll procedures.

(b) Stock Options. As a signing bonus, the Company has granted Rifkin options from the Company's existing Stock Option and Restricted Stock Plan to purchase 4,400,000 shares of the Company's common stock with an exercise price of $0.85 per share (the fair market value on the grant date), which stock options shall vest annually in equal portions over a period of three (3) years from the Effective Date and shall expire five years after the Effective Date. Rifkin acknowledges that such stock options were granted to him by the Company's Board of Directors on September 30, 2005. Rifkin shall also be eligible to receive shares of the Company's authorized stock and options to purchase shares of the Company's authorized stock from time to time as determined by the Board of Directors. Notwithstanding the three (3) year term vesting of said options, all of the options shall immediately vest on an accelerated basis, and remain exercisable for a period of five (5) years from the Effective Date on the first to occur of any of the following: (i) any "change of control" of the Company or its business including, without limitation, if Rifkin ceases to own a majority of the Company's voting securities, (ii) if the employment of Rifkin is terminated by the Company without "Cause" (as defined below) or by Rifkin with "Good Reason" (as defined below), or (iii) if the employment of Rifkin is terminated upon the death or disability of Rifkin. In addition, the Company hereby agrees to register its existing Stock Option and Restricted Stock Plan on a Form S-8 registration statement as soon as the Company is eligible to use such form so Rifkin may, subject to Rule 144 under the Securities Act of 1933, as amended, exercise the above options and freely sell the shares of common stock obtained thereby in the public market.

(c) Bonus. In addition to the compensation under Sections 5(a) and 5(b) hereof, Rifkin shall be eligible to receive an annual bonus determined by the Board of Directors based on the performance of the Company.

6. Benefits. Rifkin shall also be entitled to participate in any and all Company benefit plans in effect from time to time for employees of the Company. Such participation shall be subject to the terms of the applicable plan documents and shall include, without limitation health, vision, dental, life and disability insurance. Rifkin shall also be entitled to receive a car allowance as shall be reasonably determined by the Board of Directors.

7. Vacation, Sick Leave and Holidays. Rifkin shall be entitled to four (4) weeks of paid vacation during the first year of the Employment Term and five (5) weeks per year thereafter. In addition, Rifkin shall be entitled to such sick leave and holidays at full pay in accordance with the Company's policies established and in effect from time to time.

8. Business Expenses. The Company shall promptly reimburse Rifkin for all reasonable out-of-pocket business expenses incurred in performing Rifkin's

duties and responsibilities hereunder in accordance with the Company's policies, provided Rifkin promptly furnishes to the Company adequate records of each such business expense. Rifkin shall be entitled to reimbursement for first-class airfare and hotel for Company travel.

9. Location of Rifkin's Activities. Rifkin's principal place of business in the performance of his duties and obligations under this Agreement shall be at a place no more than twenty (20) miles from the current Santa Monica office of the Company. Notwithstanding the preceding sentence, and subject to Rifkin's availability, Rifkin will engage in such travel as may be reasonably necessary or appropriate in furtherance of his duties hereunder.

10. Confidentiality. Rifkin recognizes that the Company has and will have business affairs, products, future plans, trade secrets, customer lists, and other vital information which is valuable to the Company because it is not public and not required by applicable law to be made public (collectively "Confidential Information") that are valuable assets of the Company. Rifkin agrees that he shall not at any time or in any manner divulge, disclose or communicate any Confidential Information to any third party (other than to attorneys and advisors for the Company and/or Rifkin) without the prior written consent of the Company's Board of Directors.

11. Non-Competition. Rifkin acknowledges that he has gained, and will gain extensive knowledge in the business conducted by the Company and has had, and will have, extensive contacts with customers of the Company. Accordingly, Rifkin agrees that he shall not compete with the Company, during the Employment Term and, if the Company terminates his employment with Cause or if Rifkin terminates his employment without Good Reason, then for an additional one (1) year period immediately after such termination of Rifkin's employment and shall not, during such period, make public statements in derogation of the Company. For the purposes of this Section 11, competing with the Company shall mean engaging as principal owner, officer, partner, consultant, advisor, either alone or in association with others, in the operation of any entity engaged in a business which is similar to and competes with the "Company Business". As used herein, "Company Business" means the distribution of video content through retail marketing channels and peripheral hardware storage devices.

12. Termination. Notwithstanding any other provisions hereof to the contrary, Rifkin's employment hereunder shall terminate under the following circumstances:

(a) Voluntary Termination by Rifkin. Rifkin shall have the right to voluntarily terminate this Agreement and his employment hereunder at any time during the Employment Term.

(b) Termination by Rifkin with "Good Reason". Rifkin shall have the right to terminate this Agreement and his employment hereunder with "Good Reason" at any time during the Employment Term. As used herein, "Good Reason" shall mean (i) material breach of this Agreement by the Company including, without limitation, any diminution in title, office, rights and privileges of Rifkin or failure to receive base salary payments on a timely basis pursuant to Section 5(a) of this Agreement; (ii) relocation of the principal place for Rifkin to provide his services hereunder to any location more than twenty (20) miles away from 100 Wilshire Boulevard, Santa Monica, California 90401; (iii) failure of the Company to maintain in effect directors' and officers' liability insurance covering Rifkin in compliance with Paragraph 17(c) below; (iv) any assignment or transfer by the Company of any of its rights or obligations under this Agreement; or (v) any change in control of the Company including, without limitation, if Rifkin shall cease to own a majority of the voting securities of the Company.

(c) Voluntary Termination by the Company Without "Cause". The Company shall have the right to voluntarily terminate this Agreement and Rifkin's employment hereunder at any time after the Initial Term. Termination of Rifkin's employment pursuant to this Section 12(c) shall not be effective unless the Company shall have first given Rifkin a written notice thereof at least thirty (30) days prior to the annual anniversary of the Effective Date of Rifkin's employment under this Agreement.

(d) Termination for Cause. The Company shall have the right to terminate this Agreement and Rifkin's employment hereunder at any time for

"Cause". As used in this Agreement, "Cause" shall mean (i) continual and repeated willful refusal by Rifkin to substantially implement or adhere to lawful policies or material directives of the Company's Board of Directors, (ii) material breach by Rifkin of this Agreement, (iii) Rifkin's conviction of a felony that may have a material adverse impact on the Company's reputation, or (iv) the criminal misappropriation by Rifkin of funds from or resources of the Company. Cause shall not be deemed to exist unless the Company shall have first given Rifkin a written notice thereof specifying in reasonable detail the facts and circumstances alleged to constitute "Cause" and thirty (30) days after such notice such conduct has, or such circumstances have, as the case may be, not ceased or been remedied.

(e) Termination Upon Death or for Disability. This Agreement and Rifkin's employment hereunder shall automatically terminate upon Rifkin's death or upon written notice to Rifkin and certification of Rifkin's disability by a qualified physician or a panel of qualified physicians if Rifkin is unable to perform the duties contained in this Agreement for a period beyond twelve (12) months.

(f) Effect of Termination. In the event that this Agreement and Rifkin's employment is voluntarily terminated by Rifkin pursuant to Section 12(a) without Good Reason, or in the event the Company voluntarily terminates this Agreement pursuant to Section 12(c) or for Cause pursuant to Section 12(d), all obligations of the Company and all duties, responsibilities and obligations of Rifkin under this Agreement shall cease. Upon such termination, the Company shall: (i) pay Rifkin such compensation pursuant to Section 5(a) equal to all accrued compensation through the date of termination plus all accrued vacation pay, reimbursement and bonuses, if any; and (ii) provide, at the Company's expense, coverage (A) to Rifkin under the life, accident and disability insurance policies available to the senior executive officers of the Company, and (B) to Rifkin and his dependents under the health, dental and vision insurance plans available to the Company's senior executive officers and their dependents, in each case for a period of three (3) months after the date of termination or, in the event any of such life, accident, disability, health, dental or vision insurance are not continued or Rifkin is not eligible for coverage thereunder due to his termination of employment, the Company shall pay for the premiums for equivalent coverage, in any event, for a period of three (3) months after the date of termination. In the event this Agreement is terminated by the Company without Cause or by Rifkin with Good Reason, or upon the death or disability of Rifkin, Rifkin shall be entitled to all compensation pursuant to Section 5 for the period between the effective termination date to the end of the Employment Term pursuant to Section 4, plus all applicable vacation pay, reimbursement and bonuses and the same insurance/health benefits described above, but for the entire remainder of the Employment Term. Payment will be made to Rifkin or Rifkin's appointed trustee.

13. Resignation as Officer. In the event that Rifkin's employment with the Company is terminated for any reason whatsoever, Rifkin agrees to immediately resign as an Officer of the Company, absent some other agreement by the parties to the contrary.

14. Governing Law, Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California without giving effect to any applicable conflicts of law provisions and all actions and proceedings relating hereto shall be brought exclusively in courts of competent jurisdiction located in Los Angeles County, California.

15. Business Opportunities. During the Employment Term, Rifkin agrees to bring to the attention of the Company's Board of Directors all written business proposals that come to Rifkin's attention and all business or investment opportunities of whatever nature that are created or devised by Rifkin and that are within the scope of the Company Business.

16. Employee's Representations and Warranties. Rifkin hereby represents and warrants that he is not under any contractual obligation to any other company, entity or individual that would prohibit or impede Rifkin from performing his duties and responsibilities under this Agreement and that he is free to enter into and perform the duties and responsibilities required by this Agreement. Rifkin hereby agrees to indemnify and hold the Company and its

officers, directors, employees, shareholders and agents harmless from losses they suffer as a result of his breach of the representations and warranties made by Rifkin in this Section 16.

17. Indemnification.

(a) The Company agrees that if Rifkin is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is Rifkin's alleged action in an official capacity while serving as a director, officer, member, employee or agent, Rifkin shall be indemnified and held harmless by the Company to the fullest extent permitted or authorized by the Company's certificate of incorporation or bylaws or, if greater, by the laws of the State of Utah, against all cost, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Rifkin in connection therewith, and such indemnification shall continue as to Rifkin even if he has ceased to be a director, member, employee or agent of the Company or other entity and shall inure to the benefit of Rifkin's heirs, executors and administrators. The Company shall advance to Rifkin to the extent permitted by law all reasonable costs and expenses incurred by his in connection with a Proceeding within 20 days after receipt by the Company of a written request, with appropriate documentation, for such advance. Such request shall include an undertaking by Rifkin to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses.

(b) Neither the failure of the Company (including its Board of Directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by Rifkin that indemnification of Rifkin is proper because he has met the applicable standard of conduct, nor a determination by the Company (including its Board of Directors, independent legal counsel or stockholders) that Rifkin has not met such applicable standard of conduct, shall create a presumption that Rifkin has not met the applicable standard of conduct.

(c) During the Employment Term, the Company shall maintain in effect directors' and officers' liability insurance covering Rifkin, with coverage reasonably satisfactory to Rifkin.

(d) Promptly after receipt by Rifkin of notice of any claim or the commencement of any action or proceeding with respect to which Rifkin is entitled to indemnity hereunder, Rifkin shall notify the Company in writing of such claim or the commencement of such action or proceeding, and the Company shall: (i) assume the defense of such action or proceeding; (ii) employ counsel reasonably satisfactory to Rifkin; and (iii) pay the reasonable fees and expenses of such counsel. Notwithstanding the preceding sentence, Rifkin shall be entitled to employ counsel separate from counsel for the Company and from any other party in such action if Rifkin reasonably determines that a conflict of interest exists, which makes representation by counsel chosen by the Company not advisable. In such event, the reasonable fees and disbursements of such separate counsel for Rifkin shall be paid by the Company to the extent permitted by law.

(e) After the termination of this Agreement and upon the request of Rifkin, the Company agrees to reimburse Rifkin for all reasonable travel, legal and other out-of-pocket expenses related to assisting the Company to prepare for or defend against any action, suit, proceeding or claim brought or threatened to be brought against the Company or to prepare for or institute any action, suit, proceeding or claim to be brought or threatened to be brought against a third party arising out of or based upon the transactions contemplated herein and in providing evidence, producing documents or otherwise participating in any such action, suit, proceeding or claim. In the event Rifkin is required to appear after termination of this Agreement at a judicial or regulatory hearing in connection with Rifkin's employment hereunder, or Rifkin's role in connection therewith, the Company agrees to pay Rifkin a sum, to be mutually agreed upon by Rifkin and the Company, per diem for each day of his appearance and each day of

preparation therefor.

18. Notices. All demands, notices, and other communications to be given hereunder, if any, shall be in writing and shall be sufficient for all purposes if personally delivered, sent by facsimile (with confirmation of receipt) or sent by a recognized overnight courier service or by United States certified mail, return receipt requested, to the address below or such other address or addresses as such party may hereafter designate in writing to the other party as herein provided.

Company
Digicorp
100 Wilshire Boulevard, Suite 1750
Santa Monica, CA 90401

Rifkin
c/o Rebel Crew Films, Inc.
4143 Glencoe Avenue
Marina del Rey, CA 90292
With a mandatory copy to:
Susan A. Wolf, Esq.
Ervin, Cohen & Jessup LLP
9401 Wilshire Boulevard, Suite 900
Beverly Hills, CA 90212

Any such notice shall be deemed given upon personal delivery, upon receipt if sent via facsimile, upon delivery if by a recognized overnight courier service, or upon receipt as shown on the United States mail return receipt.

19. Entire Agreement. This Agreement contains the entire agreement of the parties and there are no other promises or conditions in any other agreement, whether oral or written with respect to the subject matter contained herein. This Agreement supersedes any prior written or oral agreements between the parties regarding the subject matter hereof. This Agreement may be modified or amended if the amendment is made in writing and is signed by both parties. This Agreement is for the unique personal services of Rifkin to the Company and is not assignable or delegable, in whole or in part, by Rifkin or the Company. The headings contained in this Agreement are for reference only and shall not in any way affect the meaning or interpretation of this Agreement. If any provision of this Agreement (other than regarding stock options, compensation or benefits) shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument and, in pleading or proving any provision of this Agreement, it shall not be necessary to produce more than one of such counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

DIGICORP:

/s/ William B. Horne
- ----------
William B. Horne,
Chief Financial Officer

/s/ Jay Rifkin

Jay Rifkin

EXHIBIT 21.1

SUBSIDIARIES

Rebel Crew Films, Inc., a California corporation and wholly owned subsidiary of Digicorp.