FORM PRER14A

Preliminary revised proxy soliciting materials

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COGNIGEN NETWORKS INC

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SIC: **1311** Crude petroleum & natural gas

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February 1, 2001

Via Edgar

United States Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20549

Re: Cognigen Networks, Inc.
File No. 000-11730
Revised Preliminary Proxy Materials for
Special Meeting of Shareholders

Ladies and Gentlemen:

Enclosed for filing are copies of a revised preliminary Notice of Special Meeting of Shareholders, Proxy Statement and Proxy to be used in connection with a Special Meeting of Shareholders of Cognigen Networks, Inc. ("Company") to be held in March 2001. The enclosed preliminary materials have been revised to update the dates contained therein, to revise the range of the stock split that it is proposed the Company's Board of Directors be authorized to effectuate, to indicate that the name of the Company's 2000 Incentive and Nonstatutory Stock Option Plan has been changed to the 2001 Incentive and Nonstatutory Stock Option Plan, to update the information contained therein that has changed as a result of the passage of time, to change Note 3 to the Company's financial statements for the fiscal year ended June 30, 2000, and to change Note 5 to the Company's financial statements for the fiscal quarter ended September 30, 2000, as a result of comments contained in the Staff's letter dated January 25, 2001.

The following is submitted in reply to the Staff's letter dated January 25, 2001:

1. The Company has revised its three Quarterly Reports on Form 10-QSB and its Annual Report on Form 10-KSB for the fiscal year ended June 30, 2000 and its Quarterly Report on Form 10-QSB for the fiscal quarter ended June 30, 2001, to incorporate the changes in amortization periods for goodwill and customer databases. The amended reports will be filed by Friday, February 2, 2001.

2. The Company has prepared an amendment to its Current Report on Form 8-K to reflect the changes in the historical information and in the assumptions applied in the pro forma adjustments. The Company will file the amendment to its Current Report on Form 8-K by Friday, February 2, 2001.

3. The Company's amendment to its Current Report on 8-K will include the stand-alone interim financial statements for Aquila International Telecommunications, Inc. which is now named Cognigen Switching Technologies, Inc.

4. The Company has prepared an amendment to its Annual Report on Form 10-KSB for the fiscal year ended June 30, 2000, to include additional disclosure regarding Mr. Jackson's disbarment. The amendment will be filed by Friday, February 2, 2001.

The Company is quite anxious to hold the Special Meeting of Shareholders. Accordingly, I would appreciate it if you would contact me right away and advise me whether or not the Company can proceed with the mailing.

Thank you for your cooperation.

Sincerely yours,

Thomas S. Smith

TSS/ajp

cc: Cognigen Networks, Inc.
Attn: Darrel H. Hughes
Attn: David L. Jackson

COGNIGEN NETWORKS, INC.
SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant |X|
Filed by a Party other than the Registrant |_|

Check the appropriate box:
|X| Preliminary Proxy Statement
|_| Confidential for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
|_| Definitive Proxy Statement
|_| Definitive Additional Materials
|_| Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

COGNIGEN NETWORKS, INC.
(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):
|X| No fee required.
|_| Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

|_| Fee paid previously with preliminary materials.

|_| Check box if any part of the fee is offset as provided by Exchange Act

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY COPY

COGNIGEN NETWORKS, INC.
7001 Seaview Avenue NW
Suite 210
Seattle, Washington 98117

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To be held on March __, 2001

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders (the "Meeting") of Cognigen Networks, Inc., a Colorado corporation (the "Company"), will be held in the Special Events Room on the Second Floor, 7001 Seaview Avenue, NW, Seattle, Washington 98117, on ____________, March __, 2001, at 10:00 a.m., Pacific Time, for the purpose of considering and voting upon proposals to:

(1) adopt an amendment to Article THIRD of the Articles of Incorporation of the Company to delete any reference contained in the current Article THIRD to an area of business in which the Company no longer engages and to change the wording of the provision in the current Article THIRD that confers upon the Company all of the rights, powers and privileges conferred on Colorado corporations;

(2) adopt an amendment to Article FOURTH of the Articles of Incorporation of the Company which, among other things, increases the authorized shares of common stock of the Company from 50,000,000 shares to 300,000,000 shares of $0.001 par value common stock and authorizes 20,000,000 shares of no par value preferred stock;

(3) adopt an amendment to Section (d)(ii) of Article EIGHTH of the Articles of Incorporation of the Company to change the vote required to amend the Articles of Incorporation to a majority of a quorum;

(4) adopt a new Article NINTH of the Articles of Incorporation of the Company which limits the liability of the directors of the Company under certain circumstances;

(5) authorize the Board of Directors of the Company to adopt an amendment to the Company's Articles of Incorporation at such time as the Board of Directors deems it appropriate to effectuate a one-for-seven, a one-for-eight or a one-for-nine reverse split of the Company's outstanding common stock, the exact reverse split to be determined by the Board of Directors of the Company; and

(6) approve the Company's 2001 Incentive and Nonstatutory Stock Option Plan.

Only shareholders of record at the close of business on January 19, 2001, are entitled to notice of and to vote at the Meeting and at any adjournment(s) thereof.

The enclosed Proxy is solicited by and on behalf of the Board of Directors of the Company. All shareholders are cordially invited to attend the Meeting in person. Whether you plan to attend or not, please date, sign and return the accompanying proxy in the enclosed return envelope, to which no postage need be affixed if mailed in the United States. The giving of a proxy will not affect your right to vote in person if you attend the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

DAVID L. JACKSON, SECRETARY

Seattle, Washington
February __, 2001

PRELIMINARY COPY

COGNIGEN NETWORKS, INC.
7001 Seaview Avenue NW
Suite 210
Seattle, Washington 98117

PROXY STATEMENT
SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MARCH ___, 2001

This proxy statement ("Proxy Statement") is being furnished in connection with the solicitation of proxies by the Board of Directors of Cognigen Networks, Inc. (the "Company") to be used at a Special Meeting of Shareholders (the "Meeting") to be held in the Special Events Room on the Second Floor, 7001 Seaview Avenue, N.W., Seattle, Washington 98117, on ___________, March ___, 2001, at 10:00 a.m. Pacific Time, and at any adjournment(s) thereof.

This Proxy Statement and the accompanying Proxy will be mailed to the Company's shareholders on or about February ___, 2001.

REVOCATION AND VOTING OF PROXY

Any person signing and mailing the enclosed Proxy may revoke it at any time before it is voted by: (i) giving written notice of the revocation to the Company's corporate secretary; (ii) voting in person at the Meeting; or (iii) voting again by submitting a new proxy card. Only the latest dated proxy card, including one which a person may vote in person at the Meeting, will count. If not revoked, the Proxy will be voted at the Meeting in accordance with the instructions indicated on the Proxy by the shareholder, or, if no instructions are indicated, FOR the proposed amendments to the Company's Articles of Incorporation; FOR approval of a proposal to authorize the Board of Directors of the Company to adopt an amendment to the Company's Articles of Incorporation at such time as the Board of Directors deems it appropriate to effectuate a one-for-two, a one-for-three, a one-for-four reverse split of the Company's outstanding common stock, the exact reverse split to be determined by the Board of Directors of the Company; and FOR approval of the Company's 2001 Incentive and Nonstatutory Stock Option Plan.

SUMMARY TERM SHEET

One of the proposals that will be considered and voted upon at the Meeting is a proposal to adopt an amendment to Article FOURTH of the Articles of Incorporation of the Company to increase the Company's authorized shares of common stock. One of the reasons to increase the Company's authorized shares of common stock is so that the Company can pay the balance of the consideration to be paid in connection with the acquisition of the assets of Inter-American Telecommunications Holding Corporation ("ITHC"). The following is a summary of the transaction. The summary does not contain all the information that may be deemed to be important to a shareholder. Each shareholder should carefully review the entire proxy statement to fully understand the transaction between the Company and ITHC.

Acquisition.

- **Shareholder Vote.** The shareholders of the Company are being asked to vote to approve an amendment to Article FOURTH of the Company's Articles of Incorporation to increase the number of authorized shares of common stock of the Company so that the Company will be able to issue additional shares of the Company's common stock to ITHC in connection with the acquisition of all of the assets of ITHC by the Company. The Company currently does not have a sufficient number of authorized shares of common stock to issue the number of additional shares of common stock to which ITHC is entitled.

- **Consideration.** The consideration paid and payable by the Company to ITHC for the assets consists of:

- 11,742,953 shares of the Company's common stock that were issued at the first closing;

- 37,298,444 shares of the Company's common stock that are to be issued at the second closing; and

- the assumption by the Company of all of the liabilities of ITHC that existed on August 20, 1999.

Percentages Owned by ITHC

As a result of ITHC's receipt of the 11,742,953 shares of the Company's common stock from the Company and a previous purchase of 12,602,431 shares of the Company's common stock from four individuals, ITHC owned 24,345,384 shares, or what would have been approximately 75.0% of the Company's outstanding shares of common stock as of August 20, 1999. Subsequently, 150,000 shares were transferred by ITHC to two persons who were affiliated with CCRI Corp. and were instrumental in CCRI Corp. assisting the Company in raising additional capital. In May 2000, ITHC distributed the remaining 24,195,354 shares pro rata to its shareholders. If the proposal to adopt the amendment to Article FOURTH of the Articles of Incorporation is approved, ITHC will receive 37,298,444 shares, or approximately 44.2% of the Company's then outstanding shares of common stock. It is contemplated that ITHC will distribute the 37,298,444 shares pro rata to its shareholders.

Reason for the Acquisition.

From 1989 to August 20, 1999, the Company had no business operations and had been seeking a business opportunity to acquire. On March 11, 1999, the Company entered into an agreement to acquire all the outstanding shares of Price net.com; however, this agreement was terminated on March 30, 1999.

On August 20, 1999, the Company acquired all of the assets of ITHC in exchange for the Company's common stock. ITHC is engaged in marketing long distance telecommunications services directly and through the internet. The directors of the Company believed that the acquisition of the assets of ITHC would enable the Company to be actively engaged in an existing, on-going business (not a start-up company) that the directors of the Company believed had substantial growth potential.

Fairness of the Acquisition.

The then directors of the Company carefully considered the acquisition of the assets of ITHC and the number of shares of the Company's stock that would be issued to ITHC in connection with the acquisition. The directors believed that the Company had found a viable, on-going business (not a start-up company) and that the number of shares that the Company would have to issue to ITHC, considering the fact that the Company was unable to complete an acquisition over the past ten years, was reasonable in light of what the directors believed was the potential for growth of the business acquired. The directors did not retain a financial advisor to opine as to the fairness of the transaction.

Unanimous Director Recommendation.

The directors unanimously approved the transaction whereby the Company acquired the assets of ITHC and recommend that the shareholders approve an amendment to Article FOURTH of the Company's Articles of Incorporation to increase the authorized shares of common stock of the Company so that the Company is able to issue the additional 37,298,444 shares to ITHC to complete the acquisition. There is no penalty imposed upon the Company if the Company does not increase the authorized number of shares to complete the acquisition. However, if the Company does not increase the authorized number of shares in order to issue the additional shares to ITHC, ITHC could claim that ITHC did not receive all of the consideration it was entitled to in connection with the acquisition and claim damages from the Company or attempt to rescind the transaction. The Company has been orally advised that shareholders holding approximately 50.7% of the outstanding shares of common stock of the Company intend to vote in favor of increasing the number of authorized shares of the Company.

Interest of Directors in the Transaction.

Just prior to August 20, 1999, Jimmy L. Boswell and David G. Lucas were directors, officers and owners of less than 5% of the outstanding common stock of ITHC and David L. Jackson and his wife were the directors and officers of the Company and David L. Jackson was the owner of less than 5% of the outstanding common stock of ITHC. Darrell H. Hughes was employed after August 20, 1999, and obtained approximately 10.5% of the outstanding common stock of ITHC. As a result of being shareholders of ITHC, Jimmy L. Boswell, David G. Lucas, David L. Jackson and Darrell H. Hughes will benefit from the additional shares to be issued to ITHC.

Contact Information.

If you have any questions regarding this transaction or any other matters discussed in this proxy statement, please contact:

David L. Jackson
P.O. Box 9345
Rancho Santa Fe, California 92067-4345

Further Information.

For further information pertaining to the transaction between the Company and ITHC and the proposal to adopt an amendment to Article FOURTH of the Company's Articles of Incorporation, see "Changes in Control of the Company", "Certain Information Pertaining to the Company and ITHC" and "Proposal Number Three."

VOTING SECURITIES

Voting rights are vested exclusively in the holders of the Company's $0.001 par value common stock with each share entitled to one vote. Cumulative voting in the election of directors is not permitted. Only shareholders of record at the close of business on January 19, 2001, are entitled to notice of and to vote at the Meeting or any adjournments thereof. On January 19, 2001, the Company had 47,002,547 shares of common stock outstanding.

PRINCIPAL SHAREHOLDERS AND SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth as of January 19, 2001, the number of shares of the Company's outstanding common stock beneficially owned by each of the Company's current directors and by each person who is expected to become a director prior to the Meeting, sets forth the number of shares of the Company's common stock beneficially owned by all of the Company's current executive officers and directors as a group, and sets forth the number of shares of the Company's common stock owned by each person who owned of record, or was known to own beneficially, more than 5% of the outstanding shares of the Company's common stock, in both cases currently and assuming additional shares of the Company's common stock are issued to and distributed by ITHC pro rata to its shareholders:

Name and Address	Amount and Nature of Beneficial Ownership(1)	Percent of Class	Amount and Nature of Beneficial Ownership Assuming Additional Shares Are Issued to and Distributed by ITHC Pro Rata to its Shareholders(15)	Percent of Class Assuming Additional Shares Are Issued to and Distributed by ITHC Pro Rata to Its Shareholders
Jimmy L. Boswell Suite 304 3220 South Higuera Street San Luis Obispo, CA 93401	2,618,468(3)	5.4%	3,600,003	4.2%
Troy D. Carl 6751-B Academy Road, N.E. Albuquerque, NM 87109	-	-	-	-
Darrell H. Hughes Suite 210 7001 Seaview Avenue N.W. Seattle, WA 98117	4,148,883(4)	8.5%	8,075,033	9.4%
David L. Jackson 3707 Calle Cortejo Rancho Santa Fe, CA 92091	2,460,471(5)	5.1%	3,756,100	4.4%
David G. Lucas Suite 304 3220 South Higuera Street San Luis Obispo, CA 93401	2,618,468(6)	5.4%	3,600,003	4.2%
Wilhelm J. Giertsen Starefossveien 5019 Bergen Norway	559,213(2)(7)	1.2%	559,213	0.7%
Mohammed I. Marafi P.O. Box 104 13002 Safat Kuwait	2,289,474(2)(8)	4.8%	2,289,474	2.7%
All current officers and directors as a group (5 persons)	11,844,290(9)	21.7%	21,879,826	23.8%
Cognigen Corporation 2608 Second Avenue,	12,842,564(10)	27.3%	34,438,663	40.9%

Suite 108 Seattle, Washington 98121				
Kevin E. Anderson 2608 Second Avenue, Suite 108 Seattle, Washington 98120	23,842,864(11)	41.1%	45,438,663	47.7%
Anderson Family Trust #1 2608 Second Avenue, Suite 108 Seattle, Washington 98120	23,842,864(12)	41.1%	45,438,663	47.7%
Peter Tilyou 2608 Second Avenue, Suite 108 Seattle, Washington 98120	26,364,156(13)(14)	44.9%	53,553,549	62.2%

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(1) Except as indicated below, each person has sole and voting and/or investment power over the shares listed.

(2) Prior to the meeting, it currently is planned that Messrs. Giertsen and Marafi will be appointed directors of the Company by the five current directors of the Company.

(3) Includes 1,600,000 shares underlying an option. Mr. Boswell currently owns approximately 2.6% of the outstanding common stock of ITHC. If the proposal to adopt the amendment to Article FOURTH of the Articles of Incorporation is approved, ITHC will be entitled to receive 37,298,444 shares of the Company's common stock. Mr. Boswell does not have sole or shared voting and/or investment power over the shares of the Company's common stock owned by ITHC. Therefore, Mr. Boswell disclaims beneficial ownership of the approximate 981,535 shares of the Company's common stock that will be represented by Mr. Boswell's ownership of approximately 2.6% of the outstanding common stock of ITHC. The 981,535 shares are not included in the above table.

(4) Includes 1,600,000 shares underlying an option. Mr. Hughes currently owns approximately 10.5% of the outstanding common stock of ITHC. If the proposal to adopt the amendment to Article FOURTH of the Articles of Incorporation is approved, ITHC will be entitled to receive an additional 37,298,444 shares of the Company's common stock. Mr. Hughes does not have sole or shared voting and/or investment power over the shares of the Company's common stock owned by ITHC. Therefore, Mr. Hughes disclaims beneficial ownership of the approximate 3,926,150 shares of the Company's that will be represented by Mr. Hughes' ownership of approximately 10.5% of the outstanding common stock of ITHC. The 3,926,150 shares are not included in the above table.

(5) Includes 1,600,000 shares underlying an option. Mr. Jackson currently owns approximately 3.5% of the outstanding common stock of ITHC. If the proposal to adopt the amendment to Article FOURTH of the Articles of Incorporation is approved, ITHC will be entitled to receive 37,298,444 shares of the Company's common stock. Mr. Jackson does not have sole or shared voting and/or investment power over the shares of the Company's common stock owned by ITHC. Therefore, Mr. Jackson disclaims beneficial ownership of the approximate 1,295,629 shares of the Company's common stock that will be represented by Mr. Jackson's ownership of approximately 3.5% of the outstanding common stock of ITHC. The 1,295,629 shares are not included in the above table.

(6) Includes 1,600,000 shares underlying an option. Mr. Lucas currently owns approximately 2.6% of the outstanding common stock of ITHC. If the proposal to adopt the amendment to Article FOURTH of the Articles of Incorporation is approved, ITHC will be entitled to receive 37,298,444 shares of the Company's common stock. Mr. Lucas does not have sole or shared voting and/or investment power over the shares of the Company's common stock owned by ITHC. Therefore, Mr. Lucas disclaims beneficial ownership of the approximate 981,535 shares of the Company is common stock that will be represented by Mr. Lucas' ownership of approximately 2.6% of the outstanding common stock of ITHC. The 981,535 shares are not included in the above table.

(7) Includes 25,000 shares owned by Mr. Giertsen's wife.

(8) Includes 1,100,000 shares underlying a warrant and an option. Does not include 1,241,472 shares owned by companies in which Mr. Marafi has a minority interest.

(9) Includes the shares specified in footnotes (3), (4), (5) and (6) above.

(10) Cognigen Corporation currently owns approximately 57.9% of the outstanding common stock of ITHC. If the proposal to adopt the amendment to Article FOURTH of the Articles of Incorporation is approved, ITHC will be entitled to receive 37,298,444 shares of the Company's common stock. Cognigen will be entitled to receive 21,595,799 of the shares. However, all of the 37,298,444 shares will be deemed to be beneficially owned by Cognigen Corporation because Cognigen Corporation controls ITHC. The 37,298,444 shares are not included in the above table.

(11) Includes the shares owned by Cognigen Corporation and 11,000,000 shares of the Company's common stock underlying an option owned by the Anderson Family Trust #1. Kevin E. Anderson has the sole voting and investment power over the shares of the Company's common stock owned by ITHC. Kevin E. Anderson and members of his family are the beneficiaries of the Anderson Family Trust #1 which owns approximately 98.9% of the outstanding common stock of Cognigen Corporation. Therefore, Mr. Anderson may be deemed to beneficially own the 13,290,864 shares of the Company's common stock that Cognigen Corporation owns.

(12) Represents the 24,290,864 shares that Kevin Anderson may be deemed to beneficially own.

(13) Includes the shares owned by the Anderson Family Trust #1, 915,080 shares owned by Telkiosk, Inc. and 750,000 shares underlying an option owned by Telkiosk, 1,288,712 shares owned by Combined Telecommunications Consultancy, Ltd. ("CTC") and 1,000,000 shares underlying an option owned by CTC. Peter Tilyou is the sole trustee, but not a beneficiary, of the Anderson Family Trust #1. As the managing officer/director of CTC and Telkiosk, Mr. Tilyou has voting and investment power over the shares of the Company's common stock beneficially owned by CTC and Telkiosk. Mr. Tilyou is the beneficial owner of 33% of the outstanding shares of Telkiosk and 25% of the outstanding shares of CTC.

(14) The information pertaining to the shares of the Company's common stock beneficially owned by CTC and Telkiosk and the information pertaining to Peter Tilyou's relationship to both and to the Anderson Family Trust #1 is based on the shareholder records of the Company and information provided to the Company by Peter Tilyou.

(15) Includes the shares that Messrs. Boswell, Hughes, Jackson and Lucas and Cognigen Corporation will receive as shareholders of ITHC and includes the shares underlying the options as stated above.

CHANGE IN CONTROL OF THE COMPANY

On August 20, 1999, the Company completed the first closing of the acquisition of all of the assets of ITHC in exchange for 29,242,953 shares of the Company's common stock. On December 27, 1999, the Company and ITHC agreed that the total number of shares of the Company's common stock that were to be issued at the first closing was 11,742,953 shares rather than 29,242,953 shares and that the total number of shares to be issued by the Company to ITHC at the second closing is 37,298,444 shares. Further, the Company and ITHC made it clear that the Company was acquiring all of the assets and assuming all of the liabilities of ITHC as of August 20, 1999.

As a result of ITHC's receipt of the 11,742,953 shares of the Company's common stock and a previous purchase of 12,602,431 shares of the Company's common stock by ITHC from David L. Jackson, Patricia A. Jackson, Karrie R. Jackson, and Eric J. Sunsvold, ITHC owned 24,385,384 shares, or what would have been approximately 75% of the Company's outstanding shares of common stock on August 20, 1999. Subsequently, 150,000 shares were transferred by ITHC to two persons who were affiliated with CCRI Corp. and who were instrumental in CCRI Corp. assisting the Company in raising additional capital. The Company loaned ITHC $190,000 to purchase the 12,602,431 shares. The loan has not yet been repaid. In May 2000, ITHC distributed the remaining 24,195,384 shares pro rata to its shareholders. If the proposal to adopt the amendment to Article FOURTH of the Articles of Incorporation is approved, ITHC will receive 37,298,444 shares, or approximately 44.2% of the Company's then outstanding shares of common stock. It is contemplated that ITHC will distribute the 37,298,444 shares pro rata to its shareholders.

Kevin E. Anderson and his family are beneficiaries of the Anderson Family Trust #1 which owns approximately 98.9% of the outstanding common stock of Cognigen Corporation. Cognigen Corporation currently owns approximately 27.3% of the outstanding common stock of the Company. Therefore, Kevin E. Anderson may be deemed to control the Company.

The assets of ITHC consisted of electronically archived customer data bases consisting of approximately 95,000 individual residential and business long-distance telephone service subscriber accounts; agency, reseller and other agreements and contracts ITHC had with carriers, switched resellers, unswitched resellers, consolidators or other providers of long-distance and local telephone service; ITHC's accounts receivable, commissions receivable, future commissions that may be payable from any of the carriers, switched resellers, unswitched resellers, consolidators or other providers of long-distance and local telephone service; ITHC's computer software, proprietary programs and applications, computers, monitors, peripherals, printers, copiers, telephone PABX systems, office furniture and fixtures, office leases; customer data bases, customer lists and print and electronic records relating to customers; ITHC's inventories and orders for prepaid telephone cards; ITHC's new accounts; ITHC's websites, pages, links and agreements as well as ITHC's Internet domains and email addresses; agreements with ITHC's agents and subagents; exclusive use and control of the name "Cognigen" and its attendant copyright, trade name and trademark and service mark registrations; ITHC's intellectual property; ITHC's lines of credit with carriers, prepaid card providers, switched resellers, switchless resellers and other providers of local and long-distance phone service, ITHC's cash and all of the outstanding stock of Inter-American Telecommunications Corporation, a non-operating subsidiary of ITHC. The audited balance sheet of ITHC as of

June 30, 1999, and the audited consolidated statements of operations, cash flows and changes in stockholders' equity of ITHC for the period July 24, 1998 (inception) through July 30, 1999, the audited balance sheets of Cognigen Corporation as of June 30, 1999 and 1998 and the audited statements of income and retained earnings and cash flows of Cognigen Corporation for the two years ended June 30, 1999, the unaudited consolidated balance sheets of the Company as of September 30, 2000, and the unaudited consolidated statements of operations and cash flows for the three months ended September 30, 2000 and 1999, and the audited consolidated balance sheet of the Company as of June 30, 2000, and the audited consolidated statements of operations and consolidated statements of cash flows of the Company for the year ended June 30, 2000, are attached hereto as Exhibit A.

CERTAIN INFORMATION PERTAINING TO THE COMPANY AND ITHC

As indicated under the caption "Change in Control," on August 20, 1999, the Company acquired all of the assets of ITHC in exchange for 11,742,953 shares of the Company's common stock that were issued to ITHC and distributed by ITHC pro rata to its shareholders and 37,298,444 shares of the Company's common stock that will be issued to ITHC only if the proposal to adopt the amendment to Article FOURTH of the Articles of Incorporation is approved at the Meeting. Prior to the acquisition of the assets of ITHC, the Company had no operations, no assets and minimal liabilities. The audited balance sheet of ITHC as of June 30, 1999, and the audited consolidated statements of operations, cash flows and changes in stockholders' equity of ITHC for the period July 24, 1998 (inception) through July 30, 1999, the audited balance sheets of Cognigen Corporation as of June 30, 1999 and 1998 and the audited statements of income and retained earnings and cash flows of Cognigen Corporation and unaudited pro forma financial information as of June 30, 1999, for the Company, ITHC and Cognigen Corporation the unaudited consolidated balance sheets of the Company as of September 30, 2000, and the unaudited consolidated statements of operations and cash flows for the three months ended September 30, 2000 and 1999, and the audited consolidated balance sheet of the Company as of June 30, 2000, and the audited consolidated statements of operations and consolidated statements of cash flows of the Company for the year ended June 30, 2000, are attached hereto as Exhibit A.

The transaction between the Company and ITHC was structured as a stock for assets transaction to enable the first closing to be held without the approval of the Company's shareholders so that the Company could quickly become engaged in a business.

ITHC, which was incorporated in July 1998, acquired the assets it transferred to the Company for a total of $1,600,000 in promissory notes, which were assumed by the Company, and 7,500 shares of ITHC's common stock. ITHC originally acquired the assets in 1998 and 1999 from Inter-American Telecommunications Corporation, Telkiosk, CTC and Cognigen Corporation, all of which were incorporated in 1998.

ITHC, through its Cognigen e-commerce division, was a major marketer of long-distance telecommunications services. Operating on the Internet via thousands of Web sites, the Cognigen division marketed both domestic and international long-distance telephone service as well as prepaid calling cards through a network of approximately 40,000 independent agents to approximately 157,000 subscribers worldwide.

Since 1997, the Cognigen division has experienced growth in the retail sales it has made for third parties, in the size of its agent force and in the number of subscribers it has acquired and maintained. The Cognigen division's Internet presence operates through proprietary programs that provide for a high volume of visits with user friendly procedures that allow on-line fulfillment of service applications. Typically, a Cognigen division subscriber is able to apply for, and obtain, discount long-distance service within a matter of hours rather than days.

The Company currently leases approximately 3,457 square feet of office space at 7001 Seaview Avenue, NW, Suite 210, Seattle, Washington 98117, pursuant to a lease that will terminate in December 2001 and that currently requires monthly rental payments of approximately $3,025. The Company also currently leases approximately 1,007 square feet of office space at 6751 Academy Road, NE, Suite B, Albuquerque, New Mexico 87109, pursuant to a lease that will terminate in March 2003 and that currently requires monthly rental payments of $1,390.49. The Company's subsidiary, Cognigen Switching Technologies, Inc., leases approximately 1,760 square feet of office space at 3220 South Higuera Street, Suite 304, San Luis Obispo, California 93401, pursuant to a lease that will terminate in April 2002 and that currently requires monthly rental payments of $2,832.20.

ITHC had 9 employees at the time the ITHC assets were acquired by the Company. The employees became employees of the Company. As of January 19, 2001, the Company had 23 full-time employees and no part-time employees. In addition, as of January 19, 2001, the Company had two consultants.

The Company's common stock is quoted on the NASD OTC Bulletin Board under the symbol "CGNT." The following table sets forth, for the periods indicated, the high and low closing bid price quotations for the common stock as reported by the National Quotation Bureau, LLC. Such quotations reflect inter-dealer prices, but do not include retail mark-ups, mark-downs or commissions and may not necessarily represent actual transactions.

	High Closing Bid	Low Closing Bid
Quarter ended June 30, 2000	$ 1.28125	$ 0.75
Quarter ended March 31, 2000	2.625	1.25
Quarter ended December 31, 1999:	3.625	0.8125
Quarter ended September 30, 1999:	1.00	0.1875
Quarter ended June 30, 1999:	$ 0.30	$ 0.125
Quarter ended March 31, 1999:	0.2815	0.03125
Quarter ended December 31, 1998:	0.10	0.08
Quarter ended September 30, 1998:	0.125	0.0625

As a result of the Company's common stock not being quoted on Nasdaq or listed on an exchange, an investor may find it more difficult to dispose of or to obtain accurate quotations as to the market value of the Company's common stock. In addition, the Company is subject to a rule promulgated by the Securities and Exchange Commission. The rule provides that various sales practice requirements are imposed on broker/dealers who sell the Company's common stock to persons other than established customers and accredited investors. For these types of transactions, the broker/dealer has to make a special suitability determination for the purchaser and have received the purchaser's written consent to the transactions prior to sale. Consequently, the rule may have an adverse effect on the ability of broker/dealers to sell the Company's common stock, which may affect the ability of purchasers to sell the Company's common stock in the open market.

As of January 19, 2001, there were approximately 1,333 holders of record of the Company's common stock. The number of record holders does not include holders whose securities are held in street name. The closing price of the common stock on August 20, 1999, the date of the closing of the agreement with ITHC, was $0.7187 per share. The closing price of the common stock on January 19, 2001, was $.20. As of January 19, 2001, the Company had 47,002,547 shares of common stock outstanding.

The Company has never paid and does not anticipate paying any cash dividends on its common stock in the foreseeable future. The Company intends to retain all earnings for use in the Company's business operations and in the expansion of its business.

ACTIONS TO BE TAKEN AT MEETING

The Meeting has been called by the directors of the Company to consider and act upon proposals to:

(1) adopt an amendment to Article THIRD of the Articles of Incorporation of the Company to delete any reference contained in the current Article THIRD to an area of business in which the Company no longer engages and to change the wording of the provision in the current Article THIRD that confers upon the Company all of the rights, powers and privileges conferred on Colorado corporations;

(2) adopt an amendment to Article FOURTH of the Articles of Incorporation of the Company which, among other things, increases the authorized shares of common stock of the Company from 50,000,000 shares to 300,000,000 shares of $0.001 par value of common stock and authorizes 20,000,000 shares of no par value preferred stock;

(3) adopt an amendment to Section (d)(ii) of Article EIGHTH of the Articles of Incorporation of the Company to change the vote required to amend the Articles of Incorporation to a majority of a quorum;

(4) adopt a new Article NINTH of the Articles of Incorporation of the Company which limits the liability of the directors of the Company under certain circumstances;

(5) authorize the Board of Directors of the Company to adopt an amendment to the Company's Articles of Incorporation at such time as the Board of Directors deems it appropriate to effectuate a one-for-seven, a one-for-eight or a one-for-nine reverse split of the Company's outstanding common stock, the exact reverse split to be determined by the Board of Directors of the Company; and

(6) approve the Company's 2001 Incentive and Nonstatutory Stock Option Plan.

The holders of one-third of the outstanding shares of common stock of the Company present at the Meeting in person or represented by proxy constitute a quorum. To be approved, the proposals specified in items (1) through (5) must receive the affirmative vote of a majority of the outstanding shares. If a quorum is present, the proposal specified in item (6) must receive the affirmative vote of a majority of the shares represented in person or by proxy at the Meeting and entitled to vote thereon. Where brokers have not received any instruction from their clients on how to vote on a particular proposal, brokers are permitted to vote on routine proposals but not on nonroutine matters. The absence of votes on nonroutine matters are "broker nonvotes." Abstentions and broker nonvotes will be counted as present for purposes of establishing a quorum, will be counted as present for purposes of the proposals and will count as votes against all of the proposals.

EXECUTIVE COMPENSATION

The following table provides certain information pertaining to the compensation paid by the Company and its subsidiaries during the Company's last three fiscal years for services rendered by Jimmy L. Boswell, Darrell H. Hughes and David L. Jackson, all of whom were chief executive officers of the Company during the fiscal year ended June 30, 2000.

		Annual Compensation			Long Term Compensation Awards	
Name and Principal Position	**Fiscal Year Ended June 30,**	**Salary($)**	**Bonus($)**	**Other Annual Compen-sation($)**	**Securities Underlying Options(#)**	**All Other Compensa-tion($)**
David L. Jackson President and Treasurer of the Company until August 20, 1999, and Vice President and Secretary thereafter	2000	$ 29,000	-- --	-- --	1,600,000(a)	$24,000(b)
	1999	-- --	-- --	-- --	-- --	-- --
	1998	-- --	-- --	-- --	-- --	-- --
Jimmy L. Boswell President and Chief Operating Officer of the Company from August 20, 1999 through June 30, 2000	2000	$103,333	-- --	-- --	1,600,000(a)	-- --
	1999	-- --	-- --	-- --	-- --	-- --
	1998	-- --	-- --	-- --	-- --	-- --
Darrell H. Hughes President since July 2000 and Chief Executive Officer since October 13, 1999	2000	$ 88,542	-- --	-- --	1,600,000(a)	-- --
	1999	-- --	-- --	-- --	-- --	-- --
	1998	-- --	-- --	-- --	-- --	-- --

(a) On August 25, 1999, Messrs. Jackson, Boswell and Hughes were each granted a five year option to purchase 1,600,000 shares of the Company's common stock at an exercise price of $0.46. Each option is currently exercisable. However, the Company does not have a sufficient number of shares for such persons to be able to exercise their options. The Company is requesting that its shareholders approve an amendment to the Company's Articles of Incorporation to increase the number of shares the Company is authorized to issue.

(b) The $24,000 was paid as consulting fees prior to the time Mr. Jackson became an employee of the Company.

OPTION GRANTS TO EXECUTIVE OFFICERS

The following tables sets forth the individual grants of stock options made by the Company during the Company's fiscal year ended June 30, 2000, to Messrs. Jackson, Boswell and Hughes:

Name	**Number of Securities Underlying Options Granted**	**Percent of Total Options Granted to Employees in Fiscal Year**	**Exercise Price**	**Expiration Date**
David L. Jackson	1,600,000	25%	$0.46	8/25/2004
Jimmy L. Boswell	1,600,000	25%	$0.46	8/25/2004
Darrell H. Hughes	1,600,000	25%	$0.46	8/25/2004

The following table provides information with respect to the unexercised options to purchase the Company's common stock held by Messrs. Jackson, Boswell and Hughes as of June 30, 2000, the end of the Company's last fiscal year.

Name	Number of Securities Underlying Unexercised Options at Fiscal Year End Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year End Exercisable/Unexercisable
David L. Jackson	1,600,000 / 0	$846,000 / $0
Jimmy L. Boswell	1,600,000 / 0	$846,000 / $0
Darrell H. Hughes	1,600,000 / 0	$846,000 / $0

(1) Calculated by multiplying the difference between the exercise price and the closing bid price of $1.00 per share on June 30, 2000, by the applicable shares. Does not give consideration to commissions or other market conditions.

Messrs. Jackson, Boswell and Hughes did not exercise any options to purchase shares of the Company's common stock during the fiscal year ended June 30, 2000.

PROPOSAL NUMBER ONE

APPROVAL OF THE ADOPTION OF AN AMENDMENT TO ARTICLE THIRD OF THE ARTICLES OF INCORPORATION OF THE COMPANY TO DELETE ANY REFERENCE TO AN AREA OF BUSINESS IN WHICH THE COMPANY NO LONGER ENGAGES AND TO CHANGE THE WORDING THAT CONFERS UPON THE COMPANY ALL OF THE RIGHTS POWERS AND PRIVILEGES CONFERRED ON COLORADO CORPORATIONS

Article THIRD of the Company's Articles of Incorporation currently reads as follows:

> "THIRD: (a) Purposes. The nature, objects and purposes for which the corporation is organized are to engage in the manufacture, assembly, licensing and sale of cellular radio and communications equipment and accessories, to engage generally in the cellular communications business, to invest in real and personal property, and to engage in any other lawful activity permitted under the laws of the State of Colorado, whether or not connected with any of the foregoing objects and purposes, which is calculated, directly or indirectly, to promote the interests of the corporation or to enhance the value of its property.
>
> (b) Powers. In furtherance of the foregoing purposes the corporation shall have and may exercise all of the rights, powers, and privileges now or hereafter conferred upon corporations organized under the laws of Colorado. In addition, it may do everything necessary, suitable or proper for the accomplishment of any of its corporate purposes."

The Board of Directors of the Company is recommending Article THIRD be revised to read as follows:

> "THIRD: The corporation shall have and may exercise all of the rights, powers and privileges now or hereafter conferred upon corporations organized under the laws of Colorado. In addition, the corporation may do everything necessary, suitable or proper for the accomplishment of any of its corporate purposes. The corporation may conduct part or all of its business in any part of Colorado, the United States or the world and may hold, purchase, mortgage, lease and convey real and personal property in any of such places."

The Board of Directors is recommending the change in Article THIRD because the Company is no longer engaged in the business as set forth in paragraph (a) of the current Article THIRD. Under the Colorado Business Corporation Act, the Company is not required to set forth any specific business purpose in its Articles of Incorporation and the proposed Article THIRD provides a statement similar to the statement contained in paragraph (b) of the current Article THIRD of the Company's Articles of Incorporation in that it confers upon the Company all of the rights, powers and privileges conferred on corporations organized under the laws of Colorado.

The Company has been orally advised that Jimmy L. Boswell, Troy D. Carl, Darrell H. Hughes, David L. Jackson, David G. Lucas, Wilhelm Giertsen and his wife, Mohammed I. Marafi, Cognigen Corporation, Telkiosk, CTC and two employees of a wholly owned subsidiary of the Company, Reginald W. Einkauf and John D. Miller, intend to vote their total 23,846,069 shares, or approximately 50.7% of the shares entitled to be voted at the meeting, for the adoption of the amendment to Article THIRD of the Articles of Incorporation of the Company. As a result, the amendment to Article THIRD should be adopted.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ADOPTION OF THE AMENDMENT TO ARTICLE THIRD OF THE ARTICLES OF INCORPORATION OF THE COMPANY AS SET FORTH ABOVE.

PROPOSAL NUMBER TWO

APPROVAL OF THE ADDITION OF AN AMENDMENT TO ARTICLE FOURTH OF THE ARTICLES OF INCORPORATION OF THE COMPANY WHICH among other things, increases the authorized shares of common stock of the Company from 50,000,000 shares to 300,000,000 shares of $0.001 par value common stock and authorizes 20,000,000 shares of no par value preferred stock

The Board of Directors of the Company is recommending that Article FOURTH of the Company's Articles of Incorporation be revised to read as follows:

> "FOURTH (a) The aggregate number of shares which the corporation shall have authority to issue is 300,000,000 shares of $0.001 par value common stock ("Common Stock") and 20,000,000 shares of no par value preferred stock ("Preferred Stock").
>
> (b) Each holder of Common Stock of record shall have one vote for each share of Common Stock standing in the shareholder's name on the books of the corporation and entitled to vote, except that in the election of directors each holder of Common Stock shall have as many votes for each share of Common Stock held by the shareholder as there are directors to be elected and for whose election the shareholder has a right to vote. Cumulative voting shall not be permitted in the election of directors or otherwise. All holders of Common Stock shall vote together as a single class on all matters as to which holders of Common Stock shall be entitled to vote.
>
> (c) Shares of Preferred Stock may be issued from time to time in one or more series as the Board of Directors may determine, without shareholder approval, as hereinafter provided. The Board of Directors is hereby authorized, by resolution or resolutions, to provide from time to time, out of the unissued shares of Preferred Stock not then allocated to any series of Preferred Stock, for a series of Preferred Stock. Before any shares of any such series of Preferred Stock are issued, the Board of Directors shall (i) fix and determine, and is hereby expressly empowered to fix and determine, by resolution, or resolutions, the designations, powers, preferences, relative participating, optional, and other special rights, qualifications, limitations, and restrictions, of the shares of such series and (ii) make such filings and recordings with respect thereto as required by the Colorado Business Corporation Act. Each series of Preferred Stock shall be given a distinguishing designation.
>
> The Board of Directors is expressly authorized to vary the provisions relating to the foregoing matters between the various series of Preferred Stock. All shares of Preferred Stock of any one series shall be identical in all respects with all shares of such series, except that shares of any one series issued at different times may differ as to the dates from which any dividends thereon shall be payable and, if cumulative, shall cumulate.
>
> Unless otherwise provided in the resolution, or resolutions, of the Board of Directors providing for the issuance thereof, the number of authorized shares of any series of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by resolution, or resolutions, by the Board of Directors and appropriate filing and recording to the extent required by the Colorado Business Corporation Act. In case the number of shares of any such series of Preferred Stock shall be decreased, the shares representing such decrease shall, unless otherwise provided in the resolution, or resolutions, of the Board of Directors providing for the issuance thereof, resume the status of authorized but unissued shares of Preferred Stock, undesignated as to series, and may be reissued as part of such series or as part of any other series of Preferred Stock.
>
> Unless otherwise provided in the resolution, or resolutions, of the Board of Directors providing for the issuance thereof, shares of any series of Preferred Stock that shall be issued and thereafter acquired by the corporation through purchase, redemption (whether through the operation of a sinking fund or otherwise), conversion, exchange, or otherwise shall have the status of authorized and unissued shares of Preferred Stock, undesignated as to series, and may be reissued as part of such series or as part of any other series of Preferred Stock.
>
> (d) No holder of any shares of the corporation, whether now or hereafter authorized, shall have any preemptive or preferential right to acquire any shares or securities of the corporation, including shares or securities held in the treasury of the corporation."

The Board of Directors is proposing that the Company increase the authorized shares of its common stock from 50,000,000 shares to 300,000,000 shares of $0.001 par value common stock and authorize 20,000,000 shares of no par value preferred stock. The relative rights and limitations of the outstanding common stock would remain unchanged. As is provided in the current Article

FOURTH, the common stock and preferred stock do not and would not have preemptive rights and cumulative voting is not and would not be permitted in the election of directors.

As of January 19, 2001, the Company had 47,002,547 shares of common stock issued and outstanding. In addition, as described under "Change in Control of the Company," the Company has agreed to issue ITHC an additional 37,298,444 shares of the Company's common stock at such time as the Company has a sufficient number of shares of common stock authorized to be able to consummate the issuance. The Company currently does not have a sufficient number of authorized shares of common stock to issue the number of additional shares of common stock to which ITHC is entitled. The agreement does not contain a penalty if the Company violates this agreement. However, if the Company does not increase the authorized number of shares in order to issue the additional shares to ITHC, ITHC could claim that ITHC did not receive all of the consideration it was entitled to in connection with the acquisition and claim damages from the Company or attempt to rescind the transaction. The Company has agreed to issue an additional 2,200,000 shares of the Company's common stock to unaffiliated parties as finders' fees when the Company issues the additional 37,298,444 shares. Further, the Company currently has outstanding options to purchase 32,400,000 shares of the Company's common stock and warrants to purchase 1,500,000 shares of the Company's common stock that cannot be exercised until the Company has a sufficient number of shares of common stock authorized to enable the Company to issue shares upon the exercise of the options and warrants.

The proposed increase in the authorized common stock has been recommended by the Board of Directors to assure that an adequate supply of authorized unissued shares is available for the above needs and for such things as future stock dividends or stock splits or issuances upon the exercise of options granted under the Company's proposed 2001 Incentive and Nonstatutory Stock Option Plan ("2001 Plan"). The additional authorized shares of common stock or preferred stock could also be used for such purposes as raising additional capital for the operations of the Company or acquiring other businesses. The terms of any series of preferred stock to be issued will be dependent largely on market conditions and other factors existing at the time of issuance and sale. Although the Company is discussing its needs for additional capital with third parties, there are currently no definitive arrangements relating to the infusion of additional capital that would result in the issuance of any of the additional shares of common stock proposed to be authorized or any shares of preferred stock. Such shares would be available for issuance without further action by the shareholders.

Under proposed Article FOURTH of the Articles of Incorporation, the Board of Directors will have the authority to issue authorized shares of the preferred stock in series and to fix the number, designations, relative rights, preferences and limitations of the shares of each series, subject to applicable law and the provisions of the proposed Article FOURTH. The authority of the Board of Directors includes the right to fix for each series the dividend rate, redemption price, liquidation rights, sinking fund provisions, conversion rights and voting rights.

The issuance of additional shares of common stock may have, among other things, a dilutive effect on earnings per share and on the equity and voting power of existing holders of common stock. Until the Board of Directors determines the specific rights, preferences and limitations of any shares of preferred stock to be issued, the actual effects on the holders of common stock of the issuance of such shares cannot be ascertained. However, such effects might include restrictions on dividends on the common stock if dividends on preferred stock are in arrears, dilution of the voting power of the common stock to the extent that any series of preferred stock has voting rights, and reduction of amounts available on liquidation as a result of any liquidation preference granted to any series of preferred stock.

The issuance of additional shares of common stock by the Company also may potentially have an anti-takeover effect by making it more difficult to obtain shareholder approval of various actions, such as a merger or removal of management. Issuance of authorized shares of preferred stock could also make it more difficult to obtain shareholder approval of such actions as a merger, bylaw change, removal of a director, or amendment of the Articles of Incorporation described below, particularly in light of the power of the Board of Directors to specify certain rights and preferences of the preferred stock, such as voting rights, without shareholder approval. All series of the preferred stock having voting rights and the common stock would vote together as one class, unless otherwise required by law. Under the Colorado Business Corporation Act, the holders of preferred stock would generally be entitled to vote separately as a class upon any proposed amendment to the Articles of Incorporation or other corporate action, such as a merger, which would effect an exchange, reclassification or cancellation of all or a portion of such preferred stock or otherwise affect the preferences or relative rights of the preferred stock.

The increase in authorized shares of common stock and authorization of preferred stock has not been proposed for an anti-takeover-related purpose and the Board of Directors and management have no knowledge of any current efforts to obtain control of the Company or to effect large accumulations of its common stock.

Section (d) of the revised Article FOURTH is the same as section (e) of the current Article FOURTH except that the heading has been deleted from section (d) of the revised Article FOURTH.

In addition to increasing the number of shares of authorized common stock and authorizing shares of preferred stock, the revised Article FOURTH does not include two provisions that are in the current Article FOURTH. The first provision that is not included in the revised Article FOURTH reads as follows:

> "(f) **Distribution in Liquidation**. Upon any liquidation, dissolution or winding up of the Company, and after paying or adequately providing for the payment of all its obligations, the remainder of the assets of the corporation shall be distributed, either in cash or in kind, pro rata to the holders of the common stock."

Section 7-114-105 of the Colorado Business Corporation Act provides what happens upon the dissolution of a Colorado corporation so that Section (f) of the current Article FOURTH is not necessary.

The second provision that is not included in the revised Article FOURTH reads as follows:

> "(g) **Partial Liquidation**. The Board of Directors may, from time to time, distribute to the shareholders in partial liquidation, out of stated capital, or capital surplus of the corporation, a portion of its assets, in cash or property, subject to the limitations contained in the statutes of Colorado."

Section 7-106-401 of the Colorado Business Corporation Act governs distributions to shareholders so that Section (g) of the current Article FOURTH is not necessary.

The Company has been orally advised that Jimmy L. Boswell, Troy D. Carl, Darrell H. Hughes, David L. Jackson, David G. Lucas, Wilhelm Giertsen and his wife, Mohammed I. Marafi, Cognigen Corporation, Telkiosk, CTC and two employees of a wholly owned subsidiary of the Company, Reginald W. Einkauf and John D. Miller, intend to vote their total 23,846,069 shares, or approximately 50.7% of the shares entitled to be voted at the meeting, in favor of the adoption of the amendment to Article FOURTH of the Articles of Incorporation of the Company. As a result, the amendment to Article FOURTH should be adopted.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ADOPTION OF THE AMENDMENT TO ARTICLE FOURTH TO THE ARTICLES OF INCORPORATION AS SET FORTH ABOVE.

PROPOSAL NUMBER THREE

APPROVAL OF THE ADOPTION OF AN AMENDMENT TO SECTION (d)(ii) OF ARTICLE EIGHTH OF THE ARTICLES OF INCORPORATION TO CHANGE THE VOTE REQUIRED TO AMEND THE ARTICLES OF INCORPORATION TO A MAJORITY OF A QUORUM

Section (d)(ii) of Article EIGHTH of the Company's Articles of Incorporation currently reads as follows:

> "(ii) When, with respect to any action to be taken by shareholders of this Corporation, the laws of Colorado require the vote or concurrence of the holders of two-thirds of the outstanding shares, of the shares entitled to vote thereon, or of any class or series, such action may be taken by the vote or concurrence of a majority of such shares or class or series thereof."

The Board of Directors of the Company is recommending that Section (d)(ii) of Article EIGHTH be revised to read as follows:

> "(ii) Except as bylaws adopted by the shareholders may provide for a greater voting requirement and except as is otherwise provided by the Colorado Business Corporation Act with respect to action on a plan of merger or share exchange, on the disposition of substantially all of the property of the corporation, on the granting of consent to the disposition of property by an entity controlled by the corporation and on the dissolution of the corporation, action on a matter other than the election of directors is approved if a quorum exists and if the votes cast favoring the action exceed the votes cast opposing the action. Any bylaw adding, changing or deleting a greater quorum or voting requirement for shareholders shall meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirements then in effect or proposed to be adopted, whichever are greater."

If the amendment to Section (d)(ii) of Article EIGHTH is adopted, one change will be that abstentions will be treated as abstentions whereas currently abstentions are treated as negative votes. Currently, for those proposals where the affirmative vote of two-thirds of the outstanding shares is required, an abstention is not an affirmative vote and, therefore, is treated as a negative vote. Under the proposed amendment, the vote on an action other than an action set forth in the proposed Section (d)(ii) of the Article EIGHTH will be able to be approved if the votes cast favoring the action exceed the votes cast opposing the action. Abstentions will have no effect on the vote because they will only be counted to determine whether or not a quorum exists and not as negative votes. The proposed Section (d)(ii) will make it easier for the holders of a block of the common stock of the Company to approve a proposal.

If the amendment to Section (d)(ii) of Article EIGHTH is adopted, the only other substantive change will be that amendments to the Company's Articles of Incorporation will be able to be adopted by a majority of a quorum, which is currently one-third of the outstanding shares, rather than having to be adopted by a majority of the outstanding shares. If adopted, the amendment to Section (d)(ii) will make it easier for the holders of a controlling block of the common stock of the Company to adopt amendments to the Articles of Incorporation of the Company that could be detrimental to the other shareholders. The amendment to Section (d)(ii) of Article EIGHTH of the Articles of Incorporation will enable the Company, as a public company, to more easily obtain the vote necessary to adopt an amendment to the Company's Articles of Incorporation in the future.

Under the Colorado Business Corporation Act, amendments to articles of incorporation require the approval of the holders of a majority of a quorum unless the articles of incorporation, bylaws adopted by the shareholders or the persons proposing the amendment require a greater vote. The Company's Articles of Incorporation currently require the vote of a majority of the outstanding shares of common stock of the Company to amend, repeal or adopt provisions to the Articles of Incorporation. The requirement set forth in the Company's Articles of Incorporation was in accordance with the Colorado Corporation Code which was replaced by the Colorado Business Corporation Act in 1994.

It is proposed to amend the Company's Articles of Incorporation to permit the stockholders from time to time to amend the Articles of Incorporation by the affirmative vote of the holders of a majority of a quorum present at a meeting rather than a majority of the outstanding shares of common stock. Assuming adoption of the proposed amendment, future amendments would generally require the affirmative vote of 16.7% of the outstanding shares of common stock instead of the currently required 50.1% vote, thus reducing by 33.4% the stockholder vote required for amendments.

The Board of Directors believes that the proposed reduction in the stockholder vote requirement for amending the Articles of Incorporation would offer the Company greater flexibility and ease in taking advantage of corporate developments which may be in the best interests of the Company and its stockholders. The reduced voting requirement could also enable the Company to effect future amendments to the Articles of Incorporation at a lower cost to the Company by reducing proxy solicitation expenses and management time requirements.

Although the Board of Directors does not consider the amendment an anti-takeover measure, the proposed amendment could be viewed as having the effects of such a measure because the adoption of the reduced voting requirement may increase the likelihood that the Board of Directors could obtain stockholder approval for anti-takeover amendments to the Articles of Incorporation. Such amendments, if proposed and adopted, could have the effect of enabling the Company to discourage or make more difficult an attempt by another person to remove incumbent management or to acquire control of the Company in a transaction which a majority of stockholders might deem in their best interests. However, the Company's Board of Directors believes that such possibilities at this time are remote and that the advantages in making it easier and less costly in soliciting stockholder approval of actions which might be proposed by the Board of Directors outweighs any possible anti-takeover impact.

The Company has been orally advised that Jimmy L. Boswell, Troy D. Carl, Darrell H. Hughes, David L. Jackson, David G. Lucas, Wilhelm Giertsen and his wife, Mohammed I. Marafi, Cognigen Corporation, Telkiosk, CTC and two employees of a wholly owned subsidiary of the Company, Reginald W. Einkauf and John D. Miller, intend to vote their total 23,846,069 shares, or approximately 50.7% of the shares entitled to be voted at the meeting, in favor of the adoption of the amendment to Section (d)(ii) of Article EIGHTH of the Articles of Incorporation of the Company. As a result, the amendment to Article EIGHTH should be adopted.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOR OF THE ADOPTION OF THE AMENDMENT TO SECTION (d)(ii) OF ARTICLE EIGHTH OF THE ARTICLES OF INCORPORATION OF THE COMPANY AS SET FORTH ABOVE.

PROPOSAL NUMBER FOUR

APPROVAL OF THE ADOPTION OF A NEW ARTICLE NINTH TO THE ARTICLES OF INCORPORATION WHICH LIMITS THE LIABILITY OF THE DIRECTORS OF THE COMPANY UNDER CERTAIN CIRCUMSTANCES

The Board of Directors of the Company is recommending that the Articles of Incorporation of the Company be amended to add the following Article NINTH:

> "NINTH: A director of the corporation shall not be personally liable to the corporation or to its shareholders for monetary damages for breach of fiduciary duty as a director. However, this provision shall not eliminate or limit the liability of a director to the corporation or to its shareholders for monetary damages otherwise existing for (i) any breach of the director's duty of loyalty to the corporation or to its shareholders; (ii) acts or omissions not in

good faith or which involve intentional misconduct or a knowing violation of law; (iii) acts specified in Section 7-108-403 of the Colorado Business Corporation Act, as it may be amended from time to time; or (iv) any transaction from which the director directly or indirectly derived any improper personal benefit. If the Colorado Business Corporation Act is hereafter amended to eliminate or limit further the liability of a director, then, in addition to the elimination and limitation of liability provided by the preceding sentence, the liability of each director shall be eliminated or limited to the fullest extent permitted by the Colorado Business Corporation Act as so amended. Any repeal or modification of this Article NINTH shall not adversely affect any right or protection of a director of the corporation under this Article NINTH, as in effect immediately prior to such repeal or modification, with respect to any liability that would have accrued, but for this Article NINTH, prior to such repeal or modification. Nothing contained herein will be construed to deprive any director of the director's right to all defenses ordinarily available to a director nor will anything herein be construed to deprive any director of any right the director may have for contribution from any other director or other person."

Section 7-108-402 of the Colorado Business Corporation Act permits Colorado corporations to include in their articles of incorporation a provision eliminating or limiting the personal liability of directors to the corporation or its shareholders for monetary damages for certain breaches of the fiduciary duty of directors. This section is intended, among other things, to encourage qualified individuals to serve as directors of Colorado corporations. Article NINTH is designed to take advantage of this section of the Colorado Business Corporation Act.

In performing their duties, directors of a Colorado corporation owe fiduciary obligations to the corporation they serve and its shareholders. These fiduciary obligations include the duty of care and the duty of loyalty. In simple terms, the duty of care requires that directors exercise the care that an ordinary prudent person would exercise under similar circumstances and the duty of loyalty prohibits faithlessness and self-dealing. The so-called business judgment rule is a specific application of this directorial standard of conduct to a situation where, after reasonable investigation, disinterested directors adopt a course of action which, in good faith, they honestly and reasonably believe will benefit the corporation.

The business judgment rule was and is designed to protect directors of a corporation from personal liability to the corporation or its shareholders if their business decisions are subsequently challenged. This rule shields corporate decision makers and their decisions where the five elements of the rule--a business decision, disinterestedness, due care, good faith and no abuse of discretion are present. However, as a practical matter, due to the expense of defending lawsuits and the frequency in which unwarranted litigation is brought against directors and officers of corporations, and due to the inevitable uncertainties with respect to the application of the business judgment rule to a particular set of facts and circumstances, directors of a corporation must either rely upon indemnity from or insurance procured by the corporation to defend such lawsuits. Therefore, although the business judgment rule protects directors from personal liability to the corporation and its shareholders, unless such indemnity provisions and/or insurance are available, directors could find themselves faced with the extraordinary expense of defending themselves in litigation brought by a shareholder who questions a decision of a director based upon an objective after-the-fact examination of the facts and circumstances.

The Colorado legislature has recognized that insurance and indemnity provisions are often a condition of an individual's willingness to serve as a director of a Colorado corporation. The Colorado Business Corporation Act has, for some time, specifically permitted corporations to provide indemnity and procure insurance for its directors. An existing Article of the Company's Articles of Incorporation presently provides for the indemnification of the directors of the Company. However, changes in the market for directors' liability insurance have resulted in the unavailability for directors of many corporations from obtaining any meaningful liability insurance coverage. Additionally, insurance carriers have, in many cases, increased premiums to such an extent that the cost of obtaining such insurance becomes extremely prohibitive. Moreover, current policies often exclude coverage for areas where service of qualified directors is most needed. The high cost and sometimes unavailability of meaningful directors' liability insurance is attributable to some degree to a number of factors which include, among other things, the granting of significant damage awards.

Although the Company has obtained $2,000,000 of insurance coverage for the Company's directors, the proposed addition of Article NINTH to the Articles of Incorporation is designed to assure that the Company's current directors and its future directors are protected to at least the same extent they would be if additional insurance coverage were made available. Due to the fact that the Company is acting as a self-insuror for amounts in excess of $2,000,000 with respect to director liability coverage, the Company's assets and equity are at risk if there should ever be a large damage award for which the directors of the Company would be entitled to indemnification from the Company.

Proposed Article NINTH would protect the Company's directors against personal liability for breach of their fiduciary obligations to the Company, including their duty of care. Under Colorado law, absent the adoption of the proposed Article NINTH, directors of the Company would continue to be liable for negligent violations of their fiduciary duties. If adopted by the shareholders, proposed Article NINTH would absolve the directors of liability for negligence in the performance of their duties, including gross negligence. One of the principal effects of the adoption of the proposed Article NINTH would be that the Company's shareholders would be giving up a cause of action against a director of the Company for breach of fiduciary duty, including but not limited to a breach resulting from making grossly negligent business decisions involving takeover proposals for the Company. In effect, directors would not be required to prove that their decisions are protected by the business judgment rule. However, directors would remain liable for breaches of their duty of loyalty, for any act of omission not in good faith or which involves intentional misconduct or a knowing violation of law and for any transaction from which the directors derived an improper personal benefit or for the payment of a dividend in violation of the Colorado Business Corporation Act. Furthermore, the proposed Article NINTH would not eliminate or limit liability of directors arising in connection with causes of action brought under the federal securities laws.

While the proposed Article NINTH provides directors of the Company with protection from damages for breaches of their duty of care, it does not eliminate the directors' duty of care. Accordingly, the proposed Article NINTH would have no effect on the availability of equitable remedies such as an injunction or rescission based upon a director's breach of the duty of care. As a practical matter, however, such equitable remedies may be inadequate. Finally, the proposed Article NINTH would apply only to claims against a director arising out of his or her role as a director of the Company and would not apply, if he or she is also an officer, to his or her role as an officer or in any other capacity other than that of a director of the Company.

There has never been any litigation involving the Company's Board of Directors or its individual members in their capacities as directors of the Company nor are such persons aware that any such litigation is threatened.

The Board of Directors of the Company believes that the possible inability of the Company to provide additional directors' liability insurance at a reasonable cost may in the future have a damaging effect on the Company's ability to recruit and obtain highly qualified independent directors. Therefore, the Company's Board of Directors believes that the Company should take every step available, such as the adoption of Article NINTH, to assure that the Company will be able to attract the best possible directors in the future. The proposed Article NINTH is consistent with the Colorado Business Corporation Act. The primary purpose of Article NINTH and the reason it is being recommended for adoption by the shareholders is to ensure that the Company will continue to be able to attract individuals of the highest quality and ability to serve as its directors and officers. In addition, each member of the Board of Directors of the Company has a personal interest in seeing the limited liability provisions contained in the proposed Article NINTH adopted even though, as explained previously, there is a potential detriment to the Company's shareholders.

The Company has been orally advised that Jimmy L. Boswell, Troy D. Carl, Darrell H. Hughes, David L. Jackson, David G. Lucas, Wilhelm Giertsen and his wife, Mohammed I. Marafi, Cognigen Corporation, Telkiosk, CTC and two employees of a wholly owned subsidiary of the Company Reginald W. Einkauf and John D. Miller, intend to vote their total 23,846,069 shares, or approximately 50.7% of the shares entitled to be voted at the meeting, in favor of the adoption of a new Article NINTH of the Articles of Incorporation of the Company. As a result, the new Article NINTH should be adopted.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ADOPTION OF A NEW ARTICLE NINTH OF THE ARTICLES OF INCORPORATION OF THE COMPANY AS SET FORTH ABOVE.

PROPOSAL NUMBER FIVE

AUTHORIZATION OF BOARD OF DIRECTORS TO ADOPT AN AMENDMENT TO THE ARTICLES OF INCORPORATION AT SUCH TIME AS THE BOARD OF DIRECTORS DEEMS IT APPROPRIATE TO EFFECTUATE A ONE-FOR-SEVEN, A ONE-FOR-EIGHT OR A ONE-FOR-NINE REVERSE SPLIT OF THE COMPANY'S OUTSTANDING COMMON STOCK, THE EXACT REVERSE SPLIT TO BE DETERMINED BY THE BOARD OF DIRECTORS OF THE COMPANY

The Company's common stock trades on the Over-The-Counter Bulletin Board. The Company's Board of Directors believes that it would be beneficial for the Company and its shareholders if the Company's common stock is listed on the Nasdaq SmallCap Market in the future.

In order to be listed on the Nasdaq SmallCap Market, the Company will have to meet several requirements. One of these requirements is that the common stock have a minimum bid price of $4.00 per share. As of January 19, 2001, the closing bid price of the common stock was $.20 per share. As a result, the Company, based on the recent bid price of the Company's common stock, would not be able to have its common stock eligible to be listed on the Nasdaq SmallCap Market without the Company effectuating a reverse split in a sufficient amount to attempt to assure that the Company's common stock would have a minimum bid price of at least $4.00 per share. The Board of Directors believes that it is in the best interests of the Company's shareholders that the Company's common stock be included on the Nasdaq SmallCap Market or another securities trading market at a strategic time in the future. Accordingly, in anticipation of such strategic time, the Board of Directors has requested that the shareholders of the Company authorize the Board of Directors to adopt an amendment to the Company's Articles of Incorporation at such time as the Board of Directors deems it appropriate to effectuate a one-for-seven, a one-for-eight or a one-for-nine reverse split of the Company's outstanding common stock in such manner as is deemed necessary by the Board of Directors in order for the Company to be listed on the Nasdaq SmallCap Market or to obtain a listing on another trading system of the NASD, a national securities exchange or another securities trading market as selected by the Board of Directors in its sole discretion. If such authority is provided to the Board of Directors, it will enable the Board of Directors to effectuate a one-for-seven, a one-for-eight or a one-for-nine reverse split of the Company's outstanding common stock without further action by the shareholders and enable the Company to expeditiously effectuate a reverse split for the aforementioned purposes. Any fractional shares resulting from any reverse stock split will be rounded up to the next whole share.

The Board of Directors further believes that the relatively low per-share market price of the common stock may impair the acceptability of the common stock to certain institutional investors and other members of the investing public. Theoretically, the number of shares outstanding should not, by itself, affect the marketability of the stock, the type of investor who acquires it or the Company's reputation in the financial community. In practice this is not necessarily the case, as certain investors view low-priced stock as unattractive or, as a matter of policy, are precluded from purchasing low-priced shares. In addition, certain brokerage houses, as a matter of policy, will not extend margin credit on stocks trading at low prices. On the other hand, certain other investors may be attracted to low-priced stock because of the greater trading volatility associated with such securities.

The amount of a reverse split and the date when a reverse split will occur, if at all, will be determined by the Board of Directors in its sole discretion. The reverse stock split will result in each shareholder of record, as of a specific record date to be determined by the Board of Directors, owning a proportionately smaller number of shares with the end result being that each shareholder maintains the proportionate number of shares in the Company's common stock that each shareholder owned prior to such reverse stock split. For example, with each of the following numbers used for hypothetical purposes only, if a shareholder owned 1,000,000 shares of the 47,002,547 shares outstanding on a record date determined by the Board of Directors, and if the Board of Directors effectuates a one-for-seven reverse split stock, then subsequent to the reverse stock split, such shareholder would own 142,858 shares out of the approximate 6,714,650 shares outstanding. Similarly, the same shareholder would own 125,000 shares of the approximate 5,875,319 shares outstanding or 111,112 shares out of the approximate 5,222,506 shares outstanding if the Board of Directors effectuates a one-for-eight or a one-for-nine reverse split, respectively. The shareholder would maintain the same percentage ownership interest in the outstanding common stock both prior to and subsequent to the hypothetical reverse stock splits. A reverse stock split effectuated by the Board of Directors would not, by itself, result in any taxable distributions or any dilution to the shareholders.

As mentioned above, the closing bid price of the Company's common stock on January 19, 2001, was $.20 per share. Assuming the Board of Directors had effectuated a one-for-seven reverse split as of January 19, 2001, theoretically the closing price that day would have been $1.40 per share. Assuming the Board of Directors had effectuated a one-for-eight reverse split or a one-for-nine reverse split as of January 19, 2001, theoretically the closing price that day would have been $1.60 or $1.80, respectively. The aforementioned are for illustration purposes only. There are no assurances that the Company's common stock would trade after a reverse split at a price directly proportional to the price that the common stock traded at prior to the reverse split. In most cases, the public trading price of a security after a reverse split will be less than a price that is proportional to the price before the reverse split.

The Board of Directors believes that giving authority to the Board of Directors to effectuate a one-for-seven, a one-for-eight or a one-for-nine reverse split at such time as the Board of Directors deems it appropriate is in the best interests of the Company and its stockholders. The Board of Directors will not effectuate any such reverse split with a view to, or in connection with, any plan or purpose of effecting a transaction specified in Rule 13e-3 adopted under the Securities Exchange Act of 1934.

The Company has been orally advised that Jimmy L. Boswell, Troy D. Carl, Darrell H. Hughes, David L. Jackson, David G. Lucas, Wilhelm Giertsen and his wife, Mohammed I. Marafi, Cognigen Corporation, Telkiosk, CTC and two employees of a wholly owned subsidiary of the Company, Reginald W. Einkauf and John D. Miller, intend to vote their total 23,846,069 shares, or approximately 50.7% of the shares entitled to be voted at the meeting, in favor of the authorization of the Board of Directors to adopt an amendment to the Articles of Incorporation to effectuate a one-for-seven, a one-for-eight or a one-for-nine reverse stock split. As a result, the proposal to authorize the Board of Directors to adopt an amendment to the Articles of Incorporation to effectuate a one-for-seven, a one-for-eight or a one-for-nine reverse stock split should be adopted.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE IN FAVOR OF THE AUTHORIZATION OF THE BOARD OF DIRECTORS TO ADOPT AN AMENDMENT TO THE ARTICLES OF INCORPORATION TO EFFECTUATE, A ONE-FOR-SEVEN, A ONE-FOR-EIGHT OR A

ONE-FOR-NINE REVERSE STOCK SPLIT.

PROPOSAL NUMBER SIX

APPROVAL OF 2001 INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN THAT RESERVES 5,000,000 SHARES OF COMMON STOCK FOR THE GRANT OF OPTIONS

Summary

The Company's Board of Directors is recommending the adoption of the 2001 Incentive and Nonstatutory Stock Option Plan (the "2001 Plan"). A copy of the 2001 Plan is attached to this Proxy Statement as Exhibit B. The following is a brief summary of the 2001 Plan, which is qualified in its entirety by reference to Exhibit B.

Options granted under the 2001 Plan may be either nonstatutory stock options ("Nonstatutory Options") or incentive stock options ("Incentive Options"). The purpose of the 2001 Plan is to advance the interests of the Company, its shareholders and its subsidiaries by encouraging and enabling selected officers, directors, employees and consultants of the Company, upon whose judgment, initiative and effort the Company is largely dependent for the successful conduct of its business, to acquire and retain a proprietary interest in the Company by ownership of its stock through the exercise of stock options.

Amount of Common Stock Subject to Options Under the 2001 Plan

The 2001 Plan provides for the grant of stock options covering an aggregate of 5,000,000 shares of common stock. The aggregate 5,000,000 shares of common stock is subject to equitable adjustments for any stock dividends, stock splits, reverse stock splits, combinations, recapitalizations, reclassifications or any other similar changes which may be required in order to prevent dilution. Any option which is not exercised prior to expiration or which otherwise terminates will thereafter be available for further grant under the 2001 Plan.

Administration of the 2001 Plan

The 2001 Plan may be administered by the Board of Directors or by a committee appointed by the Board of Directors consisting of not fewer than two non-employee members of the Board of Directors (the "Committee"). Subject to the conditions set forth in the 2001 Plan, the Board of Directors or the Committee has full and final authority to determine the number of shares represented by each option, the individuals to whom and the time or times at which options will be granted and be exercisable, their exercise prices and the terms and provisions of the respective agreements to be entered into at the time of grant, which may vary. The 2001 Plan is intended to be flexible and a significant amount of discretion is vested in the Board of Directors or the Committee with respect to all aspects of the options to be granted under the 2001 Plan.

Participants

Nonstatutory Options may be granted under the 2001 Plan to any person who is or who agrees to become an officer, director, employee or consultant of the Company or any of its subsidiaries. Incentive Options may be granted only to persons who are employees of the Company or any of its subsidiaries. As of January 19, 2001, the Company and its subsidiaries had approximately 23 employees. The participants will not be required to pay any sums for the granting of options, but may be required to pay the Company for extending the options. No Options have been granted under the 2001 Plan.

Exercise Price

The exercise price of each Nonstatutory Option granted under the 2001 Plan will be determined by the Board of Directors or the Committee. The exercise price of each Incentive Option granted under the 2001 Plan will be determined by the Board of Directors or the Committee and will in no event be less than 100% (110% in the case of a person who owns directly or indirectly more than 10% of the common stock) of the fair market value of the shares of common stock on the date of grant. The payment of the exercise price of an option may be made in cash or shares of common stock, as more fully described under "Exercise of Options". Fair market value will be determined by the Board of Directors or the Committee in accordance with the 2001 Plan and such determination will be binding upon the Company and upon the holder. The closing price of the common stock on January 19, 2001 was $.20 per share.

Terms of Options

Options may be granted for a term of up to 10 years (five years in the case of Incentive Options granted to a person who owns directly or indirectly more than 10% of the Company's outstanding common stock), which may extend beyond the term of the 2001 Plan.

Exercise of Options

The terms governing the exercise of options granted under the 2001 Plan will be determined by the Board of Directors or the Committee, which may limit the number of options exercisable in any period. Payment of the exercise price upon exercise of an option may be made in any combination of cash and shares of common stock, including the automatic application of shares of common stock received upon exercise of an option to satisfy the exercise price of additional options (unless the Board of Directors or the Committee provides otherwise). Where payment is made in common stock, such common stock will be valued for such purpose at the fair market value of such shares on the date of exercise.

Nontransferability

Incentive Options granted under the 2001 Plan are not transferable or assignable, other than by will or the laws of descent and distribution and, during the lifetime of the holder, options are exercisable only by the holder. Nonstatutory Options do not have to contain restrictions on transferability.

Termination of Relationship

Except as the Board of Directors or the Committee may expressly determine otherwise, if the holder of an Incentive Option ceases to be employed by or to have another qualifying relationship (such as that of director) with the Company or any of its subsidiaries other than by reason of the holder's death or permanent disability, all Incentive Options granted to such holder under the 2001 Plan will terminate immediately, except for Incentive Options which were exercisable on the date of such termination of relationship which Incentive Options will terminate three months after the date of such termination of relationship, unless such Incentive Options specify by their terms an earlier expiration or termination date. In the event of the death or permanent disability of the holder of an Incentive Option, options may be exercised to the extent that the holder might have exercised the options on the date of death or permanent disability for a period of up to 12 months following the date of death or permanent disability, unless by their terms the options expire before the end of such 12 month period.

Amendment and Termination of the 2001 Plan

The Board of Directors may at any time and from time to time amend or terminate the 2001 Plan, but may not, without the approval of the shareholders of the Company representing a majority of the voting power present at a shareholder's meeting or represented and entitled to vote thereon, or by unanimous written consent of the shareholders, (i) increase the maximum number of shares of common stock subject to options which may be granted under the 2001 Plan, other than in connection with an equitable adjustment, (ii) change the class of employees eligible for Incentive Options, or (iii) make any material amendment under the 2001 Plan that must be approved by the Company's shareholders for the Board of Directors to be able to grant Incentive Options under the 2001 Plan. No amendment or termination of the 2001 Plan by the Board may alter or impair any of the rights under any option granted under the 2001 Plan without the holder's written consent.

Effective Date and Term of the 2001 Plan

Options may be granted under the 2001 Plan during its 10 year term, which will commence on the date of the Meeting.

Material Federal Income Tax Consequences

The following discussion of the federal income tax consequences is based on the Company's belief after consultation with the Company's tax advisors. The Company has not obtained an opinion from legal counsel with respect to the following matters.

Incentive Options. The Company believes that with respect to Incentive Options granted under the 2001 Plan, no income generally will be recognized by an optionee for federal income tax purposes at the time such an option is granted or at the time it is exercised. If the optionee makes no disposition of the shares so received within two years from the date the Incentive Options was granted and one year from the receipt of the shares pursuant to the exercise of the Incentive Option, the optionee will generally recognize long term capital gain or loss upon the disposition of the shares of common stock issued upon exercise of the Incentive Option.

If the optionee disposes of shares of common stock acquired by exercise of an Incentive Option before the expiration of the applicable holding period, any amount realized from such a disqualifying disposition will be taxable as ordinary income in the year of disposition generally to the extent that the lesser of the fair market value of the shares of common stock on the date the option was exercised or the fair market value at the time of such disposition exceeds the exercise price. Any amount realized upon such a disposition in excess of the fair market value of the shares of common stock on the date of exercise generally will be treated as long term or short term capital gain, depending on the holding period of the shares. A disqualifying disposition will include the use of shares of common stock acquired upon exercise of an Incentive Option in satisfaction of the exercise price of another option prior to the satisfaction of the applicable holding period.

The Company will not be allowed a deduction for federal income tax purposes at the time of the grant or exercise of an Incentive Option. At the time of a disqualifying disposition by an optionee, the Company will be entitled to a deduction for federal income tax purposes equal to the amount taxable to the optionee as ordinary income in connection with such disqualifying disposition (assuming that such amount constitutes reasonable compensation).

Nonstatutory Options. The Company believes that the grant of a Nonstatutory Option under the 2001 Plan will not be subject to federal income tax. Upon exercise, the optionee generally will recognize ordinary income, and the Company will be entitled to a corresponding deduction for federal income tax purposes (assuming that such compensation is reasonable), in an amount equal to the excess of the fair market value of the shares of common stock on the date of exercise over the exercise price. Gain or loss on the subsequent sale of shares of common stock received on exercise of a Nonstatutory Option generally will be long term or short term capital gain or loss, depending on the holding period of the shares.

The Company has been orally advised that Jimmy L. Boswell, Troy D. Carl, Darrell H. Hughes, David L. Jackson, David G. Lucas, Wilhelm Giertsen and his wife, Mohammed I. Marafi, Cognigen Corporation, Telkiosk, CTC and two employees of a wholly owned subsidiary of the Company, Reginald W. Einkauf and John D. Miller, intend to vote their total 23,846,069 shares, or approximately 50.7% of the shares entitled to be voted at the meeting, in favor of the approval of the 2001 Incentive and Nonstatutory Stock Option Plan. As a result, the 2001 Incentive and Non-statutory Stock Option Plan should be approved.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE APPROVAL OF THE 2001 INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN.

SHAREHOLDER PROPOSALS

Proposals of shareholders intended to be presented at the next Annual Meeting of Shareholders must be received by the Company within a reasonable time prior to the time the Company begins to print and mail the proxy materials for such Meeting.

SOLICITATION OF PROXIES

The cost of soliciting proxies, including the cost of preparing, assembling and mailing this proxy material to shareholders, will be borne by the Company. Solicitations will be made only by use of the mails, except that, if necessary to obtain a quorum, officers and regular employees of the Company may make solicitations of proxies by telephone or electronic facsimile or by personal calls. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the proxy soliciting material to the beneficial owners of the Company's shares held of record by such persons and the Company will reimburse them for their charges and expenses in this connection.

OTHER BUSINESS

The Company's Board of Directors does not know of any matters to be presented at the Meeting other than the matters set forth herein. If any other business should come before the Meeting, the persons named in the enclosed form of Proxy will vote such Proxy according to their judgment on such matters.

BY ORDER OF THE BOARD OF DIRECTORS

DAVID L. JACKSON, SECRETARY

Seattle, Washington
February ___, 2001

PRELIMINARY COPY

PROXY

COGNIGEN NETWORKS, INC.
PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD MARCH ___, 2001

The undersigned hereby constitutes and appoints Darrell H. Hughes and David L. Jackson, and each of them, the true and lawful attorneys and proxies of the undersigned with full power of substitution and appointment, for and in the name, place and stead of the undersigned, to act for and to vote all of the undersigned's shares of $0.001 par value common stock ("common stock") of Cognigen Networks, Inc, a Colorado corporation (the "Company") at the Special Meeting of Shareholders (the "Meeting") to be held in the Special Events Room on the Second Floor, 7001 Seaview Avenue, NW, Seattle, Washington 98117, on __________, March ___, 2001, at 10:00 a.m., Pacific Time, and at all adjournment(s) thereof for the following purposes:

(1) adoption of an amendment to Article THIRD of the Articles of Incorporation of the Company to delete any reference contained in the current Article THIRD to an area of business in which the Company no longer engages and

to change the wording of the provision in the current Article THIRD that confers upon the Company all of the rights, powers and privileges conferred on Colorado corporations;

[ ] FOR
[ ] AGAINST
[ ] ABSTAIN

(2) adoption of an amendment to Article FOURTH of the Articles of Incorporation of the Company which, among other things, increases the authorized shares of common stock of the Company from 50,000,000 shares to 300,000,000 shares of $0.001 par value common stock and authorizes 20,000,000 shares of no par value preferred stock;

[ ] FOR
[ ] AGAINST
[ ] ABSTAIN

(3) adoption of an amendment to Section (d)(ii) of Article EIGHTH of the Articles of Incorporation of the Company to change the vote required to amend the Articles of Incorporation to a majority of a quorum;

[ ] FOR
[ ] AGAINST
[ ] ABSTAIN

(4) adoption of a new Article NINTH of the Articles of Incorporation of the Company which limits the liability of the directors of the Company under certain circumstances;

[ ] FOR
[ ] AGAINST
[ ] ABSTAIN

(5) approval of a proposal to authorize the Board of Directors of the Company to adopt an amendment to the Company's Articles of Incorporation at such time as the Board of Directors deems it appropriate to effectuate a one-for-seven, a one-for-eight or a one-for-nine reverse split of the Company's outstanding common stock, the exact reverse split to be determined by the Board of Directors of the Company; and

[ ] FOR
[ ] AGAINST
[ ] ABSTAIN

(6) approval of the 2001 Incentive and Nonstatutory Stock Option Plan.

[ ] FOR
[ ] AGAINST
[ ] ABSTAIN

The undersigned hereby revokes any proxies as to said shares heretofore given by the undersigned and ratifies and confirms all that said attorneys and proxies lawfully may do by virtue hereof.

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THEN THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AT THE MEETING FOR THE ITEMS LISTED ABOVE.

The undersigned hereby acknowledges receipt of the Notice of Special Meeting of Shareholders and the Proxy Statement furnished therewith.

Dated and Signed: ______________, 2001

Signature(s) should agree with the name(s) stenciled hereon. Executors, administrators, trustee, guardians and attorneys should so indicate when signing. Attorneys should submit powers of attorney.

EXHIBIT A

COGNIGEN NETWORKS, INC.

Unaudited Consolidated Statements of Operations

	Three Months Ended September 30, 1999	Three Months Ended September 30, 2000 (Restated)
Revenue		
Prepaid cards and pins	$ 445,090	$ 181,212
Call back and switching services	--	118,792
Commissions	445,133	871,647
Allowances	(5,379)	5,059
Total revenue	884,844	1,176,710
Operating expenses		
Prepaid cards and pins	302,637	130,830
Call back and switching services	--	129,569
Marketing Commissions	345,043	457,217
Sales, general and administrative	6,547,289	1,026,672
Total operating expenses	7,194,969	1,744,288
Loss from operations	(6,310,125)	(567,578)
Other income (expense)		
Interest expense	(35,550)	(19,650)
Loss before income taxes	(6,345,675)	(587,228)
Income taxes	--	--
Net loss	$ (6,345,675)	$ (587,228)
Loss per common share - basic and diluted	$ (.26)	$ (.01)
Weighted average number of common shares outstanding - basic and diluted	24,123,524	84,278,991

See notes to unaudited consolidated financial statements.

COGNIGEN NETWORKS, INC.

Unaudited Consolidated Balance Sheet

	June 30, 2000	September 30, 2000 (Restated)
Assets		
Current assets		
Cash	$ 717,344	$ 275,630
Accounts receivable, net of allowance for doubtful	61,046	215,392
Commissions receivable, net of allowance for doubtful	538,163	676,795
Employee receivable	1,661	2,957
Inventory	133,486	128,229
Other current assets	417,028	473,450
Total current assets	1,868,728	1,772,453
Property, plant and equipment, net of accumulated depreciation of $363,121 at June 30, 2000 and $430,592 at September 30, 2000	486,291	422,472
Other assets		
Deposits and other assets	88,552	100,867
Goodwill, net	3,655,017	3,506,103
Customer databases, net of $300,000 and $375,000 of	1,000,000	925,000
Deferred tax asset - non current	--	--
Total other assets	4,743,569	4,531,970
Total assets	$ 7,098,588	$ 6,726,895

Liabilities and Stockholders' Equity

Current liabilities		
Accounts payable	$ 97,420	$ 198,423
Other accrued liabilities	108,324	88,561
Interest payable	239,421	256,354
Commissions payable	326,681	470,389
Payroll taxes payable	21,179	24,108
Current portion of capital leases	106,551	77,276
Current portion of notes payable	315,000	825,000
Total current liabilities	1,214,576	1,940,111
Long-term portion of capital leases	12,152	12,152
Long-term portion of notes payable	510,000	--
Total liabilities	1,736,728	1,952,263
Commitments and contingencies		
Stockholders' equity		
Common stock $.001 par value, 50,000,000 shares	84,278	84,278
Additional paid-in capital	13,594,051	13,594,051
Accumulated deficit	(8,316,469)	(8,903,697)
Total stockholders' equity	5,361,860	4,774,632
Total liabilities and stockholders' equity	$ 7,098,588	$ 6,726,895

See notes to unaudited consolidated financial statements.

COGNIGEN NETWORKS, INC.

Unaudited Consolidated Statements of Cash Flows

	Three Months Ended September 30, 1999 (Restated)	Three Months Ended September 30, 2000
Cash flows from operating activities		
Net loss	$(6,345,675)	$ (587,228)
Adjustments to reconcile net loss to net cash		
Depreciation and amortization	99,908	291,385
Stock options granted for services to non employees	5,836,724	--
Changes in assets and liabilities		
Accounts receivable	88,979	(154,346)
Commissions receivable	--	(138,632)
Inventory	4,083	5,257
Other assets	--	(57,718)
Deposits	--	(12,315)
Interest payable	35,550	16,933
Accounts payable	11,887	101,003
Accrued expenses	--	(19,763)
Deferred revenue	1,926	--
Commissions payable	35,844	143,708
Payroll taxes payable	3,436	2,929
	6,118,337	178,441
Net cash used in operations	(227,338)	(408,787)
Cash flows from investing activities		
Cash acquired in acquisition	21,248	--
Purchases of fixed assets	--	(3,652)
Advances to related party	(200,000)	--
Net cash provided by (used by) investing	(178,752)	(3,652)
Cash flows from financing activities		
Proceeds from subscriptions received	884,289	--
Payments on notes payable	(315,000)	--
Proceeds from notes payable	125,000	--
Payments on capital leases	--	(29,275)
Net cash provided by financing activities	694,289	(29,275)

Net increase in cash and cash equivalents	288,199	(441,714)
Cash and cash equivalents-beginning of period	--	717,344
Cash and cash equivalents-end of period	$ 288,199	$ 275,630

See notes to unaudited consolidated financial statements.

COGNIGEN NETWORKS, INC.

Notes to Unaudited Consolidated Financial Statements

Note 1 - Description of Business

Cognigen Networks, Inc (the Company) is engaged in the business of providing telecommunications products and services to worldwide markets. The Company's activities include selling prepaid calling cards, providing call switching services, and Internet marketing of telecommunications products and services, pagers and computers.

Note 2 - Summary of Significant Accounting Policies

In the opinion of management, all adjustments, consisting only of normal recurring adjustments, have been made to (a) the results of consolidated operations for the three month periods ended September 30, 2000 and 1999, respectively, (b) the consolidated balance sheet at September 30, 2000 and (c) the consolidated statements of cash flows for the three month periods ended September 30, 2000 and 1999, respectively, in order to make the financial statements not misleading.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for financial statements. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended June 30, 2000, included in the Company's Annual Report on Form 10-KSB and Form 10-KSB/A filed with the Securities and Exchange Commission.

The results for the three month period ended September 30, 2000 may not necessarily be indicative of the results for the fiscal year ended June 30, 2001.

Note 3 - Basis of Presentation

All per share amounts reflect the 37,298,444 shares the Company has a legal obligation to issue in the future in connection with the reverse acquisition of ITHC, and have been treated as outstanding from the date of acquisition.

Note 4 - Stock Options

In August 1999, the Company issued 32,400,000 options entitling the holders to purchase the Company's common stock at $0.46 per share. The options vest immediately and expire five years from the date issued. The options cannot be exercised until the Company amends it articles of incorporation or effects a reverse split of its common stock so that it has sufficient shares available for issuance upon the exercise of these options. 25,200,000 of these options were issued to non-employees while the remaining options were issued to employees and directors. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock options issued to employees and directors. $6,022,044 of compensation expense was recorded in connection with the options granted to non employees based on a value of $.23 per option.

Note 5 - Customer Databases

The Company maintains two customer databases which were originally compiled in October 1998. These customer databases were acquired in connection with the initial capitalization of Inter-American Telecommunications Holding Corporation (ITHC), which acquired from Telkiosk, Inc. and Combined Telecommunications Consultancy, LTD (CTC) customer databases valued at $500,000 and $800,000, respectively, through the issuance of $500,000 and $800,000 in notes payable, and by issuing 500 (2,844,285 as adjusted) and 1,000 (5,688,570 as adjusted) shares of common stock, respectively. ITHC also issued 500 (2,844,285 as adjusted) shares of common stock to Inter-American Telecommunications Corporation (ITC) as part of its initial capitalization for backroom support to be provided to ITHC in the future. The customer databases were originally recorded at their predecessor cost of $1,300,000, with the shares of common stock issued being recorded at their nominal par value ($.001) of $20. The Company intends to migrate these names into active long distance customers of Cognigen Switching Technologies, Inc. (CST), the Company's wholly owned subsidiary. The Company's plans for the solicitation process are currently underway and the Company plans to be completed by October 2001. In October 2000, the Company also entered into an option agreement with an entity formed by the entities which originally sold the Company's customer databases to the Company's predecessor. The agreement provides that if the Company has not been able to establish at least 5,000 active telecommunications subscribers from the combined lists by March 30, 2001, the Company has the option to require the entity to repurchase the customer lists from the Company to enable the Company to recover its investment in these databases.

Note 6 - Amortization of Customer Databases and Goodwill

The Company changed its method of amortizing customer databases and goodwill during fiscal 2000. Previously the Company did not begin to amortize it customer databases until the migration of these names into active customers had begun. However, effective July 1, 1999 as a result of the significant uncertainties surrounding the commencement of the migration process, the Company has reflected amortization of these databases over their estimated remaining useful lives of 4.33 years (through November 1, 2003). Additionally, the Company changed the estimated useful live of the goodwill acquired in connection with the acquisition of the net assets of Cognigen Corporation from 20 years to 5 years. The effects of these corrections on previously reported quarterly amounts was as follows:

	Net Loss	Loss Per Share	Stockholders' Equity
Three months ended September 30, 2000, as reported	(512,228)	(.01)	5,149,632
Three months ended September 30, 2000, as adjusted	(587,228)	(.01)	4,774,632
Three months ended September 30, 1999, as reported	(6,262,675)	(.26)	214,896
Three months ended September 30, 1999, as adjusted	(6,345,675)	(.26)	131,896

COGNIGEN NETWORKS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Forward-Looking Statements

Certain of the information discussed in this quarterly report, and in particular in this section entitled "Management's Discussion and Analysis or Plan of Operation," contains forward-looking statements that involve risks and uncertainties that might adversely affect the operating results of Cognigen Networks, Inc. ("Company") in the future in a material way. Such risks and uncertainties include, without limitation, rate changes, fee policy or application changes and competition. Many of these risks are beyond the control of the Company. The Company is not entitled to rely on the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, or Section 21E of the Securities Exchange Act of 1934, as amended, when making forward-looking statements.

Overview

The Company is engaged in the business of providing telecommunications products and services to worldwide markets. The Company's activities include selling prepaid calling cards, providing call switching services, and Internet marketing of telecommunications products and services, pagers and computers.

The Company was incorporated on May 6, 1983, in Colorado. On August 20, 1999, the Company completed the acquisition of all of the net assets of ITHC in exchange for up to 49,041,397 shares of the Company's common stock. For financial statement purposes, this business combination was accounted for as an additional capitalization of ITHC (a reverse acquisition in which ITHC was the accounting acquirer). For accounting purposes, ITHC is considered the surviving entity and the historical financial statements prior to the acquisition are those of ITHC.

Three Months Ended September 30, 2000 Compared to Three Months Ended September 30, 1999.

Total revenue for the three months ended September 30, 2000 was $1,176,710 compared to $884,844 for the three months ended September 30, 1999. Total revenue for the 2000 period consisted of $181,212 related to prepaid cards and pins and $871,647 related to commissions. Total revenue for the comparable period in 1999 consisted of $445,090 related to prepaid cards and pins and $445,133 related to commissions. The $263,878, or 59%, decrease in prepaid cards and pins is due to reduced tariff calls as a result of competition. The $426,514, or 96%, increase in commissions is due to an increase in agents of approximately 36,900 new agents. Call back and switching revenue for the three months ended September 30, 2000 was $118,792 for which there was no comparable revenue for 1999.

Operating costs related to prepaid cards and pins for the three months ended September 30, 2000 decreased $171,807, or 57%, to $130,830 from $302,637 during the three months ended September 30, 1999. Operating costs related to commissions for the three months ended September 30, 2000 increased $112,174, or 33%, to $457,217 from $345,043 during the three months ended September 30, 1999. The cost increases are directly related to the increases in sales revenue. The call back and switching services costs were $129,569 for the three months ended September 30, 2000 for which there were no comparable costs for 1999.

General and administrative operating expenses increased $316,607, or 50%, to $951,672 during the three months ended September 30, 2000 from $635,565 during the three months ended September 30, 1999. This increase is due to increased salaries of $123,130 as a result of more headcount and depreciation and amortization of $193,477.

The Company incurred a loss from operations of $492,578 for the three months ended September 30, 2000 compared to $6,235,125 for the three months ended September 30, 1999. The decrease in operating loss during the current period is directly related to the expense of stock options granted for services to non employees of $5,836,724 recognized during the three months ended September 30, 1999.

Interest expense decreased $15,900, or 45%, to $19,650 for the three months ended September 30, 2000 from $35,550 for the three months ended September 30, 1999. The reduction is a result of the payoff of a portion of debt. After interest expense, the net loss for the three months ended September 30, 2000 was $512,228, or $.01 loss per share, compared to a net loss of $6,270,675, or $.26 loss per share, for the three months ended September 30, 1999.

Liquidity and Capital Resources:

The Company has funded its operations to date primarily from shareholder advances and stock subscriptions received. At September 30, 2000, the Company had cash and cash equivalents of $275,630 and negative working capital of $179,810.

Cash used by the Company for operating activities during the three months ended September 30, 2000 was $408,787. A primary component of the use of cash during the three months was the Company's net loss of $512,228 adjusted for non-cash adjustments for depreciation and amortization of $216,385. Additional uses of operating cash for the three months included increases in the Company's accounts receivable of $154,346, commissions receivable of $138,632, other assets of $57,718, and deposits of $12,315. The uses in operating cash were partially offset by cash provided of $101,003 from accounts payable, $143,708 of commissions payable, and $16,933 of interest payable. Cash used for investing activities includes $3,652 for the purchase of fixed assets. Additional uses of cash during the three months ended September 30, 2000 include payments on capital leases of $29,275.

The Company currently has three notes payable and various capital leases with total outstanding balances of $914,428 at September 30, 2000. Two of the notes are due July 1, 2001 and one is due February 12, 2001. The Company has maturities of capital leases and notes payable of $902,276 required during the next twelve months. Cash generated from operations was not sufficient to meet the Company's working capital requirements for the quarter ended September 30, 2000, and may not be sufficient to meet the Company's working capital requirements for the foreseeable future. As a result, the Company is exploring various bridge financing and/or additional equity financing to meet current operating requirements until operations can generate sufficient cash to become self-sustaining. There can be no assurances that the Company will be able to secure additional debt or equity financing or that operations will produce adequate cash flows to allow the Company to meet all of the Company's future obligations. The Company has no significant planned capital expenditures covering the next twelve months. The Company maintains two customer databases containing archived names with historical records of long distance telecommunication service users, to which the Company intends to devote substantial efforts during the next twelve months to transform these names into active CST customer accounts. The Company has been in negotiations with a telemarketing firm to assist in the transformation of these names into active accounts. The Company anticipates an initial cost of approximately $93,000 for these telemarketing services and have received a verbal commitment from a third party to assist in funding these telemarketing costs, as necessary. The Company has also entered into an option agreement with a joint venture consisting of the sellers of the customer databases, which provides that if certain targeted levels of active customers cannot be transformed from the databases, the Company's original investment in these databases will be refunded through the forgiveness of the remaining debt outstanding and the return of the Company's shares to the Company. The Company believes this agreement is a major step in protecting the recoverability of the the Company's original investment in these databases.

COGNIGEN NETWORKS, INC.

Financial Statements
June 30, 2000

COGNIGEN NETWORKS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Cognigen Networks, Inc.
Seattle, Washington

We have audited the accompanying consolidated balance sheet of Cognigen Networks, Inc. and subsidiary as of June 30, 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cognigen Networks, Inc. and subsidiaries as of June 30, 2000, and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

The Company has corrected a previous error in the 2000 financial statements relating to the amortization of its customer lists as described in Note 3.

/s/Ehrhardt Keefe Steiner & Hottman PC
Ehrhardt Keefe Steiner & Hottman PC

August 25, 2000, except Note 13,
as to which the date is October 10, 2000
Denver, Colorado

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors
Inter-American Telecommunications
Holding Corporation
Seattle, Washington

We have audited the accompanying consolidated statements of operations, cash flows, and changes in stockholders' equity for the period from inception (July 24, 1998) through June 30, 1999 of Inter-American Telecommunications Holding Corporation (a development stage company). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of its operations, its cash flows and its changes in stockholders' equity for the period from inception (July 24, 1998) through June 30, 1999 in conformity with generally accepted accounting principles.

Denver, Colorado
January 20, 2000

/s/ Comiskey & Company
Comiskey & Company
PROFESSIONAL CORPORATION

COGNIGEN NETWORKS, INC.

Consolidated Balance Sheet
June 30, 2000
(Restated)

Assets	
Current assets	
Cash	$ 717,344
Accounts receivable, net of allowance for doubtful accounts of $5,000	61,046
Commissions receivable, net of allowance for doubtful accounts of $25,000	538,163
Employee receivable	1,661
Inventory	133,486
Other current assets	417,028
Deferred tax asset - current	--
Total current assets	1,868,728
Property, plant and equipment, net of accumulated depreciation of $363,121	486,291
Other assets	
Deposits and other assets	88,552
Goodwill, net of $154,917 of amortization	3,655,017
Customer databases, net of $300,000 of amortization	1,000,000
Deferred tax asset - non current	--
Total other assets	4,743,569

Total assets	$ 7,098,588
Liabilities and Stockholders' Equity	
Current liabilities	
Accounts payable	$ 97,420
Other accrued liabilities	108,324
Interest payable	239,421
Commissions payable	326,681
Payroll taxes payable	21,179
Current portion of capital leases	106,551
Current portion of notes payable	315,000
Total current liabilities	1,214,576
Long-term portion of capital leases	12,152
Long-term portion of notes payable	510,000
Total liabilities	1,736,728
Commitments and Contingencies	
Stockholders' equity	
Common stock $.001 par value, 50,000,000 shares authorized; 46,980,547 issued and outstanding at June 30, 2000, and 37,298,444 to be issued shares (2000)	84,278
Additional paid-in capital	13,594,051
Accumulated deficit	(8,316,469)
Total stockholders' equity	5,361,860
Total liabilities and stockholders' equity	$ 7,098,588

See notes to consolidated financial statements.

COGNIGEN NETWORKS, INC.

Consolidated Statements of Operations

	For the Years Ended June 30,	
	1999	2000
	(Restated)	
Revenue		
Prepaid cards and pins	$ --	1,138,165
Marketing commissions	--	2,598,008
Other	--	63,540
Total revenue	--	3,799,713
Operating expenses		
Prepaid cards and pins	--	950,727
Marketing commissions	--	1,657,195
Selling, general and administrative	--	8,734,444
Depreciation and amortization	--	561,510
Total operating expenses	--	11,903,876
Loss from operations	--	(8,104,163)
Interest expense	(67,814)	(144,492)
Loss before income taxes	(67,814)	(8,248,655)
Income taxes	16,531	(16,531)
Net loss	$ (51,283)	$ (8,265,186)
Loss per common share - basic and diluted	$ --	$ (0.11)
Weighted average number of common shares		

basic and diluted	11,377,137	78,549,437

See notes to consolidated financial statements.

COGNIGEN NETWORKS, INC.

Consolidated Statements of Stockholders' Equity
From July 24, 1998 through June 30, 2000

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' (Deficit) Equity
				(Restated)	
Balance July 24, 1998 (inception)	--	$ --	$ --	$ --	$ --
Common stock issued for intangible assets	11,377,137	20	--	--	20
Net loss for the period July 24, 1998 to June 30, 1999 .	--	--	--	(51,283)	(51,283)
Balance June 30, 1999	11,377,137	20	--	(51,283)	(51,263)
Stock issued in connection with Cognigen acquisition and employment agreement	42,664,260	55	30,000	--	30,055
Reverse acquisition	15,757,047	69,723	(261,957)	--	(192,234)
Common stock issued for cash net of $727,474 in expenses	12,489,102	12,489	5,127,598	--	5,140,087
Value of options issued for services	--	--	6,022,004	--	6,022,004
Retirement of stock at cost	(50,000)	(50)	(18,950)	--	(19,000)
Stock issued in connection with acquisition of Cognigen	2,041,445	2,041	2,695,356	--	2,697,397
Net loss	--	--	--	(8,265,186)	(8,265,186)
Balance at June 30, 2000	84,278,991	$ 84,278	13,594,051	(8,316,469)	5,361,860

See notes to consolidated financial statements.

COGNIGEN NETWORKS, INC.

Consolidated Statements of Cash Flows

	June 30, 1999	June 30, 2000
		(Restated)
Cash flows from operating activities		
Net loss	$ (51,283)	$(8,265,186)
Adjustments to reconcile net loss to net cash		
Depreciation and amortization	--	561,510
Stock options granted to non-employees and stock issued to employees for services	--	6,052,004
Deferred taxes	(16,531)	16,531
Changes in assets and liabilities		
Receivables	--	218,461
Commission receivable	--	(484,149)
Inventory	--	(108,410)
Other current assets	--	(340,120)
Accounts payable	--	53,276
Other accrued expenses	67,814	218,919
Other assets	--	(89,971)
	51,283	6,098,051
Net cash used in operations	--	(2,167,135)
Cash flows from investing activities		
Capital expenditures	--	(400,594)
Cash paid in business acquisitions net of cash acquired	--	(555,100)

Net cash used in investing activities	--	(955,694)
Cash flows from financing activities		
Net proceeds from stock issuance	--	5,140,087
Distribution related to reverse acquisition	--	(190,000)
Payments on notes payable	--	(1,090,000)
Payment on capital leases	--	(914)
Retirement of stock	--	(19,000)
Net cash used in financing activities	--	3,840,173
Net increase in cash	--	717,344
Cash and cash equivalents - beginning of period ..	--	--
Cash and cash equivalents - end of period	$ --	$ 717,344

Cash paid for interest was $19,834 (2000) and $0 (1999).
Cash paid for income taxes was $0 in 2000 and 1999.

Non-cash investing and financing activities (Note 9).

See notes to consolidated financial statements.

COGNIGEN NETWORKS, INC.

Notes to Consolidated Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies

The Company was incorporated in May 1983 in the State of Colorado to engage in the cellular radio and broadcasting business and to engage in any other lawful activity permitted under Colorado law. In June 1988, the Company changed its name to Silverthorne Production Company (Silverthorne) and commenced operations in the oil and gas industry. These operations were discontinued in 1989. Since 1989, Silverthorne has attempted to locate acquisition prospects and negotiate an acquisition. Silverthorne's pursuit of an acquisition did not materialize until August 20, 1999, with the purchase of the assets of Inter-American Telecommunications Holding Corporation (ITHC), which was accounted for as a reverse acquisition. The surviving entity changed its name to Cognigen Networks, Inc. on July 12, 2000.

Cognigen Networks, Inc. (the Company) is engaged in the business of providing telecommunications products and services to worldwide markets. The Company's activities include selling prepaid calling cards, providing call switching services, and Internet marketing of telecommunications products and services, pagers, and computers.

Principles of Consolidation

These consolidated financial statements include the accounts of Inter-American Telecommunications Corporation (ITHC), Cognigen Corporation (Cognigen), and the Company. Also included are the accounts and results of operations of Cognigen Switching Technologies, Inc. (Cognigen Switching) from April 15, 2000 through year-end. All significant intercompany balances and transactions have been eliminated in consolidation.

The comparative June 30, 1999, financial statements reflect those of ITHC, the accounting acquirer, in the reverse acquisition (Note 8). ITHC was in the development stage in prior years.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and in checking and savings accounts at financial institutions. On occasion these balances exceed federally insured limits. At June 30, 2000, the Company had approximately $709,000 in excess of federally insured limits.

Inventories

Inventory consists of advertising supplies and prepaid calling cards held for resale and is valued at the lower of cost or market. Calling cards are purchased from a variety of vendors at a discount from the face value. Excise tax of 3% of the face value is paid at the time of purchase. When the calling card is sold, the excise tax is collected and offset against the prepaid excise tax.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	Years
Furniture and fixtures	3 - 7
Computer equipment	3 - 5
Equipment	3 - 5
Leasehold improvements	3 - 5
Capitalized software	3 - 5

Software developed to support the self-replicating Web pages used to market telecommunication services and administer agents' sales and related commissions has been capitalized according to the provisions of AICPA Statement of Position 98-1 "Accounting for Costs of Computer Software Developed or Obtained for Internal Use".

Intangible Assets

Intangible assets are stated at cost and consist of goodwill and customer databases. Goodwill is amortized using the straight-line method over five years. Customer databases will be amortized over five years.

Valuation of Long-Lived Assets

The Company assesses valuation of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of. The Company periodically evaluates the carrying value of long-lived assets to be held and used, including goodwill and other intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Commissions Receivable

Commissions receivable represent amounts due from providers for telecommunication services used by subscribers. Typically providers pay commissions due to the Company forty-five days after the usage month-end to allow for billing and collection.

An allowance for doubtful accounts of $0 and $25,000 at June 30, 1999 and 2000, respectively, has been established by the Company to provide for potential uncollectible accounts and is deemed to be adequate by management based on historical results.

Commissions Payable

Commissions payable represent amounts due to agents as commission related to the usage for which the Company is due commission income from its providers. It is the Company's policy to pay commissions to its agents only after receiving commissions due from its providers. This policy results in approximately two months commission payable at any point in time.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Revenue Recognition

The Company records commission income when the underlying telecommunication service is rendered. Commission income does not include amounts paid separately to carriers for telecommunication services provided.

Calling card revenue is recorded when the calling cards are shipped. The Company's policy is to delay shipment of calling cards for a two-week period after receipt of cash to allow for processing. This delay results in deferred revenue, which is recorded as a liability until the calling cards are shipped. Calling card revenue includes amounts paid for the cost of the telecommunications services provided by third-party carriers.

Revenue from long distance phone services is recorded when services are rendered.

Use of Estimates

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

Loss Per Share

Loss per common share has been computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Shares issued in the initial capitalization of the Company have been treated as outstanding since inception.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the years ended June 30, 2000 and 1999, were $200,127 and $0, respectively.

Recently Issued Accounting Pronouncements

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair market value. Gains or losses resulting from changes in the values of those derivatives are accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. Management believes that the adoption of SFAS No. 133 will have no material effect on the Company's financial statements.

In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN 44"), which was effective July 1, 2000, except that certain conclusions in this Interpretation, which cover specific events that occur after either December 15, 1998 or January 12, 2000 are recognized on a prospective basis from July 1, 2000. This Interpretation clarifies the application of APB Opinion 25 for certain issues related to stock issued to employees. The Company believes its existing stock based compensation policies and procedures are in compliance with FIN 44, and therefore, the adoption of FIN 44 had no material impact on the Company's financial condition, results of operations or cash flows.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") 101, which provides guidance on applying generally accepted accounting principles to selected revenue recognition issues. Management believes that the Company's revenue recognition policies are in accordance with SAB 101.

Note 2 - Basis of Presentation

All common stock share amounts have been retroactively adjusted to reflect the ratio of shares issued by the Company in connection with the reverse acquisition of ITHC (Note 7). The ratio of shares issued of 5,688.57 shares of the Company to each share of ITHC stock represents 54,041,397 newly issued shares and shares to be issued in exchange for 9,500 shares of ITHC common stock.

All per share amounts reflect the 37,298,444 shares the Company has a legal obligation to issue in the future in connection with the reverse acquisition of ITHC, and have been treated as outstanding from the date of acquisition (Note 12).

Note 3 - Amortization of Customer Databases and Goodwill

The Company changed its method of amortizing customer databases and goodwill during fiscal 2000. Previously the Company did not begin to amortize it customer databases until the migration of these names into active customers had begun. However, effective July 1, 1999 as a result of the significant uncertainties surrounding the commencement of the migration process, the Company has reflected amortization of these databases over their estimated remaining useful lives of 4.33 years (through November 1, 2003). Additionally, the Company changed the estimated useful live of the goodwill acquired in connection with the acquisition of the net assets of Cognigen Corporation from 20 years to 5 years. The effects of these corrections on previously reported quarterly amounts was as follows:

	Net Loss	Loss Per Share	Stockholders' Equity

June 30, 2000, as previously reported	$(7,933,186)	$ (.10)	$ 5,693,860
Correction to amortization expense	(332,000)	(.01)	(332,000)
June 30, 2000, as adjusted	$(8,265,186)	$ (.11)	$ 5,361,860

The effect of this correction on previously reported quarterly amounts was as follows:

	Net Loss	Loss Per Share	Stockholders' Equity
Three months ended September 30, 1999, as reported	$(6,262,675)	$(.26)	$214,896
Three months ended September 30, 1999, as adjusted	$(6,345,675)	$(.26)	$131,896
Three months ended December 31, 1999, as reported	$ (339,414)	$(.01)	$4,148,413
Three months ended December 31, 1999, as adjusted	$ (422,414)	$(.01)	$3,982,413
Six months ended December 31, 1999, as reported	$(6,602,089)	$(.23)	$4,148,413
Six months ended December 31, 1999, as adjusted	$(6,768,089)	$(.24)	$3,982,413
Three months ended March 31, 2000, as reported	$ (519,989)	$(.01)	$3,641,291
Three months ended March 31, 2000 as adjusted	$ (602,989)	$(.01)	$3,392,291
Nine months ended March 31, 2000, as reported	$(7,138,078)	$(.09)	$3,641,291
Nine months ended March 31, 2000 as adjusted	$(7,371,078)	$(.10)	$3,392,291

Note 4 - Property and Equipment

Property and Equipment consists of the following:

	June 30, 2000
Furniture and fixtures	$ 19,063
Computer equipment	137,905
Equipment	373,281
Leasehold Improvements	180,996
Software	138,167
	849,412
Less accumulated depreciation	(363,121)

Total	$ 486,291

Note 5 - Notes Payable

Notes payable consists of the following:

	June 30, 2000
8% unsecured promissory notes payable to a related entity, principal and interest due upon maturity at July 1, 2000.	$ 200,000
8% unsecured promissory note payable to a related entity, principal and interest due upon maturity at July 1, 2000.	310,000
Subsequent to year-end, the above notes were extended to July 1, 2001.	
12% secured promissory note payable to a related entity, principal and interest due upon maturity at February 12, 2001.	315,000
	825,000
Less current portion	(315,000)
	$ 510,000

Note 6 - Capital Lease Obligations

The Company leases certain equipment under non-cancelable lease agreements. The monthly payments on these leases range from $332 to $7,227, including interest, and these leases expire in various years through 2003. The property under capital leases as of June 30, 2000, has a cost of $266,378 and accumulated depreciation of $185,953.

The future minimum lease payments under capital leases and the net present values of the future minimum lease payments are as follows:

Year Ending June 30,	Amount
2001	114,417
2002	13,024
2003	3,372
Total	130,813
Less amount representing interest	(12,110)
Present value of minimum lease payments	118,703
Less current portion	(106,551)
Long-term capital lease obligation	$ 12,152

Note 7 - Income Taxes

Deferred tax liabilities and assets are determined based on the difference between the financial statement assets and liabilities and tax basis assets and liabilities using the tax rates in effect for the year in which the differences occur. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized.

The components of the provision for income tax expense (benefit) are as follows:

	June 30,	
	1999	2000
Current	$ -	$ -
Deferred	(16,531)	16,531
	$ (16,531)	$ 16,531

The deferred income tax assets and liabilities result primarily from differing depreciation and amortization periods of certain assets, provision for doubtful accounts, provision for product returns and allowances, net operating loss carryforwards and the recognition of certain expenses for financial statement purposes and not for tax purposes. The Company has approximately $1,913,000 of net operating loss carryforwards, which expire through 2020 if unused.

The net current and long-term deferred tax liabilities in the accompanying balance sheet include the following items:

	June 30, 2000
Current deferred tax asset	$ 9,325
Current deferred tax liability	-
Valuation allowance	(9,325)
	$ -
Long-term deferred tax asset	$ 713,487
Long-term deferred tax liability	-
Valuation allowance	(713,487)
	$ -

Rate Reconciliation

The reconciliation of income tax expense (benefit) by applying the Federal statutory rates to the Company's effective income tax rate is as follows:

	June 30, 1999	June 30, 2000
Federal statutory rate	(25.0)%	(34.0)%
State tax on income, net of federal income tax benefit	(3.3)	(3.3)
Nondeductible expenses	3.9	28.1
Valuation allowance	-	9.4
	(24.4)%	0.2%

Note 8 - Business Acquisitions

Acquisition of Customer Databases

On November 4, 1998, ITHC acquired a customer database of 54,034 individual subscribers from TelKiosk Inc. (TelKiosk) in exchange for 500 (2,844,285, as adjusted), shares of ITHC common stock, and a $500,000 promissory note payable November 4, 1999 (and subsequently extended until July 1, 2001 as to the remaining balance due). TelKiosk is partially owned by a former officer and director of ITHC. This is an electronically archived database containing 54,034 individual, comma-delimited records of residential and business accounts of long distance telephone subscribers using the callback or call-reorigination system. The domiciles of these accounts are located primarily outside the United States, including Japan, Italy, France, Argentina, Brazil, Spain, Israel, Russia and CIS countries, Guatemala, Venezuela and Singapore. The customers in the database use primarily U.S. origination - foreign termination callback long distance services.

Also on November 4, 1998, ITHC acquired a customer database of 41,415 individual subscribers from Combined Telecommunications Consultancy, Ltd. (CTC) in exchange for 1,000 (5,688,570, as adjusted), shares of ITHC common stock and an $800,000 promissory note payable November 4, 1999 (and subsequently extended until July 1, 2001 as to the remaining balance due). CTC is partially owned by a former officer and director of ITHC. This is an electronically archived database containing 41,415 individual, comma-delimited records of residential and business accounts of long distance telephone subscribers. The domiciles of these accounts are all located within the United States. Approximately 90% of these accounts have an affinity to a foreign country, and the accounts are held by persons of Russian, Romanian, Czech, Slovakian, Slovenian, Polish, Bulgarian, German, Japanese and Filipino national origin.

These customer databases were originally compiled in October 1998. The databases were originally purchased by CTC and Telkiosk in an arm's length transaction from an independent international long distance reseller and customer base consolidator. The customer databases were acquired in connection with the initial capitalization of ITHC with the customer databases being recorded at $1,300,000 representing predecessor cost. The Company's plans for the solicitation process are currently underway and the Company entered into an option agreement with an entity formed by the sellers of its customer databases (Note 13). The agreement provides that if the Company has not been able to establish at least 5,000 active telecommunications subscribers from the combined databases by March 30, 2001, the entity will repurchase the customer databases from the Company allowing the Company to recover its investment in these databases.

Total shares issued in connection with the acquisition of these customer databases and the initial capitalization of ITHC were 2,000 (11,377,137 as adjusted), including 500 (2,844,285 as adjusted) shares issued to ITC in connection with its anticipated backroom support function. The 2,000 (unadjusted) shares issued were recorded at their nominal par value ($.001) of $20.

Cognigen Acquisition

On July 1, 1999, ITHC entered into an agreement with Cognigen to purchase all of Cognigen's net assets. The purchase price included 31,286,894 shares, as adjusted, of ITHC common stock and a $300,000 note payable. Additionally, ITHC entered into a four-year employment contract with the founder of Cognigen, which provides for an annual base salary of $175,000. The transaction was accounted for as a purchase. ITHC acquired net assets of $86,285 and recorded goodwill of $213,770. The goodwill is being amortized over a life of 5 years.

Reverse Acquisition

On August 20, 1999, the Company completed the acquisition of all of the net assets of ITHC in exchange for up to 49,041,397 shares of the Company's common stock. For financial statement purposes, this business combination was accounted for as an additional capitalization of ITHC (a reverse acquisition in which ITHC was the accounting acquirer). ITHC is considered the surviving entity and the historical financial statements prior to the acquisition are those of ITHC. The 15,757,047 shares reflected in the statement of stockholders' equity reflect those shares of Company's common stock outstanding immediately prior to the reverse acquisition. The Company's net book value prior to the transaction was $0. The issuance of the stock must be completed in two closings due to the limited amount of authorized stock available for issuance under the Company's articles of incorporation. The first closing resulted in the issuance of 11,742,953 shares while the remaining 37,298,444 shares will be issued after the authorized number of shares is increased or after a reverse stock split is effected. The Company issued 5,000,000 shares of the Company's common stock as finders' fees in connection with the transaction to unrelated individuals. The shares were valued at $1,900,000, or $.38 per share, and reported on a net basis in additional paid-in-capital.

Additionally on August 20, 1999, ITHC purchased 12,602,431 shares of the Company's common stock for a price of $190,000 from certain existing shareholders of the Company. This was recorded as a charge to paid-in capital in the amount of $190,000.

The Company is the legal survivor and changed its name to Cognigen Networks, Inc. in July 2000.

Cognigen Switching Acquisition

On April 15, 2000, the Company purchased the outstanding stock of Cognigen Switching (f.k.a. Aquila International Telecommunications, Inc.) for 2,041,445 shares and $590,000 in previous cash advances to Cognigen Switching for a total purchase price of $3,287,397. This transaction was accounted for as a purchase. Intangible assets acquired are amortized over five years. The results of operations have been included from the date of acquisition forward in the accompanying financial statements.

Purchase Price Allocation and Pro Forma Results

The combined aggregate purchase price of the Company's acquisition of Cognigen Switching $(3,287,397) and Cognigen $(300,055) have been allocated to the assets acquired and liabilities assumed based on the fair market values on the date of acquisition, as follows:

Cash	$ 34,900
Accounts receivable	318,521
Property and equipment	205,777
Goodwill - Cognigen	213,770
Goodwill - Cognigen Switching	3,596,164
Deposits and other	103,719
Accounts payable	(41,910)
Accrued expenses	(408,872)
Debt	(434,617)

$3,587,452

The following table depicts the unaudited pro forma results of the Company giving effect to the Company's two acquisitions in 1999 and 2000 as if they occurred on July 1, 1998. The unaudited pro forma information is not necessarily indicative of the results of operations of the Company had these acquisitions occurred at the beginning of the years presented, nor is it necessarily indicative of future results.

	Years Ended June 30, 1999	2000
	(unaudited)	
Revenue	$ 1,808,939	$ 4,033,864
Net loss	$(1,600,073)	$(9,017,938)
Loss per share	$ (.05)	$ (.11)

Note 9 - Stockholders' Equity

Stock Issuances

In connection with certain ITHC executive employment agreements 11,377,366 as adjusted shares of ITHC stock valued at $30,000 were issued in July 1999 for services provided by those key employees. In addition, 31,286,894 shares of ITHC stock were issued in connection with the acquisition of the assets of Cognigen (Note 7).

During the 6 months ended December 31, 1999, the Company received subscriptions for 12,489,102 shares of the Company's common stock at prices of $0.38 per share (11,562,302 shares) and $1.60 per share (926,800 shares) from various persons. These shares were issued by March 31, 2000. The Company agreed to pay a fee of 12% of the total proceeds received from the sale of the common stock to a distributor and issue warrants to purchase up to a maximum of 1,500,000 shares of the Company's common stock to various persons in connection with the sales. These warrants were valued at $347,400 based on a value of $.23 per warrant. This fee was accounted for as a cost of the sale of those common shares. The Company paid a total of $727,474 related to the total fee due and other expenses associated with the offering.

Stock Options

In August 1999, the Company issued 32,400,000 options entitling the holders to purchase the Company's common stock at $0.46 per share. The options vested immediately and expire five years from the date issued. Most of these options cannot be exercised until the Company amends it articles of incorporation or affects a reverse split of its common stock so that it has sufficient shares available for issuance upon the exercise of these options. 26,000,000 of these options were issued to non-employees for various professional services provided (of which 12,000,000 were issued to a trust of which the founder is a beneficiary) while the remaining options were issued to employees and directors. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock options issued to employees and directors. $6,022,004 of compensation expense was recorded in connection with the options granted to non-employees based on a value of $.23 per option. Assumptions used in the valuation of stock options include volatility of 109%, 3-year lives, dividend yield of 0% and a risk-free rate of 5.5%. The weighted average remaining lives are 2.17 years with weighted average exercise prices of $.46.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for stock options issued. Had compensation cost for the Company's stock options issued been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Company's net loss and loss per share would have been increased to the pro forma amounts indicated below:

	June 30, 1999	2000
Net loss - as reported	$(51,283)	$(8,265,180)
Net loss - pro forma	$(51,283)	$(9,777,529)

Basic loss per share - as reported	$	(0.0)	$	(0.11)
Basic loss per share - pro forma	$	(0.0)	$	(0.12)

Note 10 - Non-Cash Investing and Financing Activities

During the year ended June 30, 2000:

The Company acquired net assets of $86,230 and recorded goodwill in the amount of $213,770 by issuing a note for $300,000 in connection with a business acquisition (Note 8).

The Company acquired the outstanding common stock of a business by issuing 2,041,445 shares valued at $2,697,397 and paying cash of $590,000 (Note 8).

During the year ended June 30, 1999:

The Company issued notes totaling $1,300,000 in exchange for two long-distance telephone subscriber databases valued at $1,300,000 (Note 8).

Note 11 - Operating Leases

The Company leases office space under operating lease agreements, which provide for aggregate monthly payments of $11,274 and expire through March 2003.

Year Ending June 30,	Amount
2001	$ 87,688
2002	62,049
2003	12,514
	$ 162,251

Rent expense under these operating leases totaled $59,478 and $0 during the years ended June 30, 2000 and 1999, respectively.

Note 12 - Commitments and Contingencies

Commitments

Employment Agreements

During the year ended June 30, 2000, the Company entered into an employment agreement with one key employee. This employment agreement runs over a three-year period starting in October of 1999 and provides for an annual salary of $125,000. If the Company terminates the agreement without cause it would be obligated to pay all remaining amounts under the remaining terms of the contract.

In August of 2000, the Company entered into additional employment agreements with other key employees. Under these agreements, the employees are paid an annual salary ranging from $100,000 to $120,000, receive bonuses of $100,000 each, which have been pre-paid and are earned prorata over the two-year terms of the agreements and the agreements are subject to termination with cause (as defined). If the employee terminates the employee's agreement without cause or if the Company terminates the agreement with cause, the employee would be obligated to pay all remaining amounts due under the remaining terms of the agreement.

Consulting Agreements

The Company also has consulting agreements with two individuals, which provide for annual compensation of $175,000 and $120,000 and have terms of four and three years, respectively.

Contingencies

The Company has an obligation to issue 37,298,444 shares of common stock in connection with the reverse acquisition described in Note 7. The Company also has 32,400,000 stock options and warrants to purchase up to 1,500,000 shares of the Company's common stock outstanding. Currently, the Company does not have sufficient authorized capital to legally issue these additional common shares. The holders of options and warrants and those entitled to receive shares in a second future closing are aware of the Company's lack of authorized capital. The Company is using its best efforts to obtain shareholder approval at a meeting of shareholders to increase the authorized capital of the Company. Management does not believe this condition will have a material adverse effect as the Company's financial condition.

Note 13 - Subsequent Events

Investment in Customer Databases

In October 2000, the Company entered into an option agreement with an entity formed by the sellers of its customer databases described in Note 8. The agreement provides that if the Company has not been able to establish at least 5,000 active telecommunication subscribers from the combined databases by March 30, 2001, the Company has the option to require the entity to repurchase the customer databases from the Company in an amount not below its original investment in such databases through the forgiveness of any outstanding remaining debt and accrued interest which totaled approximately $604,000 at October 2000, with the remainder of the balance made up by the return of Company shares held by the sellers at the then market value. This agreement was reached in an effort by management to protect the Company and its shareholders interests in such customer databases. If the transformation of at least 5,000 names into active customers is not reached by the Company, the Company will be able to recover its original investment in these databases collectively. Management of the Company believes it will be successful in the activation of at least 5,000 customer names. Management believes that the signing of this agreement was a positive step in protecting the investment the Company and its shareholders have made in acquiring these databases.

Item 6. Management's Discussion and Analysis or Plan of Operations

Overview

Prior to July 1, 1999 we were a publicly held shell that had no operations. On August 20, 1999 we acquired all of the net assets of ITHC in exchange for up to 49,041,397 shares of our common stock. These assets primarily consisted of the operating assets of Cognigen Corporation that had previously been acquired on July 1, 1999 by ITHC. On April 14, 2000 we acquired all of the stock of CST in exchange for 2,041,445 shares of our common stock. These acquisitions transformed us into a thriving telecommunications company with specialties in the sale through the Internet of calling cards, various local and long distance services and discount circuit switched telecommunications services. We also provide innovative custom designed service plans.

ITHC was incorporated on July 24, 1998 in Delaware. Since its inception, ITHC had directed its efforts toward the acquisition of assets that would allow it to be engaged in direct and multilevel agency marketing and sale of long distance service and products as well as the switching and transport of voice, fax and data telephone and internet traffic and related services. On July 1, 1999, ITHC acquired the net assets of Cognigen Corporation in exchange for 5,500 shares of ITHC's common stock and a note payable of $300,000. Cognigen Corporation was actively marketing long distance telephone services over the Internet.

On July 12, 2000 we amended our Articles of Incorporation to change our name from Silverthorne Production Company to Cognigen Networks, Inc.

Results of Operations

ITHC was a developmental stage company from its inception on July 24, 1998 through June 30, 1999. During this stage, ITHC generated no revenues and incurred only minimal operational costs. ITHC focused its efforts on the pursuit of the acquisition of business opportunities. On July 1, 1999, ITHC completed the acquisition of all the net assets of Cognigen Corporation in a transaction accounted for as a purchase. Additionally, in a transaction accounted for as a reverse acquisition, ITHC acquired control of us. We were a non-operating public shell corporation. As no operations existed for ITHC for the year ended June 30, 1999, no meaningful comparisons can be made.

For purposes of this Management's Discussion and Analysis or Plan of Operation, we believe that a discussion regarding the major components of our results of operations for the year ended June 30, 2000 will provide a more meaningful basis for analysis.

Fiscal Year Ended June 30, 2000

Total revenue for the year ended June 30, 2000 was $3,779,713, which consisted of $1,138,165 of prepaid calling card revenue, and marketing commissions of $2,598,008 related to commissions received for sales of telecommunication products through links provided from our web site. These revenue streams were acquired in connection with the Cognigen Corporation acquisition. We also generated other revenue of $63,540, which relates primarily to long distance telecommunication revenue generated through callback services for two and a half months from our acquisition of CST.

Our operating costs consist of prepaid cards and pins of $950,727 related to the cost of service provided by third party carriers. Marketing commissions of $1,657,195 are commissions paid to agents associated with the telecommunications product sales commissions received by us through our web site links.

Selling, general and administrative (SG&A) expenses were $8,734,444 for the year ended June 30, 2000. Non-cash stock based compensation charges of $6,052,004 are included in SG&A expenses and are related to stock issued to employees for services valued at $30,000 and stock options issued to non-employees for services valued at $6,022,004 using the Black-Scholes option pricing model. The remainder of SG&A expenses includes salaries, consulting and other professional fees, travel and related costs, and rents for our three offices. Our management believes that our current infrastructure can support increases in capacity of two to three times current sales levels without having to add significant additional costs. There can be no assurances that we will not incur significant additional SG&A costs as a result of future growth.

Depreciation and amortization was $561,510 for the year ended June 30, 2000 and consists of depreciation on furniture and telecommunications equipment and amortization of goodwill and customer databases. These costs are a direct result of our business acquisitions during the year.

Interest expense was $144,492 for the year ended June 30, 2000 resulting in an increase from June 30, 1999 of $76,678, which is a direct result of additional debt assumed in our business acquisitions during the year.

Fiscal Year Ended June 30, 1999

During the fiscal year ended June 30, 1999, we engaged in no significant operations other than the search for, and identification and evaluation of, possible acquisition candidates. No revenue was received by us during the fiscal year. We realized a net loss of $51,283 during the fiscal year ended June 30, 1999.

Liquidity and Capital Resources

We have funded our operations to date from the sale of common stock. At June 30, 2000 we had cash and cash equivalents of $717,344 and working capital of $734,152.

Cash used by us for operating activities during the year ended June 30, 2000 was $2,167,135. Additional sources and uses of cash during the year ended June 30, 2000 include net proceeds of $5,140,087 from stock issuances, debt and capital lease payments of $1,090,914,capital expenditures of $400,594 and acquisition costs of $745,100 related to businesses acquired during the year.

We currently have three notes payable and various capital leases with total outstanding balances of $943,703 at June 30, 2000. Two of the notes are due July 1, 2001 and one is due February 12, 2001. We have maturities of capital leases and notes payable of $421,551 required during the next twelve months

Cash generated from operations was not sufficient to meet our working capital requirements for the year ended June 30, 2000, and may not be sufficient to meet our working capital requirements for the foreseeable future. As a result, we are exploring various bridge financing and/or additional equity financing to meet current operating requirements until operations can generate sufficient cash to become self-sustaining. There can be no assurances that we will be able to secure additional debt or equity financing or that operations will produce adequate cash flows to allow us to meet all of our future obligations. However, management believes that we will be successful in producing sufficient cash flows from all collective sources to continue for the next twelve months.

We have no significant planned capital expenditures covering the next twelve months.

We maintain two customer databases containing archived names with historical records of long distance telecommunication service users, to which we intend to devote substantial efforts during the next twelve months to transform these names into active CST customer accounts. We have been in negotiations with a telemarketing firm to assist in the transformation of these names into active accounts. We anticipate an initial cost of approximately $93,000 for these telemarketing services and have received a verbal commitment from a third party to assist in funding these telemarketing costs, as necessary.

We have also entered into an option agreement with a joint venture consisting of the sellers of the customer databases, which provides that if certain targeted levels of active customers cannot be transformed from the databases, we have has the option to have our original investment in these databases be refunded through the forgiveness of the remaining debt outstanding and the return of our shares. We believe this agreement is a major step in protecting the recoverability of our original investment in these databases.

INTER-AMERICAN TELECOMMUNICATIONS HOLDING CORPORATION
(A Development Stage Company)
(Accounting Acquirer of Silverthorne Production Company)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors
Inter-American Telecommunications
Holding Corporation
Seattle, Washington

We have audited the accompanying consolidated balance sheet of Inter-American Telecommunications Holding Corporation (a development stage company) as of June 30, 1999, and the related consolidated statements of operations, cash flows, and changes in stockholders' equity for the period from inception (July 24, 1998) through June 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Inter-American Telecommunications Holding Corporation as of June 30, 1999, and the consolidated results of its operations, its cash flows and its changes in stockholders' equity for the period from inception (July 24, 1998) through June 30, 1999 in conformity with generally accepted accounting principles.

Denver, Colorado
January 20, 2000
(except for Note 7 which
is dated February 10, 2000)

/s/Comiskey & Company
Comiskey & Company
PROFESSIONAL CORPORATION

INTER-AMERICAN TELECOMMUNICATIONS HOLDING CORPORATION
(A Development Stage Company)
(Accounting Acquirer of Silverthorne Production Company)

Consolidated Balance Sheet
June 30, 1999

Assets

Other assets	
Goodwill	$ 5
Deferred tax	16,531
Customer lists	1,300,015
Total assets	$1,316,551

Liabilities and Stockholders' Equity

Current liabilities	
Interest payable	$ 67,814
Notes payable - related parties	700,000
Total current liabilities	767,814
Notes payable - related parties, due in more than one year	600,000
Stockholders' equity	
Common stock; $0.01 par value, 10,000 shares authorized; 2,000 shares (11,377,137 shares, as adjusted) issued and outstanding	20
Deficit accumulated during the development stage	(51,283)
	(51,263)

Total liabilities and stockholders' equity	$1,316,551

INTER-AMERICAN TELECOMMUNICATIONS HOLDING CORPORATION
(A Development Stage Company)
(Accounting Acquirer of Silverthorne Production Company)

Consolidated Statement of Operations
For the Period July 24, 1998 (Inception) through June 30, 1999

Revenue	$ -
Interest expense	67,814
Loss before income taxes	(67,814)
Income tax benefit	16,531
Net loss	$ (51,283)
Basic and diluted earnings per share	$ (0.01)
Weighted average shares outstanding, as adjusted	11,377,137

INTER-AMERICAN TELECOMMUNICATIONS HOLDING CORPORATION
(A Development Stage Company)
(Accounting Acquirer of Silverthorne Production Company)

Consolidated Statement of Cash Flows
For the Period July 24, 1998 (Inception) through June 30, 1999

Cash flows from operating activities	
Net loss	$ (51,283)
Adjustments to reconcile net income to net cash flows from operating activities	
Deferred tax benefit	(16,531)
Changes in assets and liabilities	
Interest payable	67,814
	51,283
Net cash flows from operating activities	-
Cash flows from investing activities	
Net cash flows from investing activities	-
Cash flows from financing activities	
Net cash flows from financing activities	-
Net change in cash	-
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	$ -

INTER-AMERICAN TELECOMMUNICATIONS HOLDING CORPORATION
(A Development Stage Company)
(Accounting Acquirer of Silverthorne Production Company)

Consolidated Statement of Changes in Stockholders' Equity
For the Period July 24, 1998 (Inception) through June 30, 1999

	Common Stock	Deficit

	Number of Shares As Adjusted	Amount	Accumulated During the Development Stage	Total Stockholders' Equity
Common stock issued for intangible assets, November 4, 1998	$11,377,137	$ 20	$ -	$ 20
Net loss for the period July 24, 1998 to June 30, 1999	-	-	(51,283)	(51,283)
Balance, June 30, 1999	11,377,137	$ 20	$ (51,283)	$(51,263)

INTER-AMERICAN TELECOMMUNICATIONS HOLDING CORPORATION
(A Development Stage Company)
(Accounting Acquirer of Silverthorne Production Company)

Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies and Organization and Presentation

Description of Business and Operations

Inter-American Telecommunications Holding Corporation ("ITHC" or the "Company") was incorporated in the state of Delaware on July 24, 1998. ITHC was organized for the purpose of consolidating the operations of certain enterprises engaged in the commerce and transmission of domestic and international long distance telephone and related services.

During the period ended June 30, 1999, ITHC acquired customer lists from Telkiosk, Inc. ("Telkiosk") and Combined Telecommunications Consultancy, Ltd. ("CTC") that will be utilized to build a customer base for telecommunication sales. These companies were unrelated to ITHC prior to the transaction. As a result of these transactions, Telkiosk and CTC became shareholders of the Company. On November 4, 1998, in a transaction accounted for as a purchase, the Company issued 2,844,285 common shares (as adjusted) to acquire Inter-American Telecommunications Corporation ("ITC"), an unrelated, inactive corporation with no assets or liabilities. The shares were valued at an aggregate consideration of $5, which was recorded as goodwill. ITC will provide backroom support services for the Company's operations. On July 1, 1999, ITHC acquired all of the assets and liabilities of Cognigen Corporation, an on-line marketer of a variety of telecommunications services; see Note 7.

As of June 30, 1999, the Company is in the development stage as defined in Statement of Financial Accounting Standards No. 7 - Accounting and Reporting by Development Stage Enterprises. Since its inception, the Company has geared its efforts toward the acquisition of assets that will allow it to be engaged in direct and multilevel agency marketing and sale of long distance service and products as well as the switching and transport of voice, fax and data telephone and Internet traffic and related services. At June 30, 1999, operations had not commenced.

Customer Lists

Customer databases acquired for debt have been recorded at the face amount of the debt issued in the acquisition. Customer databases will be amortized into income over a period not to exceed 3 years from the migration date.

Long Lived Assets

The Company assesses its long-lived assets for impairment on a quarterly basis. Impairment is considered possible when management's projections of future cash flows to be derived from the long-lived assets are less than the carrying amount of the asset. Impairment is recorded as the difference between the carrying amount of the asset and the present value of projected future cash flows using the Company's incremental borrowing rate.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109 "Accounting for Income Taxes" which requires that deferred income tax expenses be provided based upon estimated future tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes calculated based upon provisions of enacted tax laws.

Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Use of Estimates

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

Loss Per Share

Loss per common share has been computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Shares issued in the initial capitalization of the Company have been treated as outstanding since inception.

Principles of Consolidation

The accompanying financial statements include all of the accounts of the Company and its wholly owned subsidiary, Inter-American Telecommunications Corporation, an inactive corporation with no assets or liabilities. All intercompany amounts have been eliminated in consolidation.

Stockholders' Equity

As more fully explained in footnote 8 to the financial statements, the Company engaged in a reverse acquisition by Silverthorne Production Company whereby the Company received or will receive at the second closing a total of 54,041,397 newly issued Silverthorne common shares. The effect of the transaction is presented in the accompanying financial statements as a pro-rata restatement of ITHC common shares outstanding. Unless otherwise indicated, all ITHC common share and per- share amounts in these financial statements have been restated to reflect a 5,688.57 to 1 increase in the number of common shares outstanding.

Newly Issued Accounting Pronouncements

In June 1998, the FASB issued FAS 133, Accounting for Certain Derivative Instruments and Certain Hedging Activities, which establishes accounting and reporting standards for all derivative instruments and for hedging activities. FAS 133 requires that an entity measure all derivatives at fair value and recognize those derivatives as either assets or liabilities on the balance sheet. The change in a derivative's fair value is generally to be recognized in current period earnings. However, if certain conditions are met, a derivative may be specifically designated as a hedge of an exposure to changes in fair value, variability of cash flows, or certain foreign currency exposures. Based on the hedge designation, special hedge accounting rules allow the derivative's change in value to be recognized either in current period earnings, together with the offsetting change in value of the risk being hedged, or, to the extent the hedge is effective, in comprehensive income and subsequently reclassified into earnings when the hedged item affects earnings.

FAS 133, as amended by FAS 137, is effective for all fiscal years beginning after June 15, 2000 (calendar year 2001), with early adoption permitted. The Company does not currently use derivatives for trading or speculative purposes or for hedging and does not anticipate that the adoption of this standard will have a significant impact on its operating results.

Note 2 - Statements of Cash Flows

There were no cash payments made for interest or income taxes in 1999. Non-cash investing and financing activities consisted of the following:

Issuance of promissory notes	$ 1,300,000
Issuance of common stock	20
Purchase of customer lists	(1,300,015)
Goodwill	(5)

Note 3 - Long-term Debt

At June 30, 1999, the Company had the following notes payable to related parties:

	Current	Long-term
8% unsecured promissory note payable to Telkiosk, with principal and interest due upon maturity at November 4, 1999, partially refinanced to July 1, 2000	$200,000	$300,000
8% unsecured promissory note payable to CTC, with principal and interest due upon maturity at November 4, 1999, partially refinanced to July 1, 2000.	500,000	300,000
	$700,000	$600,000

Note 4 - Income Taxes

The Company computes and records taxes payable based upon determination of taxable income, which is different from pre-tax financial statement income. Such differences arise from the reporting of financial statement amounts in different periods for tax purposes. The timing differences are a result of different accounting methods being used for financial and tax reporting.

The Company's total deferred tax assets, deferred tax liabilities, and deferred tax valuation allowance at June 30, 1999 are as follows:

Deferred tax assets	
Non-benefited tax losses and credits	$ 16,531
Valuation allowance	-
Net deferred tax asset	$ 16,531

The provision for income taxes was different than the amount computed using the statutory income tax rate for the reasons following:

Tax computed at statutory rate	
State taxes	$ 10,172
Valuation allowance	6,359
Income tax benefit	$ 16,531

Note 5 - Commitments and Contingencies

Presentation as a going concern

The Company is in the development stage and at June 30, 1999, had no liquid assets with which to satisfy its acquisition liabilities and ongoing working capital commitments. After year-end, as discussed in Note 8, the Company acquired a controlling interest in Silverthorne Production Company, a publicly traded shell company. Between September and December of 1999, Silverthorne Production Company raised a total of $5.85 million through the sale of its common stock, the proceeds of which will be used to fund ITHC's operating capital requirements, as well as to make additional planned acquisitions.

Note 6 - Related Party Transactions

Acquisition of customer databases

On November 4, 1998, ITHC acquired a customer database of 54,034 individual subscribers from Telkiosk in exchange for 2,844,285, as adjusted shares of ITHC common stock, plus a cash payment of $500,000 in the form of a promissory note payable November 4, 1999 (and subsequently extended until July 1, 2000 as to the remaining $300,000 balance due). Telkiosk is partially owned by Peter Tilyou, a former officer and director of ITHC. This is an electronically archived database containing 54,034 individual, comma-delimited records of residential and business accounts of long distance telephone subscribers using the callback or call-reorigination system. The domiciles of these accounts are located primarily outside the United States, including Japan, Italy, France, Argentina, Brazil, Spain, Israel, Russia and CIS countries, Guatemala, Venezuela and Singapore. The customers in the database use primarily U.S. origination - foreign termination callback long distance services.

Also on November 4, 1998, ITHC acquired a customer database of 41,415 individual subscribers from CTC in exchange for 5,688,570, as adjusted shares of ITHC common stock plus a cash payment of $800,000 in the form of a promissory note payable November 4, 1999 (and subsequently extended until July 1, 2000 as to $300,000 of the remaining balance due). CTC is partially owned by Peter Tilyou, a former officer and director of ITHC. This is an electronically archived database containing 41,415 individual, comma-delimited records of residential and business accounts of long distance telephone subscribers. The domiciles of these accounts are all located within the United States. Approximately 90% of these accounts have an affinity to a foreign country, and the accounts are held by persons of Russian, Romanian, Czech, Slovakian, Slovenian, Polish, Bulgarian, German, Japanese and Filipino national origin.

Migration of customers will commence when the solicitation process is complete. The lists were originally purchased by CTC and Telkiosk in an arm's length transaction from an independent international long distance reseller and customer base consolidator. The purchase price to ITHC was determined with respect to amounts paid or payable to the original seller of the lists.

Note 7 - Subsequent Event

Acquisition of Cognigen Corporation

On July 1, 1999, the Company entered into an agreement with Cognigen Corporation ("Cognigen") to purchase all of Cognigen's assets. The purchase price included 31,286,894, as adjusted shares of ITHC common stock, and a $300,000 note payable due October 1, 1999. The agreement also calls for a four-year employment contract between the Company and Kevin Anderson, the founder of Cognigen with an annual base salary of $175,000. Mr. Anderson was not previously affiliated with ITHC prior to the acquisitions, and will continue with the Company and will perform functions equivalent to that of a chief operating officer. The agreement also calls for the Company to expend a total of $600,000 over a three-year period on business expansion. The transaction will be accounted for as a purchase.

The following Pro Forma combined condensed financial information reflects the acquisition of Cognigen as if it occurred as of July 24, 1998 (the beginning of the period).

Total assets	$ 1,923,583
Total liabilities	1,982,914
Stockholders' equity	(59,331)
Revenues	1,807,401
Net loss	(37,049)
Loss per adjusted share	(0.003)

Acquisition of controlling interest in Silverthorne Production Company

On August 20, 1999, pursuant to a Stock Purchase and Asset Acquisition Agreement by and among Silverthorne Production Company ("Silverthorne"), certain shareholders of Silverthorne, and the Company, ITHC acquired a total of 24,345,384 shares, or approximately 58%, of the outstanding and to be issued shares of common stock of Silverthorne in exchange for all of ITHC's assets and liabilities. In a second closing which is to occur after a meeting of the shareholders of Silverthorne, ITHC will receive an additional 37,298,444 Silverthorne common shares. Silverthorne is a publicly traded shell company with no assets or liabilities prior to the transaction with ITHC as described herein.

Of the shares acquired in August, 11,742,953 were acquired directly from Silverthorne and 12,602,431 shares were acquired from certain shareholders of Silverthorne in exchange for $190,000 in cash and 1,706,571, as adjusted shares of ITHC common stock.

The transaction will be accounted for as a reverse acquisition, with ITHC being the accounting acquirer of Silverthorne. Unless otherwise indicated, all share and per share amounts in the accompanying financial statements have been restated to reflect the issuance by Silverthorne of a total of 54,041,397 common shares to ITHC in the transaction, which equates to a total of 5,688.57 shares of Silverthorne for each outstanding common share of ITHC.

Shares issued for employment agreements

On July 22, 1999 ITHC executed one-year employment agreements for the positions of Chief Operating Officer ("COO") and Chief Financial Officer ("CFO"). Included in these agreements were the rights to receive 11,377,366, as adjusted shares of ITHC common stock in consideration of past services. On July 22, 1999, shares were issued and have been valued at $30,000 or .003 per share (as adjusted), which approximated market value at the date of issue.

Aquila Agreement

On July 22, 1999, ITHC entered into a three-year carrier service agreement with Aquila International Telecommunications, Inc. ("Aquila"), a company partially owned by Jimmy Boswell and David G. Lucas who are officers and directors of the Company. ITHC provided an advance payment of $400,000 in connection with this agreement.

In January 2000, Silverthorne entered into a letter of intent to acquire Aquila, subject to the execution of a definitive agreement and other conditions.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors
Cognigen Corporation
Seattle, Washington

We have audited the accompanying balance sheets of Cognigen Corporation as of June 30, 1999 and 1998, and the related statements of income and retained earnings, and cash flows for each of 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Cognigen Corporation as of June 30, 1999 and 1998, and the results of its operations and its cash flows for each of the years then ended in conformity with generally accepted accounting principles.

Denver, Colorado
January 20, 2000

/s/Comiskey & Company
Comiskey & Company
PROFESSIONAL CORPORATION

COGNIGEN CORPORATION
(A Business Acquired by Inter-American Telecommunications Holding Corporation)

Balance Sheets

	June 30, 1999	June 30, 1998
Assets		
Current assets		
Cash and cash equivalents	$ 21,248	$ 14,390
Commissions receivable	279,507	19,956
Inventory	25,076	38,301
Prepaid excise taxes	752	1,149
Total current assets	326,583	73,796
Equipment - at cost		
Telephone system	3,035	-
Computers	17,804	-
Furniture	790	-
Capitalized software	125,000	125,000
	146,629	125,000
Less accumulated depreciation	(67,273)	(37,500)
	79,356	87,500
Other assets		
Deferred income tax asset	74	2,718
Deposits	1,500	-
	1,574	2,718
Total assets	$ 407,513	$ 164,014
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 1,024	$ -
Commissions payable	184,268	40,346
Deferred revenue	71,763	31,451
Income taxes payable	13,770	2,032
Payroll taxes payable	50,403	22,918
Total current liabilities	321,228	96,747
Stockholders' equity		
Common stock; $0.01 par value, 100,000 shares		

authorized; 91,000 shares issued and outstanding	910	910
Additional paid-in capital	124,100	124,100
Retained deficit	(38,725)	(57,743)
Total stockholders' equity	86,285	67,267
Total liabilities and stockholders' equity	$ 407,513	$ 164,014

See notes to financial statements.

COGNIGEN CORPORATION
(A Business Acquired by Inter-American Telecommunications Holding Corporation)

Statements of Income and Retained Earnings

	For the Years Ended June 30,	
	1999	1998
Revenues		
Commission income	$ 765,416	$ 615,090
Calling card sales	1,041,985	237,113
	1,807,401	852,203
Cost of revenues		
Commissions	553,086	409,657
Calling card cost of revenue	679,864	110,268
	1,232,950	519,925
Gross profit	574,451	332,278
Selling, general and administrative expenses	541,051	381,885
Income (loss) before income taxes	33,400	(49,607)
Provision for income taxes	14,382	(1,918)
Net income (loss)	19,018	(47,689)
Retained deficit		
Balance, beginning of the year	(57,743)	(10,054)
Balance, end of year	$ (38,725)	$ (57,743)
Basic earnings per share	$ .21	$ (.52)

See notes to financial statements.

COGNIGEN CORPORATION
(A Business Acquired by Inter-American Telecommunications Holding Corporation)

Statements of Cash Flows

	For the Years Ended June 30,	
	1999	1998
Cash flows from operating activities		
Net income (loss)	$ 19,018	$ (47,689)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	29,773	25,000
Deferred income taxes	2,644	(2,718)
Changes in assets and liabilities		
Commissions receivable	(259,551)	58,824
Inventory	13,225	(38,301)
Prepaid excise taxes	397	(1,149)

Deposits	(1,500)	-
Accounts payable	1,024	(579)
Commissions payable	143,922	(20,783)
Deferred revenue	40,312	31,451
Income taxes payable	11,738	800
Payroll taxes payable	27,485	22,918
	9,469	75,463
Net cash provided by operating activities	28,487	27,774
Cash flows from investing activities		
Acquisition of equipment	(21,629)	-
Net cash used by investing activities	(21,629)	-
Cash flows from financing activities		
Net cash provided by financing activities	-	-
Net increase in cash	6,858	27,774
Cash and cash equivalents, beginning of year	14,390	(13,384)
Cash and cash equivalents, end of year	$ 21,248	$ 14,390

See notes to financial statements.

COGNIGEN CORPORATION
(A Business Acquired by Inter-American Telecommunications Holding Corporation)

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies and Organization and Presentation

Description of Business and Operations

Cognigen Corporation, previously Cognigen Communications, was incorporated in the state of Nevada in February 1998. Cognigen's predecessor, Cognigen Communications, was incorporated in the state of California in February 1997. All references to the "Company" or "Cognigen" refer to Cognigen Corporation and include its predecessor. Cognigen is an on-line marketer of a variety of telecommunication services.

Telecommunication services that are offered for sale include both domestic and international long distance, international callback service, high bandwidth web hosting service, IP telephony service and prepaid calling cards. Services other than prepaid calling cards are provided by telecommunication companies with which Cognigen has on-going relationships. Commissions are paid to Cognigen based on the sale and usage of these telecommunication services. The commission rates vary among the providers. Calling cards are purchased from various vendors at a discount from the face value. Revenue is generated upon the sale of the calling cards.

Cognigen services are marketed via a network of over thirty thousand agents worldwide. Each agent has a personalized Web page that is accessed by customers and potential customers looking for lower cost telecommunication services. Commissions are paid on a sliding scale to agents on both direct and downlink sales.

Revenue Recognition

The Company records commission income when the underlying telecommunication service is rendered. Commission income does not include amounts paid separately to carriers for telecommunication services provided.

Calling card revenue is recorded when the calling cards are shipped. The Company's policy is to delay shipment of calling cards for a two-week period after receipt of cash to allow for processing. This delay results in deferred revenue, which is recorded as liability until the calling cards are shipped. Calling card revenues include amounts paid for the cost of the telecommunication services provided by third-party carriers.

General and administrative expenses are charged as incurred to periodic income.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Commissions Receivable

Commissions receivable represent amounts due from providers for telecommunication services used by subscribers. Typically providers pay commissions due to Cognigen forty-five days after the usage month end to allow for billing and collection.

No allowance for doubtful accounts has been established by the Company and no bad debt expense has been recorded in either 1998 or 1999.

Inventory

Inventory consists of prepaid calling cards held for resale and is valued at the lower of cost or market. Calling cards are purchased from a variety of vendors at a discount from the face value. Excise tax of 3% of the face value is paid at the time of purchase. When the calling card is sold, the excise tax is collected and offset against the prepaid excise tax.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Telephone system	5 years
Computers	3 years
Furniture	5 years
Capitalized software	5 years

Software developed to support the self-replicating Web pages used to market telecommunication services and administer agents' sales and related commissions has been capitalized according to the provisions of AICPA Statement of Position 98-1 "Accounting for Costs of Computer Software Developed or Obtained for Internal Use". Such software was contributed in exchange for stock in the Company in February 1997.

Commissions Payable

Commissions payable represent amounts due to agents as commission related to the usage for which the Company is due commission income from its providers. It is the Company's policy to pay commission to its agents only after receiving commission due from its providers. This policy results in approximately two months commission payable as of each year-end.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109 "Accounting for Income Taxes" which requires that deferred income tax expenses be provided based upon estimated future tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes calculated based upon provisions of enacted tax laws.

Concentration of Credit Risk

The Company sells the telecommunication services of various providers. Based on the sales efforts of the Company's agents, a concentration of revenue and/or receivables can arise at various times. As of June 30, 1999 and 1998, commissions receivable from two providers comprised 64% and 95%, respectively, of the total commissions receivable. For the year ended June 30, 1998, 97% of commission income was generated from one provider. For the year ended June 30, 1999, this provider's proportionate share of revenue had decreased to 21%, while a new provider contributed 42% of the total revenue.

Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Use of Estimates

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

Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards No. 128 Earnings per Share" (SFAS No. 128) that requires the calculation of basic earnings per common share, which is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period, and diluted earnings per common share, which is computed using the weighted average number of shares of common stock and common stock equivalents.

Note 2 - Statements of Cash Flows

There were no cash payments made for interest or income taxes in either 1999 or 1998.

Note 3 - Income Taxes

The Company computes and records taxes payable based upon determination of taxable income, which is different from pre-tax financial statement income. Such differences arise from the reporting of financial statement amounts in different periods for tax purposes. The timing differences are a result of different accounting methods being used for financial and tax reporting.

The components of income tax expense (benefit) are:

	June 30, 1999	June 30, 1998
Taxes currently payable	$ 11,738	$ 800
Change in deferred tax assets	2,644	(2,718)
	$ 14,382	$ (1,918)

The Company's total deferred tax assets, deferred tax liabilities, and deferred tax valuation allowance at June 30, 1999 and 1998 are as follows:

	June 30, 1999	June 30, 1998
Deferred tax assets		
Deductible temporary differences	$ 74	$ -
Non-benefited tax losses and credits	-	2,718
Total deferred tax assets	74	2,718
Net deferred tax assets	$ 74	$ 2,718

The provision for income taxes was different than the amount computed using the statutory income tax rate for the reasons following:

	June 30, 1999	June 30, 1998
Tax computed at statutory rate	$ 5,010	$ (7,441)
State taxes	5,744	-
Other, non-deductible expenses	3,628	5,523
Provision for income taxes	$ 14,382	$ (1,918)

Note 5 - Commitments and Contingencies

The Company leases certain office space under an operating lease expiring September 30, 1999 with monthly payments of $900 and an option to renew on a month-to-month basis at $945 per month. Total expense for the years ended June 30, 1999 and 1998 was $7,815 and $0, respectively.

The Company is not involved in any lawsuits or litigation.

Note 6 - Related Parties

Prior to October 1, 1998, the corporate offices of the Company were in the personal residence of the two of the Company's directors. No rent was charged for the use of the space.

Note 7 - Subsequent Event

On July 1, 1999, the Company entered into an agreement with Inter-American Telecommunications Corporation ("ITHC") to sell all of its assets to ITHC. The purchase price included 31,286,894 shares of ITHC common stock (as adjusted for ITHC's reverse acquisition of Silverthorne Production Company, see notes to the ITHC financial statements at June 30, 1999), and a $300,000 note payable due October 1, 1999. The agreement also calls for a four-year employment contract between ITHC and Kevin Anderson, Cognigen's founder, who was not related to ITHC prior to the acquisition.

ITHC was incorporated on July 24, 1998 and had no operations during the year ended June 30, 1999. Proforma financial results would include only the results of operations of Cognigen.

EXHIBIT B

COGNIGEN NETWORKS, INC.

2001 INCENTIVE AND NONSTATUTORY STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this 2001 Incentive and Nonstatutory Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to the Employees and Consultants of the Company and to promote the success of the Company's business. Options granted hereunder may be either "incentive stock options," as defined in Section 422 of the Internal Revenue Code of 1986, as amended, or "non-statutory stock options," at the discretion of the Board and as reflected in the terms of the written stock option agreement.

2. Definitions. As used herein, the following definitions shall apply:

a. "Board" shall mean the Committee, if one has been appointed, or the Board of Directors of the Company if no Committee is appointed.

b. "Code" shall mean the Internal Revenue Code of 1986, as amended.

c. "Common Stock" shall mean the $0.001 par value common stock of the Company.

d. "Company" shall mean Cognigen Networks, Inc., a Colorado corporation.

e. "Committee" shall mean the Committee appointed by the Board in accordance with paragraph (a) of Section 4 of the Plan, if one is appointed, or the Board if no committee is appointed.

f. "Consultant" shall mean any person who is engaged by the Company or any Subsidiary to render consulting services and is compensated for such consulting services, but does not include a director of the Company who is compensated for services as a director only with the payment of a director's fee by the Company.

g. "Continuous Status as an Employee" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of sick leave, military leave, or any other leave of absence approved by the Board; provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

h. "Employee" shall mean any person, including officers and directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a director's fee by the Company shall not be sufficient to constitute "employment" by the Company.

i. "Incentive Stock Option" shall mean an Option, which is intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

j. "Non-Employee Director" shall mean a director who:

(i) Is not currently an officer (as defined in Section 16a-1(f) of the Securities Exchange Act of 1934, as amended) of the Company or a Parent or Subsidiary of the Company, or otherwise currently employed by the Company or a Parent or Subsidiary of the Company.

(ii) Does not receive compensation, either directly or indirectly, from the Company or a Parent or Subsidiary of the Company, for services rendered as a Consultant or in any capacity other than as a director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Item 404(a) of Regulation S-K adopted by the United States Securities and Exchange Commission.

(iii) Does not possess an interest in any other transaction for which disclosure would be required pursuant to Item 404(a) of Regulation S-K adopted by the United States Securities and Exchange Commission.

k. "Nonstatutory Stock Option" shall mean an Option granted under this Plan, which does not qualify as an Incentive Stock Option. To the extent that the aggregate fair market value of Optioned Stock to which Incentive Stock Options granted under Options to an Employee are exercisable for the first time during any calendar year (under the Plan and all plans of the Company or any Parent or Subsidiary) exceeds $100,000, such Options shall be treated as Nonstatutory Stock Options under the Plan. The aggregate fair market value of the Optioned Stock shall be determined as of the date of grant of each Option and the determination of which Incentive Stock Options shall be treated as qualified incentive stock options under Section 422 of the Code and which Incentive Stock Options exercisable for the first time in a particular year in excess of the $100,000 limitation shall be treated as Nonstatutory Stock Options shall be determined based on the order in which such Options were granted in accordance with Section 422(d) of the Code.

l. "Option" shall mean an Incentive Stock Option, a Nonstatutory Stock Option or both.

m. "Optioned Stock" shall mean the Common Stock subject to an Option.

n. "Optionee" shall mean an Employee or other person who is granted an Option.

o. "Parent" shall mean a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

p. "Plan" shall mean this 2000 Incentive and Nonstatutory Stock Option Plan.

q. "Share" shall mean a share of the Common Stock of the Company, as adjusted in accordance with Section 11 of the Plan.

r. "Stock Option Agreement" shall mean the agreement to be entered into between the Company and each Optionee which shall set forth the terms and conditions of each Option granted to each Optionee, including the number of Shares underlying such Option and the exercise price of each Option granted to such Optionee under such agreement.

s. "Subsidiary" shall mean a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 11 of the Plan, the maximum aggregate number of Shares, which may be optioned and sold under the Plan, is 5,000,000 shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock. If an Option should expire or become unexercisable for any reason without having been exercised in full, the unpurchased Shares which were subject thereto shall, unless the Plan shall have been terminated, become available for future grant under the Plan.

4. Administration of the Plan.

a. Procedure. The Plan shall be administered by the Board or a Committee appointed by the Board consisting of two or more Non-Employee Directors to administer the Plan on behalf of the Board, subject to such terms and conditions as the Board may prescribe.

(i) Once appointed, the Committee shall continue to serve until otherwise directed by the Board (which for purposes of this paragraph (a)(i) of this Section 4 shall be the Board of Directors of the Company). From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefore, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

(ii) Members of the Board who are granted, or have been granted, Options may vote on any matters affecting the administration of the Plan or the grant of any Options pursuant to the Plan.

b. Powers of the Board. Subject to the provisions of the Plan, the Board shall have the authority, in its discretion:

(i) To grant Incentive Stock Options and Nonstatutory Stock Options or both as provided and identified in a separate written Stock Option Agreement to each Optionee granted such Option or Options under the Plan; provided however, that in no event shall an Incentive Stock Option and a Nonstatutory Stock Option granted to any Optionee under a single Stock Option Agreement be subject to a "tandem" exercise arrangement such that the exercise of one such Option affects the Optionee's right to exercise the other Option granted under such Stock Option Agreement;

(ii) To determine, upon review of relevant information and in accordance with Section 8(b) of the Plan, the fair market value of the Common Stock;

(iii) To determine the exercise price per Share of Options to be granted, which exercise price shall be determined in accordance with Section 8(a) of the Plan;

(iv) To determine the Employees or other persons to whom, and the time or times at which, Options shall be granted and the number of Shares to be represented by each Option;

(v) To interpret the Plan;

(vi) To prescribe, amend and rescind rules and regulations relating to the Plan;

(vii) To determine the terms and provisions of each Option granted (which need not be identical) and, with the consent of the holder thereof, modify or amend each Option;

(viii) To accelerate or defer (with the consent of the Optionee) the exercise date of any Option, consistent with the provisions of Section 7 of the Plan;

(ix) To authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option previously granted by the Board; and

(x) To make all other determinations deemed necessary or advisable for the administration of the Plan.

c. Effect of Board's Decision. All decisions, determinations and interpretations of the Board shall be final and binding on all Optionees and any other permissible holders of any Options granted under the Plan.

5. Eligibility.

a. Persons Eligible. Options may be granted to any person selected by the Board. Incentive Stock Options may be granted only to Employees. An Employee, who is also a director of the Company, its Parent or a Subsidiary, shall be treated as an Employee for purposes of this Section 5. An Employee or other person who has been granted an Option may, if he is otherwise eligible, be granted an additional Option or Options.

b. No Effect on Relationship. The Plan shall not confer upon any Optionee any right with respect to continuation of employment or other relationship with the Company nor shall it interfere in any way with his right or the Company's right to terminate his employment or other relationship at any time.

6. Term of Plan. The Plan became effective on the date the Plan is approved by the shareholders of the Company in accordance with Section 422 of the Code. It shall continue in effect until a date that is 10 years after such approval, unless sooner terminated under Section 13 of the Plan.

7. Term of Option. The term of each Option shall be 10 years from the date of grant thereof or such shorter term as may be provided in the Stock Option Agreement. However, in the case of an Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, if the Option is an Incentive Stock Option, the term of the Option shall be five years from the date of grant thereof or such shorter time as may be provided in the Stock Option Agreement.

8. Exercise Price and Consideration.

a. Exercise Price. The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Board, but the per Share exercise price under an Incentive Stock Option shall be subject to the following:

(i) If granted to an Employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall not be less than 110% of the fair market value per Share on the date of grant.

(ii) If granted to any other Employee, the per Share exercise price shall not be less than 100% of the fair market value per Share on the date of grant.

b. Determination of Fair Market Value. The fair market value per Share on the date of grant shall be determined as follows:

(i) If the Common Stock is listed on the New York Stock Exchange, the American Stock Exchange or such other securities exchange designated by the Board, or admitted to unlisted trading privileges on any such exchange, or if the Common Stock is quoted on a National Association of Securities Dealers, Inc. system that reports closing prices, the fair market value shall be the closing price of the Common Stock as reported by such exchange or system on the day the fair market value is to be determined, or if no such price is reported for such day, then the determination of such closing price shall be as of the last immediately preceding day on which the closing price is so reported;

(ii) If the Common Stock is not so listed or admitted to unlisted trading privileges or so quoted, the fair market value shall be the average of the last reported highest bid and the lowest asked prices quoted on the National Association of Securities Dealers, Inc. Automated Quotations System or, if not so quoted, then by the National Quotation Bureau, Inc. on the day the fair market value is determined; or

(iii) If the Common Stock is not so listed or admitted to unlisted trading privileges or so quoted, and bid and asked prices are not reported, the fair market value shall be determined in such reasonable manner as may be prescribed by the Board.

c. Consideration and Method of Payment. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Board and may consist entirely of cash, check, other shares of Common Stock having a fair market value on the date of exercise equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, or any combination of such methods of payment, or such other consideration and method of payment for the issuance of Shares to the extent permitted under the Colorado Business Corporation Act.

9. Exercise of Option.

a. Procedure for Exercise: Rights as a Shareholder. Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Board, including performance criteria with respect to the Company and/or the Optionee, and as shall be permissible under the terms of the Plan.

In the sole discretion of the Board, at the time of the grant of an Option or subsequent thereto but prior to the exercise of an Option, an Optionee may be provided with the right to exchange, in a cashless transaction, all or part of the Option for Common Stock of the Company on terms and conditions determined by the Board.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment, as authorized by the Board, may consist of a consideration and method of payment allowable under Section 8(c) and this Section 9(a) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of the duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares, which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

b. Termination of Status as an Employee. In the case of an Incentive Stock Option, if any Employee ceases to serve as an Employee, he may, but only within such period of time not exceeding three months as is determined by the Board at the time of grant of the Option after the date he ceases to be an Employee, exercise his Option to the extent that he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise the Option at the date of such termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

c. Disability of Optionee. In the case of an Incentive Stock Option, notwithstanding the provisions of Section 9(b) above, in the event an Employee is unable to continue as an Employee as a result of his total and permanent disability (as defined in Section 22(e)(3) of the Code), he may, but only within such period of time not exceeding 12 months as is determined by the Board at the time of grant of the Option from the date of termination, exercise his Option to the extent he was entitled to exercise it at the date of such termination. To the extent that he was not entitled to exercise the Option at the date of termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

d. Death of Optionee. In the case of an Incentive Stock Option, in the event of the death of the Optionee:

(i) During the term of the Option if the Optionee was at the time of his death an Employee and had been in Continuous Status as an Employee or Consultant since the date of grant of the Option, the Option may be exercised, at any time within 12 months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the

Optionee continued living and remained in Continuous Status as an Employee 12 months after the date of death; or

(ii) Within such period of time not exceeding three months as is determined by the Board at the time of grant of the Option after the termination of Continuous Status as an Employee, the Option may be exercised, at any time within 12 months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

10. Non-transferability of Options. Unless permitted by the Code, in the case of an Incentive Stock Option, the Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent and distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Adjustments Upon Changes in Capitalization or Merger. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Option, and the number of Shares which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of any Option, as well as the price per Share covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option.

In the event of the proposed dissolution or liquidation of the Company, the Option will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. In the event of the proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation in a transaction in which the Company is not the survivor, the Option shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the Optionee shall have the right to exercise the Option as to all of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable. If the Board makes an Option fully exercisable in lieu of assumption or substitution in the event of such a merger or sale of assets, the Board shall notify the Optionee that the Option shall be fully exercisable for a period of 30 days from the date of such notice, and the Option will terminate upon the expiration of such period.

12. Time of Granting Options. The date of grant of an Option shall, for all purposes, be the date on which the Board makes the determination granting such Option. Notice of the determination shall be given to each Employee or other person to whom an Option is so granted within a reasonable time after the date of such grant. Within a reasonable time after the date of the grant of an Option, the Company shall enter into and deliver to each Employee or other person granted such Option a written Stock Option Agreement as provided in Sections 2(r) and 16 hereof, setting forth the terms and conditions of such Option.

13. Amendment and Termination of the Plan.

a. Amendment and Termination. The Board may amend or terminate the Plan from time to time in such respects as the Board may deem advisable; provided that, the following revisions or amendments shall require approval of the shareholders of the Company holding a majority of the outstanding voting stock of the Company, who are present or represented and entitled to vote thereon, or by unanimous written consent of the shareholders:

(i) An increase in the number of Shares subject to the Plan above the number of Shares set forth in Section 3 of the Plan, other than in connection with an adjustment under Section 11 of the Plan;

(ii) Any change in the designation of the class of Employees eligible to be granted Incentive Stock Options; or

(iii) Any material amendment under the Plan that would have to be approved by the shareholders of the Company for the Board to continue to be able to grant Incentive Stock Options under the Plan.

b. Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if the Plan had not been amended or terminated, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company.

14. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, applicable state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of legal counsel for the Company with respect to such compliance.

As a condition to the existence of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares and such other representations and warranties which in the opinion of legal counsel for the Company, are necessary or appropriate to establish an exemption from the registration requirements under applicable federal and state securities laws with respect to the acquisition of such Shares.

15. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any Share hereunder, shall relieve the Company of any liability relating to the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

16. Option Agreement. Each Option granted to an Employee or other persons shall be evidenced by a written Stock Option Agreement in such form as the Board shall approve.

17. Information to Optionees. The Company shall provide to each Optionee, during the period for which such Optionee has one or more Options outstanding, copies of all annual reports and other information, which are provided to all shareholders of the Company. The Company shall not be required to provide such information if the issuance of Options under the Plan is limited to key employees whose duties in connection with the Company assure their access to equivalent information.

18. Gender. As used herein, the masculine, feminine and neuter genders shall be deemed to include the others in all cases where they would so apply.

19. CHOICE OF LAW. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY AND INTERPRETATION OF THIS PLAN AND THE INSTRUMENTS EVIDENCING OPTIONS WILL BE GOVERNED BY THE INTERNAL LAW, AND NOT THE LAW OF CONFLICTS, OF THE STATE OF DELAWARE.

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this Plan effective as of ______________, 2001.

COGNIGEN NETWORKS, INC.,
a Colorado corporation

By:

Darrell H. Hughes, President