

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

WASATECH INTERACTIVE LEARNING CORP

CIK: **917300** | IRS No.: **911253514** | State of Incorporation: **WA** | Fiscal Year End: **0430**
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 16, 2000

Wasatch Interactive Learning Corporation

(Exact name of registrant as specified in its charter)

Washington

000-23180

911253514

(State or Other Jurisdiction (Commission File Number (IRS Employer Ident. No.)
of Incorporation)

5250 South Commerce Drive, Suite 101, Salt Lake City, Utah 84107

(Address of Principal Executive Offices) (Zip Code)

(801) 261-1001

Registrant's telephone number, including area code

N/A

Former Name, if Changed Since Last Report

N/A

Former Address, if Changed Since Last Report

Item 5. Other Events

On March 16, 2000, Wasatch Interactive Learning Corporation (the "Company") entered into an agreement (the "Securities Purchase Agreement") with Brock Road, LLC, a Cayman Islands limited liability company, to sell a 7% convertible debenture (the "Debenture"), and warrants to purchase 196,078 shares of the Company's common stock (the "Warrants") for a total purchase price of \$4,000,000. The Company intends to use the net proceeds of approximately \$3,560,000 for expansion of its direct sales force, delivery over the Internet of its comprehensive educational software product offering, and the balance for working capital. The securities were offered and sold pursuant to an exemption from registration under Regulation D under the Securities Act.

The Debenture matures on March 16, 2003 and is convertible at any time prior to maturity into shares of the Company's common stock at a per share price equal to the lesser of (i) \$6.25 or (ii) 80% of the average closing bid price of any five (5) non-consecutive trading days during a twenty (20) day trading period, and is subject to earlier redemption by the Company. The Warrants have an exercise price of \$5.31 per share and expire on March 16, 2005.

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Pursuant to the Securities Purchase Agreement, the Company entered into a Registration Rights Agreement, whereby the Company committed to file, within 30 days of the funding on March 21, 2000, a registration statement for the common stock underlying the Debenture (including interest) and the Warrants, and the Company must use its best efforts to cause the registration statement to become effective within 120 days of the closing or otherwise be subject to penalties.

The Company also announced the completion of an interim funding of \$950,000 consisting of 158,334 shares of Common Stock sold at \$6.00 per share. The shares were sold to a group of private investors and the proceeds are being used for expansion of the Company's direct sales force and working capital.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

99.1. Securities Purchase Agreement dated as of March 16, 2000 by and between the Company and Brock Road, LLC.

99.2. 7% Convertible Debenture due March 16, 2003.

99.3. Common Stock Purchase Warrant.

99.4. Registration Rights Agreement dated as of March 16, 2000 by and between the Company and Brock Road, LLC.

SIGNATURE

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

WASATCH INTERACTIVE
LEARNING CORPORATION
(Registrant)

Date: April 4, 2000

By: /s/ _____
Barbara Morris, President

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT, dated as of March 16, 2000, is entered into by and between Wasatch Interactive Learning Corporation, a Washington corporation, with headquarters located at 5250 South Commerce Drive, Suite 101, Salt Lake City, UT 84107 (the "Company"), and the undersigned (referred to individually as the "Buyer" and collectively as the "Buyers").

W I T N E S S E T H:

WHEREAS, the Company and the Buyers are executing and delivering this Agreement in accordance with and in reliance upon the exemption from securities registration afforded, inter alia, by Rule 506 under Regulation D ("Regulation D") as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), and/or Section 4(2) of the Securities Act;

WHEREAS, in consideration of the foregoing, the Buyers desire to purchase, upon the terms and subject to the conditions of this Agreement, a 7% Secured Convertible Debenture, in the principal amount of \$4,000,000, issued by the Company (which may be issued to each individual Buyer in series) (the "Debentures"), the form of which is attached hereto as Annex I, which will be convertible into shares of Common Stock, par value \$0.0001 per share of the Company (the "Common Stock"), together with the Common Stock Purchase Warrants described herein (the "Warrants"), upon the terms and subject to the conditions of such Debenture, and subject to acceptance of this Agreement by the Company;

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. AGREEMENT TO PURCHASE; PURCHASE PRICE.

a. Purchase; Certain Definitions. (i) The undersigned hereby agrees to purchase from the Company the Debentures in the amount set forth on the signature page of this Agreement, out of a total offering of Debentures in the principal amount of \$4,000,000, and having the terms and conditions set forth therein. The form of Debenture is attached hereto as Annex I (the "Debenture"). The purchase price for the Debenture shall be as set forth on the signature page hereto (the "Purchase Price") and shall be payable in United States Dollars.

(ii) As used herein, the term "Securities" means the Debentures, the Warrants and the Common Stock issuable upon conversion of the Debentures and the exercise of the Warrants.

b. Form of Payment. The Buyer shall pay the Purchase Price for the Debentures by delivering immediately available good funds in United States Dollars to the escrow agent (the "Escrow Agent") identified in the Joint Escrow Instructions attached hereto as Annex II (the "Joint Escrow Instructions"). No later than the Closing Date (as defined below), the Company shall deliver the original Debentures duly executed on behalf of the Company to the Escrow Agent. By signing this Agreement, the Buyer and the Company, and subject to acceptance by the Escrow Agent, each agrees to all of the terms and conditions of, and becomes a party to, the Joint Escrow Instructions, all of the provisions of which are incorporated herein by this reference as if set forth in full.

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c. Method of Payment. Payment into escrow of the Purchase Price for the Debentures shall be made by wire transfer of funds to:

City National Bank
1950 Avenue of the Stars
Los Angeles, CA 90067

ABA# 122016066
For credit to the account of Law Office
of Michael S. Rosenblum
Escrow for Brock Street, LLC
Account No.: 009477772

Not later than 1:00 p.m., PST time, on the date which is one (1) New York Stock Exchange trading day after the Company shall have accepted this Agreement and returned a signed counterpart of this Agreement to the Escrow Agent by facsimile, each Buyer shall deposit with the Escrow Agent the purchase price for the Debenture being acquired by it, in immediately available funds. Time is of the essence with respect to such payment, and failure by the Buyer to make such payment shall allow the Company to cancel this Agreement.

d. Escrow Property. The Purchase Price and the Debentures delivered to the Escrow Agent as contemplated by Sections 1(b) and (c) hereof are referred to as the "Escrow Property."

2. BUYER REPRESENTATIONS, WARRANTIES, ETC.; ACCESS TO INFORMATION; INDEPENDENT INVESTIGATION.

Each Buyer represents and warrants to, and covenants and agrees with, the Company as follows:

a. Without limiting Buyer's right to sell the Common Stock pursuant to the Registration Statement (as that term is defined in the Registration Rights Agreement defined below), the Buyer is purchasing the Debenture and will be acquiring the shares of Common Stock issuable upon

conversion of the Debenture or the exercise of the Warrant (the "Converted Shares") for its own account for investment, and not with a view towards the public sale or distribution thereof and not with a view to or for sale in connection with any distribution thereof.

b. The Buyer is (i) an "accredited investor" as that term is defined in Rule 501 of the General Rules and Regulations under the Securities Act by reason of Rule 501(a)(3), (ii) experienced in making investments of the kind described in this Agreement and the related documents, (iii) able, by reason of the business and financial experience of its officers (if an entity) and professional advisors (who are not affiliated with or compensated in any way by the Company or any of its affiliates or selling agents), to protect its own interests in connection with the transactions described in this Agreement, and the related documents, and (iv) able to afford the entire loss of its investment in the Securities.

c. All subsequent offers and sales of the Debenture and the shares of Common Stock representing the Converted Shares (such Common Stock sometimes referred to as the "Shares") by the Buyer shall be made pursuant to registration of the Shares under the Securities Act or pursuant to an exemption from registration.

d. The Buyer understands that the Debenture is being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Debenture.

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e. The Buyer and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Debenture and the offer of the Shares which have been requested by the Buyer. The Buyer and its advisors, if any, have been afforded the opportunity to ask questions of the Company and have received complete and satisfactory answers to any such inquiries. Without limiting the generality of the foregoing, the Buyer has also had the opportunity to obtain and to review (i) the Company's annual report on Form 10-KSB for the year ending April 30, 1999, (ii) the Company's reports on Form 10-QSB for the periods ending July 31, 1999, and October 30, 1999 (the "SEC Reports");

f. The Buyer understands that its investment in the Securities involves a high degree of risk.

g. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed on or

made any recommendation or endorsement of the Securities.

h. This Agreement has been duly and validly authorized, executed and delivered on behalf of the Buyer and is a valid and binding agreement of the Buyer enforceable in accordance with its terms, subject as to enforceability to general principles of equity and to bankruptcy, insolvency, moratorium and other similar laws affecting the enforcement of creditors' rights generally.

i. Notwithstanding the provisions hereof or of the Debenture, in no event (except with respect to an automatic conversion of the Debenture as provided therein) shall each Buyer be entitled to convert any Debenture to the extent that, after such conversion, the sum of (1) the number of shares of Common Stock beneficially owned by such Buyer and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Debenture), and (2) the number of shares of Common Stock issuable upon the conversion of the Debenture with respect to which the determination of this proviso is being made, would result in beneficial ownership by such Buyer and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Any issuance by the Company to the Buyer in excess of the limit contained in this Paragraph 2.i. shall be null and void, ab initio, and upon notice of such invalid issuance, the Company shall correct its books and cause its transfer agent's books to be corrected forthwith to reflect that the Buyer's ownership of Common Stock is within the limit set forth herein. Buyer shall immediately deliver any certificates for invalidly issued Common Stock to the Company's transfer agent. The Company further agrees to (i) immediately reissue certificates for Common Stock to the extent that a portion of the Common Stock represented by said certificates have been validly issued and (ii) immediately reissue all or a portion of those shares which were deemed invalidly issued (at a price set forth in the original conversion notices applicable to such shares) upon notice from the Buyer that the reissuance of such shares would not cause such Buyer to have a beneficial ownership interest in excess of 4.99%. The Company hereby indemnifies and holds Holder free and harmless in connection with any and all liabilities, losses, costs and expenses, including, without limitation, attorneys' fees and costs arising from or relating to claims made by any third parties alleging that any Holder has violated Sections 13(d) and/or 16, to the extent such violation is premised on the fact that, notwithstanding this Section 4.E., the Holder is the beneficial owner of all of the shares of Common Stock which would be issuable, from time to time, if Holder converted the entire principal and interest balance of the Debenture.

j. Buyer represents that it neither is nor will be obligated for any finders' fee or commission nor is it aware of any such fee or commission payable in connection with this transaction other than as set forth on the Joint

Escrow Instructions (attached hereto as Annex II). Buyer agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finders' fee (and the costs and expenses of defending against such liability or asserted liability) for which such Buyer or any of its officers, partners, employees, or representatives is responsible.

3. COMPANY REPRESENTATIONS, ETC.

The Company represents and warrants and hereby covenants and agrees with each Buyer that:

a. Concerning the Debenture and the Shares. The Debentures have been duly authorized and, when issued, will be duly and validly issued, fully paid and non-assessable and will not subject the holder thereof to personal liability by reason of being such holder. There are no preemptive rights of any stockholder of the Company, as such, to acquire the Securities.

b. Reporting Company Status. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has the requisite corporate power to own its properties and to carry on its business as now being conducted. The Company is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have a material adverse effect on the business, operations or prospects or condition (financial or otherwise) of the Company and its subsidiaries, taken as a whole. The Company has registered its Common Stock pursuant to Section 12 of the 1934 Act, and the Common Stock is listed and traded on the "NASDAQ OTC Bulletin Board." The Company has received no notice, either oral or written, with respect to the continued eligibility of the Common Stock for such listing, and the Company has maintained all requirements for the continuation of such listing.

c. Authorized Shares. The Company has at February 29, 2000, 7,500,000 shares of Common Stock issued and outstanding, and has sufficient authorized and unissued Shares as may be reasonably necessary to effect the conversion of the Debentures (assuming all future conversions occurred are based upon an average 5-day closing bid of the Common Stock, as reported by Bloomberg, LP which was one-half (1/2) of the closing bid price of the Common Stock on the Closing Date [the "Closing Date Bid"]) and exercise of the Warrants (as defined in Section 4.k.) at the Closing Date Bid. The Common Stock has been duly authorized and, when issued upon conversion of the Debentures in accordance with their terms, will be duly and validly issued, fully paid and non-assessable and will not subject the holder thereof to personal liability by reason of being such holder.

d. Securities Purchase Agreement; Registration Rights Agreement and Debenture. This Agreement, the Debenture, the Registration Rights Agreement, the form of which is attached hereto as Annex IV (the "Registration Rights Agreement") and the transactions contemplated hereby and thereby, have been duly and validly authorized by the Company, this Agreement has been duly

executed and delivered by the Company and this Agreement is, and the Debentures and the Registration Rights Agreement, when executed and delivered by or on behalf of the Company, will be, valid and binding agreements of the Company enforceable in accordance with their respective terms, subject, as to enforceability, to general principles of equity and to bankruptcy, insolvency, moratorium, and other similar laws affecting the enforcement of creditors' rights generally.

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e. Non-contravention. The execution and delivery of this Agreement, the Debentures and the Registration Rights Agreement by the Company, the issuance of the Securities, and the consummation by the Company of the other transactions contemplated by this Agreement, the Debentures and the Registration Rights Agreement do not and will not conflict with or result in a breach by the Company of any of the terms or provisions of, or constitute a default under (i) the articles of incorporation or by-laws of the Company, each as currently in effect, (ii) except as disclosed in Annex V, any indenture, mortgage, deed of trust, or other material agreement or instrument to which the Company is a party or by which it or any of its properties or assets are bound, including any listing agreement for the Common Stock (except as herein set forth), (iii) to its knowledge, any existing applicable law, rule, or regulation or any applicable decree, judgment, or order of any court, United States federal or state regulatory body, administrative agency, or other governmental body having jurisdiction over the Company or any of its properties or assets, or (iv) any listing agreement for its Common Stock, except such conflict, breach or default which would not have a material adverse effect on the transactions contemplated herein.

f. Approvals. No authorization, approval or consent of any court, governmental body, regulatory agency, self-regulatory organization, or stock exchange or market or the stockholders of the Company is required to be obtained by the Company for the issuance and sale of the Securities to the Buyer as contemplated by this Agreement, except such authorizations, approvals and consents that have been obtained.

g. SEC Filings. To the best of the Company's knowledge, none of the Company's SEC Reports filed since January, 1998 contained, at the time they were filed, any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements made therein in light of the circumstances under which they were made, not misleading, except as corrected by an amended filing made prior to the date hereof. The Company has since January 1998 filed all requisite forms, reports and exhibits thereto with the SEC.,

h. Absence of Certain Changes. Since October 31, 1999, there has been no material adverse change and no material adverse development in the business, properties, operations, condition (financial or otherwise), or results

of operations of the Company and its subsidiaries, taken as a whole, except as disclosed in Annex V or in the Company's SEC Reports. Since October 31, 1999, the Company has not (i) incurred or become subject to any material liabilities (absolute or contingent) except liabilities incurred in the ordinary course of business consistent with past practices; (ii) discharged or satisfied any material lien or encumbrance or paid any material obligation or liability (absolute or contingent), other than current liabilities paid in the ordinary course of business consistent with past practices; (iii) declared or made any payment or distribution of cash or other property to stockholders with respect to its capital stock, or purchased or redeemed, or made any agreements to purchase or redeem, any shares of its capital stock; (iv) sold, assigned or transferred any other tangible assets, or canceled any debts or claims, except in the ordinary course of business consistent with past practices; (v) suffered any substantial losses or waived any rights of material value, whether or not in the ordinary course of business, or suffered the loss of any material amount of existing business; (vi) made any changes in employee compensation, except in the ordinary course of business consistent with past practices; or (vii) experienced any material problems with labor or management in connection with the terms and conditions of their employment.

i. Full Disclosure. There is no fact known to the Company (other than general economic conditions known to the public generally or as disclosed in the Company's SEC Reports), that has not been disclosed in writing to the Buyer that (i) would reasonably be expected to have a material adverse effect on the business or financial condition of the Company or (ii) would reasonably be expected to materially and adversely affect the ability of the Company to perform its obligations pursuant to this Agreement or any of the agreements contemplated hereby (collectively, including this Agreement, the "Transaction Agreements").

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j. Absence of Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending or, to the knowledge of the Company, threatened against or affecting the Company, wherein an unfavorable decision, ruling or finding would have a material adverse effect on the properties, business or financial condition. results of operation or prospects of the Company and its subsidiaries taken as a whole or the transactions contemplated by any of the Transaction Agreements or which would adversely affect the validity or enforceability of, or the authority or ability of the Company to perform its obligations under, any of the Transaction Agreements.

k. Absence of Events of Default. Except as set forth in Annex V hereto, no Event of Default (or its equivalent term), as defined in the respective agreement to which the Company is a party, and no event which, with the giving of notice or the passage of time or both, would become an Event of Default (or its equivalent term) (as so defined in such agreement), has occurred and is continuing, which would have a material adverse effect on the Company's

financial condition or results of operations.

l. Prior Issues. Except as set forth in Annex V hereto, during the twelve (12) months preceding the date hereof, the Company has not issued any Common Stock or convertible securities in capital transactions which have not been fully disclosed in the Company's filings with the SEC. Except as set forth in Annex V hereto, all such issuances (except for issuances to Buyer) have been fully converted into shares of common stock and there are no outstanding unconverted debt or convertible securities from those transactions.

m. No Undisclosed Liabilities or Events. Except as set forth in Annex V, the Company has no liabilities or obligations other than those disclosed in the Company's SEC Reports or those incurred in the ordinary course of the Company's business since December 31, 1998, and which, individually or in the aggregate, do not or would not have a material adverse effect on the properties, business, condition (financial or otherwise), results of operations or prospects of the Company and its subsidiaries, taken as a whole. No event or circumstances has occurred or exists with respect to the Company or its properties, business, condition (financial or otherwise), results of operations or prospects, which, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed.

n. No Default. Except as disclosed in Annex V, hereto, the Company is not in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust or other material instrument or agreement to which it is a party or by which it or its property is bound.

o. No Integrated Offering. Neither the Company nor any of its affiliates nor any person acting on its or their behalf has, directly or indirectly, made any offer or sales of any security or solicited any offers to buy any security under circumstances that would eliminate the availability of the exemption from registration under Regulation D in connection with the offer and sale of the Securities as contemplated hereby.

p. Dilution. The number of Shares issuable upon conversion of the Debentures may increase substantially in certain circumstances, including, but not necessarily limited to, the circumstance wherein the trading price of the Common Stock declines prior to the conversion of the Debentures. The Company's executive officers and directors have studied and fully understand the nature of the Securities being sold hereby and recognize that they have a potential dilutive effect. The board of directors of the Company has concluded that, in its good faith business judgment, such issuance is in the best interests of the Company. The Company specifically acknowledges that its obligation to issue the Shares upon conversion of the Debentures is binding upon the Company and enforceable regardless of the dilution such issuance may have on the ownership interests of other shareholders of the Company.

q. Acknowledgment by Company. Company represents and warrants that neither the Buyer, nor any persons or entities representing or purporting to represent the Buyer have made any representation or warranty which is not contained expressly in this Agreement or any other agreements referred to herein. Without limiting the foregoing, Company specifically acknowledges that the Buyer has made no representations that it is a "long term" investor in the Company, or that it intends to hold the Debentures or shares of stock in the Company (obtained by conversions of the Debentures) for any period beyond that which is required under the Securities Act. Company further acknowledges that the Buyer may hedge the shares of stock in the Company prior to or after the conversions of any of the Debentures, provided that such hedging is done in compliance with the Securities Act, the 1934 Act, any rules applicable to securities traded on the NASD OTC Bulletin Board and the express terms of this Agreement, the Debentures, the Warrants and the Registration Rights Agreement.

r. Brokers Fee. The Company represents that it neither is nor will be obligated for any finders' fee or commission nor is it aware of any such fee or commission payable in connection with this transaction other than as set forth on the Joint Escrow Instructions (attached hereto as Annex II). The Company agrees to indemnify and to hold harmless the Buyer from any liability for any commission or compensation in the nature of a finders' fee (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, partners, employees, or representatives is responsible.

4. CERTAIN COVENANTS AND ACKNOWLEDGMENTS.

a. Transfer Restrictions. Each Buyer acknowledges that (1) the Debentures have not been and is not being registered under the provisions of the Securities Act and, except as provided in the Registration Rights Agreement, the Shares have not been and are not being registered under the Securities Act, and may not be transferred unless (A) subsequently registered thereunder or (B) the Buyer shall have delivered to the Company an opinion of counsel, reasonably satisfactory in form, scope and substance to the Company, to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration; (2) any sale of the Securities made in reliance on Rule 144 promulgated under the Securities Act may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any resale of such Securities under circumstances in which the seller, or the person through whom the sale is made, may be deemed to be an underwriter, as that term is used in the Securities Act, may require compliance with some other exemption under the Securities Act or the rules and regulations of the SEC thereunder; and (3) neither the Company nor any other person is under any obligation to register the Securities (other than pursuant to the Registration Rights Agreement) under the Securities Act or to comply with the terms and conditions of any exemption thereunder.

b. Restrictive Legend. The Buyer acknowledges and agrees that the Debentures and, until such time as the Common Stock has been registered under the Securities Act as contemplated by the Registration Rights Agreement

and sold pursuant to an effective Registration Statement, certificates and other instruments representing any of the Securities shall bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of any such Securities):

THESE SECURITIES (THE "SECURITIES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES OR AN OPINION OF COUNSEL OR OTHER EVIDENCE ACCEPTABLE TO THE CORPORATION THAT SUCH REGISTRATION IS NOT REQUIRED.

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c. Registration Rights Agreement. The parties hereto agree to enter into the Registration Rights Agreement on or before the Closing Date.

d. Filings. The Company undertakes and agrees to make all necessary filings in connection with the sale of the Debentures to the Buyer under any United States laws and regulations, or by any domestic securities exchange or trading market, and to provide a copy thereof to the Buyer promptly after such filing.

e. Reporting Status. So long as any Buyer beneficially holds the Debentures, the Company shall file all reports required to be filed with the SEC pursuant to Section 13 or 15(d) of the 1934 Act, and the Company shall not terminate its status as an issuer required to file reports under the 1934 Act even if the 1934 Act or the rules and regulations thereunder would permit such termination.

f. Use of Proceeds. The Company will use the proceeds from the sale of the Debentures (excluding amounts paid by the Company for legal fees, finder's fees and escrow agent fees in connection with the sale of the Debentures) for general capital purposes and, without limiting the foregoing, shall not, directly or indirectly, use any of such proceeds for investment in any other affiliate.

g. Certain Agreements. (i) The Company covenants and agrees that it will not, without the prior written consent of the Buyer, enter into any subsequent or further offer or sale of Common Stock or securities convertible into Common Stock with any third party until one hundred eighty (180) days after the Effective Date (as defined below).

(ii) The provisions of subparagraph 4.i.(i) will not apply to (A) Common Stock issued as "restricted stock" as defined in SEC Rule 144, provided the holder thereof holds such Common Stock for at least one year from the date of issuance; (B) a secondary public offering of shares of Common Stock at market; (C) an offering of convertible securities at market or above; (D) the issuance of securities (other than for cash) in connection with a merger,

consolidation, sale of assets, disposition or the exchange of the capital stock for assets, stock or other joint venture interests; (E) the grant or exercise of employee stock options and other employment compensation; and (F) the conversion of securities or the exercise of warrants referenced in Schedule 5(b) of the Registration Rights Agreement; provided with regard to (A) through (D) above, such securities would not be included in the Registration Statement relating to the Shares and a registration statement in respect of such stock shall not be filed prior to sixty (60) days after the Effective Date.

(iii) The term "Effective Date" means the effective date of the Registration Statement covering the Registrable Securities (as defined in the Registration Rights Agreement).

(iv) In the event the Company breaches the provisions of this Paragraph 4.G.i., the Conversion Price shall be amended to equal the conversion formula set forth in Section 4.A. of the Debenture and each Buyer may, within thirty (30) days after it receives written notice of such breach from the Company, require the Company to immediately redeem the Debenture held by it in accordance with Section 6(y) of the Debenture.

h. Available Shares. The Company shall have at all times authorized and reserved for issuance, free from preemptive rights, shares of Common Stock equal to two hundred percent (200%) of the number of shares of Common Stock issuable upon conversion of all of the outstanding Debentures, and the exercise of the Warrants.

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i. Warrants. The Company agrees to issue to Buyer at the Closing, transferable divisible warrants with cashless exercise provisions (the "Warrants") for 196,078 shares of Common Stock. Such Warrants shall bear an exercise price equal to \$5.31, and shall be exercisable immediately upon issuance, and for a period of five (5) years thereafter, in the form annexed hereto as Annex VI, together with piggy-back registration rights, and demand registration rights set forth under the Registration Rights Agreement.

j. Limitation on Issuance of Shares. The Debenture shall provide that the Company shall take all steps reasonably necessary to be in a position to issue shares of Common Stock on conversion of the Debentures without violating the "Cap Regulations". If despite taking such steps, the Company is limited in the number of shares of Common Stock it may issue by the "Cap Regulations," to the extent that the Company cannot issue such shares of Common Stock, due upon a Notice of Conversion, without violating the Cap Regulations, the Company shall immediately notify each Buyer the principal amount of its Debenture which is not convertible as a result of said Cap Regulations (the "Debenture Balance") and the Buyer, shall have the option, exercisable in its sole and absolute discretion, to elect any of the remedies in Section 6 of the Debenture.

5. TRANSFER AGENT INSTRUCTIONS.

a. Promptly following the delivery by the Buyer of the aggregate purchase price for the Debentures in accordance with Section 1(c) hereof, the Company will irrevocably instruct its transfer agent to issue Common Stock from time to time upon conversion of the Debentures in such amounts as specified from time to time by the Company to the transfer agent, bearing the restrictive legend specified in Section 4(b) of this Agreement prior to registration of the Shares under the Securities Act, registered in the name of the Buyer or its nominee and in such denominations to be specified by each Buyer in connection with each conversion of its Debenture. The Company warrants that no instruction other than such instructions referred to in this Section 5 and stop transfer instructions to give effect to Section 4(a) hereof prior to registration and sale of the Shares under the Securities Act will be given by the Company to the transfer agent and that the Shares shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement, the Registration Rights Agreement, and applicable law. Nothing in this Section shall affect in any way the Buyer's obligations and agreement to comply with all applicable securities laws upon resale of the Securities. If the Buyer provides the Company with an opinion of counsel reasonably satisfactory to the Company that registration of a resale by the Buyer of any of the Securities in accordance with clause (1)(B) of Section 4(a) of this Agreement is not required under the Securities Act, the Company shall (except as provided in clause (2) of Section 4(a) of this Agreement) permit the transfer of the Securities and, in the case of the Shares, promptly instruct the Company's transfer agent to issue one or more certificates for Common Stock without legend in such name and in such denominations as specified by the Buyer.

b. (i) The Company will permit each Buyer to exercise its right to convert its Debenture by telecopying an executed and completed Notice of Conversion (as defined in the Debenture) to the Company and delivering within three (3) business days thereafter, the original Notice of Conversion, together with the original Debenture, by express courier.

(ii) The term "Conversion Date" means, with respect to any conversion elected by the holder of the Debentures after the Effective Date, the date specified in the Notice of Conversion, provided the copy of the Notice of Conversion is telecopied to or otherwise delivered to the Company in accordance with the provisions hereof so that is received by the Company on or before such specified date. The Conversion Date for any mandatory conversion at maturity shall be the Maturity Date of the Debentures.

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(iii) The Company shall, at its expense, take all actions and use all means necessary and diligent to cause its transfer agent to transmit the certificates representing the Shares issuable upon conversion of any Debentures to the Buyer via express courier, by electronic transfer or otherwise, within three (3) business days after receipt by the Company of the later of (i) receipt

by the Company of the copy of the original Notice of Conversion (and the original Debenture upon the final conversion) and (ii) the Conversion Date (the "Delivery Date").

c. The Company understands that a delay in the issuance of the Shares of Common Stock beyond the Delivery Date could result in economic loss to the Buyer. As compensation to the Buyer for such loss, the Company agrees to pay late payments to the Buyer in the event that due entirely to the Company's failure to issue and deliver the Shares upon Conversion in accordance with the following schedule (where "No. Business Days Late" is defined as the number of business days beyond five (5) business days from Delivery Date):

No. Business Days Late -----	Late Payment For Each \$10,000 of principal and interest of Debenture Being Converted -----
1	\$100
2	\$200
3	\$300
4	\$400
5	\$500
>5	\$500 +\$200 for each Business Day Late beyond 5 days from The Delivery Date

The Company shall pay any payments incurred under this Section in immediately available funds upon demand. Nothing herein shall limit each Buyer's right to pursue actual damages or to cause the Company to redeem its Debentures as provided below for the Company's actions or inactions resulting in the transfer agent's failure to issue and deliver the Common Stock to the Buyer. Furthermore, in addition to any other remedies which may be available to the Buyer, in the event that the Company fails to deliver such shares of Common Stock within five (5) business days after the Delivery Date, the Buyer will be entitled to revoke the relevant Notice of Conversion by delivering a notice to such effect to the Company whereupon the Company and the Buyer shall each be restored to their respective positions immediately prior to delivery of such Notice of Conversion. In the event the Company's actions or inactions result in the transfer agent's failure to issue and deliver the Common Stock to the Buyer within ten (10) days after the Delivery Date, each Buyer may, at its option, require the Company (without limiting its other remedies hereunder) to immediately redeem the remaining interest and principal balance of its Debenture in accordance with Section 6(y) of the Debenture.

d. If, by the relevant Delivery Date, the Company fails for any reason to deliver the Shares to be issued upon conversion of the Debentures and after such Delivery Date, the holder of the Debentures being converted (a "Converting Holder") purchases, in an open market transaction or otherwise, shares of Common Stock (the "Covering Shares") in order to make delivery in satisfaction of a sale of Common Stock by the Converting Holder made after a Conversion Date (the "Sold Shares"), which delivery such Converting Holder

anticipated to make using the Shares to be issued upon such conversion (a "Buy-In"), the Company shall pay to the Converting Holder, in addition to all other amounts contemplated in other provisions of the Transaction Agreements, and not in lieu thereof, the Buy-In Adjustment Amount (as defined below). The "Buy-In Adjustment Amount" is the amount equal to the excess, if any, of (x) the Converting Holder's total purchase price (including brokerage commissions, if any) for the Covering Shares over (y) the net proceeds (after brokerage commissions, if any) received by the Converting Holder from the sale of the Sold Shares. The Company shall pay the Buy-In Adjustment Amount to the Buyer in

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immediately available funds immediately upon demand by the Converting Holder. By way of illustration and not in limitation of the foregoing, if the Converting Holder purchases shares of Common Stock having a total purchase price (including brokerage commissions) of \$11,000 to cover a Buy-In with respect to shares of Common Stock it sold for net proceeds of \$10,000, the Buy-In Adjustment Amount which Company will be required to pay to the Converting Holder will be \$1,000. The remedies set forth in paragraphs 5(c) and (d) shall be cumulative.

e. In lieu of delivering physical certificates representing the unlegended securities issuable upon conversion, provided the Company's transfer agent is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer program, upon request of the Buyer and its compliance with the provisions contained in this paragraph, so long as the certificates therefor do not bear a legend and the Buyer thereof is not obligated to return such certificate for the placement of a legend thereon, the Company shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Buyer by crediting the account of Buyer's Prime Broker with DTC through its Deposit Withdrawal Agent Commission system.

f. The original Debenture shall be delivered by the Buyer to the Company simultaneous with the final Notice of Conversion.

6. DELIVERY INSTRUCTIONS.

The Debentures shall be delivered by the Company to the Escrow Agent pursuant to Section 1(b) hereof, on a delivery against payment basis, no later than on the Closing Date.

7. CLOSING DATE.

(i) The closing of the issuance and sale of the Debentures shall occur on the date (the "Closing Date") which is the first NYSE trading day after the fulfillment or waiver of all closing conditions pursuant to Sections 8 and 9 hereof or such other date and time as is mutually agreed upon by the Company and the Buyer.

(ii) The closing of the purchase and issuance of Debentures shall occur on the Closing Date, at the offices of the Escrow Agent and shall take place no later than 12:00 Noon, PST, on such day or such other time as is mutually agreed upon by the Company and the Buyer.

(iii) Notwithstanding anything to the contrary contained herein, the Escrow Agent will be authorized to release the Escrow Property (as defined in the Escrow Agreement) only upon satisfaction of the conditions set forth in Sections 8 and 9 hereof.

8. CONDITIONS TO THE COMPANY'S OBLIGATION TO SELL.

The Buyer understands that the Company's obligation to sell the Debentures on the Closing Date and to the Buyer pursuant to this Agreement is conditioned upon:

a. The receipt and acceptance by the Buyer of this Agreement as evidenced by execution of this Agreement by the Buyer for Four Million Dollars (\$4,000,000) in aggregate principal amount of the Debentures (or such lesser amount as the Company, in its sole discretion, shall determine on the Closing Date);

b. Delivery by the Buyer to the Escrow Agent of good funds as payment in full of an amount equal to the Purchase Price for the Debentures in accordance with Section 1(c) hereof;

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c. The accuracy on the Closing Date of the representations and warranties of the Buyer contained in this Agreement as if made on the Closing Date, and the performance by the Buyer on or before the Closing Date of all covenants and agreements of the Buyer required to be performed on or before the Closing Date;

d. There shall not be in effect any law, rule or regulation prohibiting or restricting the transactions contemplated hereby, or requiring any consent or approval which shall not have been obtained.

9. CONDITIONS TO THE BUYER'S OBLIGATION TO PURCHASE.

The Company understands that the Buyer's obligation to purchase the Debentures on the Closing Date is conditioned upon:

a. Acceptance by the Company of this Agreement for the sale of Debentures, as indicated by execution of this Agreement;

b. Delivery by the Company to the Escrow Agent of the Debentures, in accordance with this Agreement;

c. The accuracy in all material respects on the Closing Date of the representations and warranties of the Company contained in this Agreement as if made on the Closing Date and the performance by the Company on or before the Closing Date of all covenants and agreements of the Company required to be performed on or before the Closing Date and as to Debentures, the conditions set forth in Paragraph 4g; and

d. On the Closing Date, Buyer having received (i) an opinion of counsel for the Company, dated the Closing Date, in form, scope and substance reasonably satisfactory to the Buyer, to the effect set forth in Annex III attached hereto, (ii) the Registration Rights Agreement, and (iii) the Warrants.

e. No statute, rule, regulation, executive order, decree, ruling or injunction shall be enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction which prohibits or adversely effects any of the transactions contemplated by this Agreement or the Transaction Documents, and no proceeding or investigation shall have been commenced or threatened which may have the effect of prohibiting or adversely effecting any of the transactions contemplated by this Agreement or the Transaction Documents.

f. From and after the date hereof to and including the Closing Date, the trading of the Common Stock shall not have been suspended by the SEC, or the NASD and trading in securities generally on the New York Stock Exchange, NASDAQ/Small Cap, or NASD OTC Bulletin Board, as applicable, shall not have been suspended or limited, nor shall minimum prices be established for securities traded on NASDAQ/Small Cap or the NASD OTC Bulletin Board, as applicable, nor shall there be any outbreak or escalation of hostilities involving the United States or any material adverse change in any financial market that in either case in the reasonable judgment of the Buyer makes it impracticable or inadvisable to purchase the Debentures.

10. GOVERNING LAW; MISCELLANEOUS.

a. This Agreement and all agreements entered into in connection herewith shall be governed by and interpreted in accordance with the laws of the State of California for contracts to be wholly performed in such state and without giving effect to the principles thereof regarding the conflict of laws. Any litigation based thereon, or arising out of, under, or in connection with, this agreement or any course of conduct, course of dealing, statements (whether oral or written) or actions of the Company or Buyer shall be brought and maintained exclusively in the state or Federal courts of the State of California, sitting in the City of Los Angeles. The Company hereby expressly and irrevocably submits to the jurisdiction of the state and federal Courts of the State of California for the purpose of any such litigation as set forth

above and irrevocably agrees to be bound by any final judgment rendered thereby in connection with such litigation. The Company further irrevocably consents to

the service of process by registered mail, postage prepaid, or by personal service within or without the State of California. The Company hereby expressly and irrevocably waives, to the fullest extent permitted by law, any objection which it may have or hereafter may have to the laying of venue of any such litigation brought in any such court referred to above and any claim that any such litigation has been brought in any inconvenient forum. To the extent that the Company has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) with respect to itself or its property, the Company hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the related agreements entered into in connection herewith.

b. A facsimile transmission of this signed Agreement shall be legal and binding on all parties hereto.

c. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original.

d. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

e. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

f. This Agreement may be amended only by an instrument in writing signed by the party to be charged with enforcement thereof.

g. This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

h. Except as otherwise set forth herein, all costs and expenses, including reasonable attorneys' fees, incurred by the Buyer in the enforcement of this Agreement or any agreements related thereto, shall be paid by the Company upon demand.

11. NOTICES. Any notice or communication required or permitted by this Agreement shall be given in writing addressed as follows:

COMPANY: Wasatch Interactive Learning Corporation
5250 South Commerce Drive, Suite 101
Salt Lake City, UT 84107
ATTN: CEO
Telephone No.: (801) 261-1001
Telecopier No.: (801) 269-1509

with a copy to:

Snow, Becker Krauss P.C.
605 Third Avenue
New York, New York 10158-0125
Attention: Elliot H. Lutzker, Esq.
Telephone: (212) 687-3860
Facsimile: (212) 949-7052

BUYER: At the address set forth on the signature page of this Agreement.

ESCROW AGENT: Law Offices of Michael S. Rosenblum
1875 Century Park East, Suite 700
Los Angeles, CA 90067
Telephone: (310) 286-2100
Telecopier No. (310) 286-3010

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All notices shall be served personally by telecopy, by telex, by overnight express mail service or other overnight courier, or by first class registered or certified mail, postage prepaid, return receipt requested. If served personally, or by telecopy, notice shall be deemed delivered upon receipt (provided that if served by telecopy, sender has written confirmation of delivery); if served by overnight express mail or overnight courier, notice shall be deemed delivered forty-eight (48) hours after deposit; and if served by first class mail, notice shall be deemed delivered seventy-two (72) hours after mailing. Any party may give written notification to the other parties of any change of address for the sending of notices, pursuant to any method provided for herein.

12. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The Company's representations and warranties herein shall survive the execution and delivery of this Agreement and the delivery of the Debentures and the Purchase Price, and shall inure to the benefit of the Buyer and its successors and assigns.

13. SHORTING THE COMMON STOCK. The Buyer hereby represents that as of the date of this Agreement it is not "short" (as that term is defined in the Securities Act and the 1934 Act) the Common Stock. On the condition that the Company is not in default of any of its obligations set forth in any of the Transaction Agreements, including this Agreement, the Debenture and the Registration Rights Agreement and on the further condition that the Registration Statement for the Common Stock is declared effective within 120 days of this Agreement, Buyer hereby agrees that it will not "short" the Common Stock until after it has converted all amounts due under the Debenture into Common Stock.

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AGGREGATE PURCHASE PRICE OF THE DEBENTURES: \$4,000,000*

*As detailed below

SIGNATURES FOR ENTITIES

IN WITNESS WHEREOF, the undersigned represents that the foregoing statements are true and correct and that it has caused this Securities Purchase Agreement to be duly executed on its behalf as of this 16th day of March, 2000.

Printed Names of Buyers:

Brock Road, LLC, a Cayman Islands
Limited Liability Company

By:/s/

Navigator Management, LTD, Director

As of the date set forth below, the undersigned hereby accepts this Agreement and represents that the foregoing statements are true and correct and that it has caused this Securities Purchase Agreement to be duly executed on its behalf.

Wasatch Interactive Learning Corporation, a Washington corporation

By:/s/

Barbara Morris

Title: President

Date: March 16, 2000

ANNEX I
TO
SECURITIES PURCHASE AGREEMENT

FORM OF DEBENTURE

NEITHER THESE SECURITIES NOR THE SECURITIES ISSUABLE UPON CONVERSION HEREOF HAVE BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE OR UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SECURITIES ARE RESTRICTED AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR TRANSFERRED EXCEPT AS PERMITTED UNDER THE ACT PURSUANT TO REGISTRATION OR EXEMPTION OR SAFE HARBOR THEREFROM.

NNo. 001-US \$4,000,000

WASATCH INTERACTIVE LEARNING CORPORATION

7% CONVERTIBLE DEBENTURE DUE MARCH 16, 2003

FOR VALUE RECEIVED, between Wasatch Interactive Learning Corporation, a Washington corporation (the "Company") promises to pay to Brock Road, LLC, a Cayman Islands limited liability company, the registered holder hereof (the "Holder"), the principal sum of Four Million Dollars and 00/100 Dollars (US \$4,000,000) on March 16, 2003 (the "Maturity Date") and to pay interest on the principal sum outstanding from time to time in arrears (i) prior to the Maturity Date, quarterly, on the last day of March, June, September and December of each year, (ii) upon conversion as provided herein or (iii) on the Maturity Date, at the rate of seven percent (7%) per annum accruing from March 16, 2000, the date of the issuance of this Debenture. Accrual of interest shall commence on the first such business day to occur after the date hereof and shall continue to accrue on a daily basis until payment in full of the principal sum has been made or duly provided for.

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This Debenture is subject to the following additional provisions:

1. The Debentures are issuable in denominations of Ten Thousand Dollars (US\$10,000) and integral multiples thereof. The Debentures are exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration or transfer or exchange.

2. The Company shall be entitled to withhold from all payments of principal of, and interest on, this Debenture any amounts required to be withheld under the applicable provisions of the United States income tax laws or other applicable laws at the time of such payments, and Holder shall execute and deliver all required documentation in connection therewith.

3. This Debenture has been issued subject to investment representations of the original purchaser hereof and may be transferred or exchanged only in compliance with the Securities Act of 1933, as amended (the "Act"), and other applicable state and foreign securities laws. In the event of any proposed transfer of this Debenture, the Company may require, prior to issuance of a new Debenture in the name of such other person, that it receive reasonable transfer documentation including legal opinions that the issuance of the Debenture in such other name does not and will not cause a violation of the Act or any applicable state or foreign securities laws. Prior to due presentment for transfer of this Debenture, the Company and any agent of the Company may treat the person in whose name this Debenture is duly registered on the Company's Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture be overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

4. A. The Holder of this Debenture is entitled, at its option, subject to the following provisions of this Section 4, to convert all or a portion of this Debenture into shares of Common Stock of the Company, \$0.0001 par value per share ("Common Stock") of the Company at any time until the Maturity Date, at a conversion price for each share of Common Stock (the "Conversion Rate") equal to the lower of (x) \$6.25, or (y) the Current Market Price (as defined below) multiplied by eighty percent (80%); provided that the principal amount being converted is the lower of (x) at least \$10,000 (unless if at the time of such election to convert the aggregate principal amount of all Debentures registered to the Holder is less than Ten Thousand Dollars \$10,000, then the whole amount thereof) or (y) the maximum amount which the Holder can then convert pursuant to the terms of Section 4.E. hereof .

B. For purposes of this Debenture, the following terms have the meanings indicated below:

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(i) "Market Price of the Common Stock" means (x) the closing bid price of the Common Stock for the period indicated in the relevant provision, as reported by Bloomberg, LP or, if not so reported, as reported on the NASD OTC Bulletin Board or (y) if the Common Stock is listed on a stock exchange, the closing price on such exchange, as reported in The Wall Street Journal.

(ii) "Current Market Price" means the average of the Market Price of the Common Stock for any five non-consecutive trading days of the Common Stock (which may include some consecutive days) during the twenty day trading period ending on the trading day immediately before the relevant Conversion Date (as defined below). On the relevant Conversion Date, Holder may select, in its sole discretion, either of the formulas contained in (A) and (B) in the immediately preceding sentence.

C. The Holder of this Debenture is entitled, at its option, to convert this Debenture at any time which is after the earlier of (x) the thirtieth (30th) day after the Initial Closing Date or (y) the Effective Date of the Registrable Securities applicable to the Initial Debentures (as those terms are defined in the Securities Purchase Agreement).

D. Conversion shall be effectuated by surrendering the Debentures to be converted to the Company's transfer agent, Executive Registrar and Transfer Agency, accompanied by or preceded by facsimile or other delivery to the Company of the form of conversion notice attached hereto as Exhibit A, executed by the Holder of the Debenture evidencing such Holder's intention to convert this Debenture or a specified portion hereof, and accompanied, if required by the Company, by proper assignment hereof in blank. Subject to the provisions of Section 4.E hereof, interest accrued or accruing from the date of issuance to the date of conversion shall, at the option of the Company, be paid in cash or Common Stock upon conversion at the Conversion Rate applicable to such conversion. No fractional shares of Common Stock or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. The date on which notice of conversion is given (the "Conversion Date") shall be deemed to be the date on which the Holder faxes or otherwise delivers the conversion notice ("Notice of Conversion"), substantially in the form annexed hereto as Exhibit A, duly executed, to the Company, provided that the Holder shall deliver to the Company's transfer agent or the Company the original Debentures being converted within five (5) business days thereafter (and if not so delivered with such time, the Conversion Date shall be the date on which the later of the Notice of Conversion and the original Debentures being converted is received by the Company). Facsimile delivery of the Notice of Conversion shall be accepted by the Company at facsimile number (801) 269-1509; ATTN: Barbara Morris, Chief Executive Officer. Certificates representing Common Stock upon conversion will be delivered within three (3) business days from the date later of the Notice of Conversion is delivered to the Company as contemplated in the first sentence of this paragraph C or the original Debenture is delivered to the Company's transfer agent or the Company.

E. Notwithstanding any other provision hereof, of the Warrants or of any of the other Transaction Agreements (as those terms are defined in the Securities Purchase Agreement), in no event (except (i) with respect to an

automatic conversion, if any, of a Debenture as provided in the Debentures, (ii) as specifically provided in this Debenture as an exception to this provision, or (iii) while there is outstanding a tender offer for any or all of the shares of the Company's Common Stock) shall the Holder be entitled to convert any Debenture or shall the Company have the obligation, to convert all or any portion of this Debenture (and the Company shall not have the right to pay interest on this Debenture) to the extent that, after such conversion, the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Debentures), and (2) the number of shares of Common Stock issuable upon the conversion of the Debentures or exercise of the Warrants with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock (after taking into account the shares to be issued to the Holder upon such conversion or exercise). For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), except as otherwise provided in clause (1) of such sentence. Any issuance by the Company to the Buyer in excess of the limit contained in this Section 4.E. shall be null and void, ab initio, and upon notice of such invalid issuance, the Company shall correct its books and cause its transfer agent's books to be corrected forthwith to reflect that the Buyer's ownership of Common Stock is within the limit set forth herein. Holder shall immediately deliver any certificates for invalidly issued Common Stock to the Company's transfer agent. The Company further agrees to (i) immediately reissue certificates for Common Stock to the extent that a portion of the Common Stock represented by said certificates have been validly issued and (ii) immediately reissue all or a portion of those shares which were deemed invalidly issued (at the Conversion Price set forth in the original conversion notice(s) applicable to such shares) upon notice from Holder that the reissuance of such shares would not cause such Holder to have a beneficial ownership interest in excess of 4.99%. Notwithstanding the foregoing, Holder may elect, by providing the Company written notice at any time prior to the reissuance of shares, to cancel that portion of a prior conversion applicable to shares of Common Stock surrendered by it pursuant to this Section 4.E. The Company hereby indemnifies and holds Holder free and harmless in connection with any and all liabilities, losses, costs and expenses, including, without limitation, attorneys' fees and costs arising from or relating to claims made by any third parties alleging that any Holder has violated Sections 13(d) and/or 16, to the extent such violation is premised on the fact that, notwithstanding this Section 4.E., the Holder is the beneficial owner of all of the shares of Common Stock which would be issuable, from time to time, if Holder converted the entire principal and interest balance of the Debenture. The Holder, by its acceptance of this Debenture, further agrees that if the Holder transfers or assigns any of the Debentures to a party who or which would not be considered such an affiliate, such assignment shall be made subject to the transferee's or assignee's specific agreement to be bound by the provisions of this Section 4(E) as if such transferee or assignee were the original Holder hereof.

F. Anything herein to the contrary notwithstanding, in the

event the Company breaches the provisions of Section 4(g) of the Securities Purchase Agreement, the Conversion Rate shall be amended to be equal to (i) 90% of (ii) the Conversion Rate determined in accordance with the other provisions of this Debenture without regard to this Section 4.F., and the Holder may require the Company to immediately redeem the outstanding portion of this Debenture in accordance with clause (y) of Section 6 hereof.

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G. During the forty (40) trading day period commencing on the Effective Date (as defined in the Registration Rights Agreement) and ending on the thirty ninth (39th) trading day after the Effective Date (the "Post Effective Trading Period"), the Holder hereby agrees that, if the average Market Price of the Common Stock for a five (5) consecutive trading day period is less than \$3.50 per share (which amount shall be subject to adjustment pursuant to the anti-dilution provisions contained in Section 10 hereof), it shall suspend selling the Common Stock for a period of twenty (20) trading days immediately after the first such occurrence. If during the Post Effective Trading Period (but after the end of the first suspension period) the average Market Price of the Common Stock for a five (5) consecutive trading day period is less than \$3.50 per share for a second time, the Holder agrees to suspend selling the Common Stock for the remainder of the Post Effective Trading Period. If there has been no suspension of selling the Common Stock during the Post Effective Trading Period (pursuant to this Section 4.G.), the Holder hereby agrees that, if the average Market Price of the Common Stock for a five (5) consecutive trading day period is less than \$3.50 per share (which amount shall be subject to adjustment pursuant to the anti-dilution provisions contained in Section 10 hereof), it shall suspend selling the Common Stock for a period of twenty (20) trading days immediately after the first such occurrence. If the average price Market Price for the Common Stock for any five-(5) consecutive days thereafter is less than \$3.50 the Holder shall have no obligation to suspend selling Common Stock.

5. On the condition that the Company is not then in default hereunder, any portion of the principal balance and accrued interest of the Debentures not previously converted as of the Maturity Date, shall be deemed to be automatically converted, without further action of any kind (except the delivery of unrestricted Common Stock in connection with such conversion) by the Company or any of its agents, employees or representatives, as of the Maturity Date at the Conversion Rate applicable on the Maturity Date ("Mandatory Conversion"), and the Company shall have no further obligation to repay the Debentures. If the Company is in default hereunder, (i) there shall be no Mandatory Conversion, (ii) Holder shall retain all of its rights set forth in Section 15 below, and (iii) Holder may, in addition to its other rights, unilaterally extend the Maturity Date by one (1) year by providing written notice to the Company on or before the Maturity Date.

6. The Holder recognizes that the Company may be limited in the number of shares of Common Stock it may issue by (i) reason of its authorized shares,

or (ii) the applicable rules and regulations of the principal securities market on which the Common Stock is listed or traded (collectively, the "Cap Regulations"). Without limiting the other provisions hereof, (i) the Company will take all steps reasonably necessary to be in a position to issue shares of Common Stock on conversion of the Debentures without violating the Cap Regulations and (ii) if, despite taking such steps, the Company still can not issue such shares of Common Stock without violating the Cap Regulations, the Holder of this Debenture (to the extent the same can not be converted in compliance with the Cap Regulations (an "Unconverted Debenture"), shall have the option, exercisable in the Holder's sole and absolute discretion, to elect any one of the following remedies:

(x) require the Company to issue shares of Common Stock in accordance with such Holder's Notice of Conversion relating to the Unconverted Debenture at a conversion purchase price equal to the average of the closing bid price per share of Common Stock for any five (5) consecutive trading days (subject to the equitable adjustments for certain events occurring during such period as provided in this Debenture) during the sixty (60) trading days immediately preceding the date of the Notice of Conversion; or

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(y) require the Company to redeem each Unconverted Debenture for an amount (the "Cap Redemption Amount"), payable in cash, equal to:

$$\frac{V}{CP} \times M$$

where:

"V" means the outstanding principal plus accrued interest through the Cap Redemption Date (as defined below) of an Unconverted Debenture;

"CP" means the Conversion Rate in effect on the date of redemption (the "Cap Redemption Date") specified in the notice from the Holder electing this remedy; and

"M" means the highest closing ask price during the period beginning on the Cap Redemption Date and ending on the date of payment of the Cap Redemption Amount.

The holder of an Unconverted Debenture may elect one of the above remedies with respect to a portion of such Unconverted Debenture and the other remedy with respect to other portions of the Unconverted Debenture.

7. Subject to the terms of the Securities Purchase Agreement, dated

March 16, 2000 (the "Securities Purchase Agreement"), between the Company and the Holder (or the Holder's predecessor in interest), no provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture and all other Debentures now or hereafter issued of similar terms are direct obligations of the Company.

8. If the Company merges or consolidates with another corporation or sells or transfers all or substantially all of its assets to another person and the holders of the Common Stock are entitled to receive stock, securities or property in respect of or in exchange for Common Stock, then as a condition of such merger, consolidation, sale or transfer, the Company and any such successor, purchaser or transferee agree that the Debenture may thereafter be converted on the terms and subject to the conditions set forth above into the kind and amount of stock, securities or property receivable upon such merger, consolidation, sale or transfer by a holder of the number of shares of Common Stock into which this Debenture might have been converted immediately before such merger, consolidation, sale or transfer, subject to adjustments which shall be as nearly equivalent as may be practicable. In the event of any proposed merger, consolidation or sale or transfer of all or substantially all of the assets of the Company (a "Sale"), the Holder hereof shall have the right to convert by delivering a Notice of Conversion to the Company within fifteen (15) days of receipt of notice of such Sale from the Company. In the event the Holder hereof shall elect not to convert, the Company may prepay all outstanding principal and accrued interest on this Debenture by paying the Redemption Amount contemplated by Section 5 hereof, less all amounts required by law to be deducted, upon which tender of payment following such notice, the right of conversion shall terminate.

9. If, for any reason, prior to the Conversion Date or the Redemption Payment Date, the Company spins off or otherwise divests itself of a part of its business or operations or disposes all or of a part of its assets in a transaction (the "Spin Off") in which the Company does not receive compensation for such business, operations or assets, but causes securities of another entity (the "Spin Off Securities") to be issued to security holders of the Company, then the Company shall cause (i) to be reserved Spin Off Securities equal to the number thereof which would have been issued to the Holder had all of the Holder's Debentures outstanding on the record date (the "Record Date") for

determining the amount and number of Spin Off Securities to be issued to security holders of the Company (the "Outstanding Debentures") been converted as of the close of business on the trading day immediately before the Record Date (the "Reserved Spin Off Shares"), and (ii) to be issued to the Holder on the conversion of all or any of the Outstanding Debentures, such amount of the Reserved Spin Off Shares equal to (x) the Reserved Spin Off Shares multiplied by (y) a fraction, of which (I) the numerator is the principal amount of the Outstanding Debentures then being converted, and (II) the denominator is the

principal amount of the Outstanding Debentures.

10. If, at any time while any portion of this Debenture remains outstanding, the Company effectuates a stock split or reverse stock split of its Common Stock or issues a dividend on its Common Stock consisting of shares of Common Stock, the Base Price shall be equitably adjusted to reflect such action. By way of illustration, and not in limitation, of the foregoing (i) if the Company effectuates a 2:1 split of its Common Stock, thereafter, with respect to any conversion for which the Company issues the shares after the record date of such split, the Base Price shall be deemed to be one-half of what it had been calculated to be immediately prior to such split; (ii) if the Company effectuates a 1:10 reverse split of its Common Stock, thereafter, with respect to any conversion for which the Company issues the shares after the record date of such reverse split; and (iii) if the Company declares a stock dividend of one share of Common Stock for every 10 shares outstanding, thereafter, with respect to any conversion for which the Company issues the shares after the record date of such dividend, the Base Price shall be deemed to be the amount of such Base Price calculated immediately prior to such record date multiplied by a fraction, of which the numerator is the number of shares (10) for which a dividend share will be issued and the denominator is such number of shares plus the dividend share(s) issuable or issued thereon (11).

11. All payments contemplated hereby to be made "in cash" shall be made in immediately available good funds in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments of cash and each delivery of shares of Common Stock issuable to the Holder as contemplated hereby shall be made to the Holder at the address last appearing on the Debenture Register of the Company as designated in writing by the Holder from time to time; except that the Holder can designate, by notice to the Company, a different delivery address for any one or more specific payments or deliveries.

12. The Holder of the Debenture, by acceptance hereof, agrees that this Debenture is being acquired for investment and that such Holder will not offer, sell or otherwise dispose of this Debenture or the Shares of Common Stock issuable upon conversion thereof except under circumstances which will not result in a violation of the Act or any applicable state Blue Sky or foreign laws or similar laws relating to the sale of securities.

13. This Debenture and all agreements entered into in connection herewith shall be governed by and interpreted in accordance with the laws of the State of California for contracts to be wholly performed in such state and without giving effect to the principles thereof regarding the conflict of laws. Any litigation based thereon, or arising out of, under, or in connection with, this agreement or any course of conduct, course of dealing, statements (whether oral or written) or actions of the Company or Holder shall be brought and maintained exclusively in the state or Federal courts of the State of California, sitting in the City of Los Angeles. The Company hereby expressly and irrevocably submits to the jurisdiction of the state and federal Courts of the State of California for the purpose of any such litigation as set forth above and irrevocably agrees to be bound by any final judgment rendered thereby in

connection with such litigation. The Company further irrevocably consents to the service of process by registered mail, postage prepaid, or by personal service within or without the State of California. The Company hereby expressly and irrevocably waives, to the fullest extent permitted by law, any objection which

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it may have or hereafter may have to the laying of venue of any such litigation brought in any such court referred to above and any claim that any such litigation has been brought in any inconvenient forum. To the extent that the Company has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) with respect to itself or its property, the Company hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the related agreements entered into in connection herewith.

14. In the event that any action is taken by the Company or Holder in connection with this Note, or any related document or matter, the losing party in such legal action, in addition to such other damages as he or it may be required to pay, shall pay reasonable attorneys' fees to the prevailing party.

15. The following shall constitute an "Event of Default":

- a. The Company shall default in the payment of principal or interest on this Debenture and same shall continue for a period of three (3) days; or
- b. Any of the representations or warranties made by the Company herein, in the Securities Purchase Agreement, the Registration Rights Agreement or in any certificate or financial or other written statements heretofore or hereafter furnished by the Company in connection with the execution and delivery of this Debenture or the Securities Purchase Agreement shall be false or misleading in any material respect at the time made; or
- c. The Company fails to issue shares of Common Stock to the Holder or to cause its Transfer Agent to issue shares of Common Stock upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Debenture, fails to transfer or to cause its Transfer Agent to transfer any certificate for shares of Common Stock issued to the Holder upon conversion of this Debenture and when required by this Debenture or the Registration Rights Agreement, and such transfer is otherwise lawful, or fails to remove any restrictive legend or to cause its Transfer Agent to transfer on any certificate or

any shares of Common Stock issued to the Holder upon conversion of this Debenture as and when required by this Debenture, the Agreement or the Registration Rights Agreement and such legend removal is otherwise lawful, and any such failure shall continue uncured for five (5) business days; or

- d. The Company shall fail to perform or observe, in any material respect, any other covenant, term, provision, condition, agreement or obligation of this Debenture and such failure shall continue uncured for a period of ten (10) days after written notice from the Holder of such failure; or
- e. The Company shall fail to perform or observe, in any material respect, any covenant, term, provision, condition, agreement or obligation of the Company under the Securities Purchase Agreement, the Registration Rights Agreement, the Warrant and such failure shall continue uncured for a period of ten (10) days after written notice from the Holder of such failure (other than a failure to cause the Registration Statement to become effective no later than the Required Effective Date, as defined and provided in the Registration Rights Agreement, as to which no such cure period shall apply); or

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- f. The Company shall (1) admit in writing its inability to pay its debts generally as they mature; (2) make an assignment for the benefit of creditors or commence proceedings for its dissolution; or (3) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business; or
- g. A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment; or
- h. Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company and shall not be dismissed

within sixty (60) days thereafter; or

- i. Any money judgment, writ or warrant of attachment, or similar process in excess of Two Hundred Thousand (\$200,000) Dollars in the aggregate shall be entered or filed against the Company or any of its properties or other assets and shall remain unpaid, unvacated, unbonded or unstayed for a period of sixty (60) days or in any event later than five (5) days prior to the date of any proposed sale thereunder; or
- j. Bankruptcy, reorganization, insolvency or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Company and, if instituted against the Company, shall not be dismissed within sixty (60) days after such institution or the Company shall by any action or answer approve of, consent to, or acquiesce in any such proceedings or admit the material allegations of, or default in answering a petition filed in any such proceeding; or
- k. The Company shall have its Common Stock suspended or delisted from an exchange or the NASD OTC Bulletin Board from trading for in excess of five (5) trading days.
- l. An Event of Default has occurred under the terms of any other Debenture (in this series) issued pursuant to the Securities Purchase Agreement.

Then, or at any time thereafter, and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder (which waiver shall not be deemed to be a waiver of any subsequent default) at the option of the Holder and in the Holder's sole discretion, the Holder may, at its option, consider this Debenture immediately due and payable in cash (and not by conversion into Common Stock), without presentment, demand, protest or notice of any kinds, all of which are hereby expressly waived, anything herein or in any note or other instruments contained to the contrary notwithstanding, and the Holder may immediately enforce any and all of the Holder's rights and remedies provided herein, or any other rights or remedies afforded by law.

16. Nothing contained in this Debenture shall be construed as conferring upon the Holder the right to vote or to receive dividends or to consent or receive notice as a shareholder in respect of any meeting of shareholders or any rights whatsoever as a shareholder of the Company, unless

and to the extent converted in accordance with the terms hereof.

17. In the event for any reason, any payment by or act of the Company or the Holder shall result in payment of interest which would exceed the limit authorized by or be in violation of the law of the jurisdiction applicable to this Debenture, the ipso facto the obligation of the Company to pay interest or perform such act or requirement shall be reduced to the limit authorized under such law, so that in no event shall the Company be obligated to pay any such interest, perform any such act or be bound by any requirement which would result in the payment of interest in excess of the limit so authorized. In the event any payment by or act of the Company shall result in the extraction of a rate of interest in excess of a sum which is lawfully collectible as interest, then such amount (to the extent of such excess not returned to the Company) shall, without further agreement or notice between or by the Company or the Holder, be deemed applied to the payment of principal, if any, hereunder immediately upon receipt of such excess funds by the Holder, with the same force and effect as though the Company had specifically designated such sums to be so applied to principal and the Holder had agreed to accept such sums as an interest-free prepayment of this Debenture. If any part of such excess remains after the principal has been paid in full, whether by the provisions of the preceding sentences of this Section 17 or otherwise, such excess shall be deemed to be an interest-free loan from the Company to the Holder, which loan shall be payable immediately upon demand by the Company. The provisions of this Section 17 shall control every other provision of this Debenture.

18. Time is of the essence as to the performance of each and every obligation of the Company and Holder pursuant to this Debenture.

19. A. On the conditions that the Company (i) is not in default under this Debenture (and no event has occurred that would ripen into a default with the passage of time), and (ii) has previously honored all prior Redemption Notices, the Company may, at its option, repay, in whole or in part, the then outstanding principal and interest balance of this Debenture on the date of the Redemption Notice (after deducting the principal and interest subject to outstanding Conversion Notices) at the Redemption Price (as defined below). This Debenture is redeemable, in whole or in part, by the Company by providing written notice (the "Redemption Notice") to the Holder via facsimile at its address set forth herein (the Business Day between the hours of 6:30 a.m. and 3:00 p.m. Pacific Time the Redemption Notice is received by the Holder via facsimile is defined to be the "Redemption Notice Date"). Within seven (7) Trading Days after the Redemption Notice Date the Company shall make payment of the Redemption Price (as defined below) in immediately available funds to the Holder (such date of payment referred to as the "Redemption Date"). Partial redemptions shall be in an aggregate principal amount of at least \$400,000. The Company shall redeem, pro-rata amongst the Holder and the holders of other Debentures in the series (if any) based on then outstanding balance due under the Debenture and the other Debentures in the series.

B. In the event the Company serves a Redemption Notice, the Redemption Price shall be equal to the greater of (i) 125% of the outstanding principal and interest balance of the Debenture, or (ii) the "Economic Benefit" of the

principal and interest of the Debenture which are the subject of such Redemption Notice. "Economic Benefit" shall mean the dollar value derived if the principal (and interest) which was the subject of the Redemption Notice was converted on the Redemption Notice Date and sold on the Redemption Notice Date at the Closing Bid Price of the Common Stock on the Redemption Notice Date.

C. The Notice of Redemption shall set forth (i) the Redemption Date and the place fixed for redemption, (ii) the Redemption Price, (iii) a statement of or reference to the conversion right set forth herein, and (iv) confirmation that the Company has the full Redemption Price reserved as set forth in F.

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below. The notice shall specify the principal and interest balance hereof to be redeemed. Within five Trading Days of the Redemption Notice Date, the Company shall wire transfer the appropriate amount of funds to the Holder. If the Company fails to comply with the redemption provisions set forth herein by the sixth Trading Day after the Redemption Notice Date (or in the case of a public offering as contemplated in F. below, by the sixth Trading Day after the Redemption Notice Date) relating to the Redemption Notice, the redemption will be declared null and void and the Company shall not be permitted to serve another Redemption Notice. For the first five Trading Days after the Redemption Notice Date, the Holder will retain its conversion rights with respect to a maximum of twenty percent (20%) of the principal and interest amount subject to the redemption. If the Holder elects to so convert the said principal and interest after the receipt of the Redemption Notice, the Company must receive notice of such election within two (2) business days from the time the Redemption Notice was received by the Holder. In the event the Company has not complied with the redemption provisions set forth herein the Company must comply with the delivery requirements of any then outstanding Conversion Notice as set forth herein. If the entire balance of interest and principal of this Debenture is redeemed hereunder, the Holder shall deliver to the Company the original of this Debenture within three (3) Business Days after it has received good funds for the Redemption Price.

D. The Redemption Price shall be adjusted proportionally upon any adjustment of the Conversion Price as provided herein and in the event of any stock dividend, stock split, combination of shares or similar event.

E. Intentionally Deleted.

F. The Company shall not be entitled to send any Redemption Notice and begin the redemption procedure hereunder unless it has:

- (a) the full amount of the Redemption Price in cash, available in a demand or other immediately available account in a bank or similar financial institution, specifically allotted for such redemption;

- (b) immediately available credit facilities, in the full amount of the Redemption Price with a bank or similar financial institution specifically allotted for such redemption; or
- (c) a combination of the items set forth in (i) and (ii) above, aggregating the full amount of the Redemption Price.

Notwithstanding the foregoing, in the event the redemption is expected to be made contemporaneously with the closing of a public offering of the Company's securities for an amount in excess of the Redemption Price, the Company shall not be required to have the full amount of the Redemption Price available to it as set forth above.

G. Upon its receipt of a Conversion Notice, the Company may, at its option, repay that portion of the accrued interest of this Debenture which is subject to such outstanding Conversion Notice, at the Redemption Price, provided that the Company delivers to Holder a Redemption Notice with respect thereto within two (2) business days after the date of the subject Conversion Notice. On the Redemption Date, the Company shall make payment of the Redemption Price in immediately available funds to the Holder.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed by an officer thereunto duly authorized.

Dated: as of March 16, 2000

WASATCH INTERACTIVE LEARNING CORPORATION,
a Washington corporation

By: /s/ _____
Barbara Morris

President

(Title)

NOTICE OF CONVERSION

(To be Executed by the Registered Holder in order to Convert the Debenture)

The undersigned hereby irrevocably elects to convert \$ _____ of the principal amount (and \$ _____ of accrued interest thereon) of the above Debenture No. ____ into Shares of Common Stock of WASATCH INTERACTIVE LEARNING CORPORATION (the "Company") according to the conditions hereof, as of the date written below.

Conversion Date*

Applicable Conversion Price

Signature

[Name]

Address:

* This original Debenture must be received by the Company or its transfer agent by the third business day following the Conversion Date.

THIS WARRANT AND THE STOCK ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND CAN BE TRANSFERRED ONLY IN COMPLIANCE WITH THE ACT AND APPLICABLE STATE SECURITIES LAWS. THIS WARRANT AND SUCH SECURITIES MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT, UNLESS, IN THE OPINION OF COUNSEL FOR THE COMPANY OR COUNSEL FOR THE REGISTERED HOLDER (WHICH SHALL BE IN FORM AND FROM SUCH COUNSEL AS SHALL BE REASONABLY SATISFACTORY TO THE COMPANY), SUCH REGISTRATION IS NOT THEN REQUIRED.

WASATCH INTERACTIVE LEARNING CORPORATION
COMMON STOCK PURCHASE WARRANT

1. Issuance. In consideration of good and valuable consideration, the receipt of which is hereby acknowledged by Wasatch Interactive Learning Corporation, a Washington corporation (the "Company"), Brock Road, LLC, a Cayman Islands limited liability company, or registered assigns (the "Holder") is hereby granted the right to purchase at any time until 5:00 P.M., Pacific Coast time, on March 16, 2005 (the "Expiration Date"), One Hundred Ninety Six Thousand and Seventy Eight (196,078) fully paid and nonassessable shares of the Company's Common Stock, no par value per share (the "Common Stock") at an exercise price of \$5.31 per share (the "Exercise Price") subject to further adjustment as set forth in Section 6 hereof.

2. Exercise of Warrants. This Warrant is exercisable in whole or in part for whole shares of the Company's Common Stock at the Exercise Price per share of Common Stock payable hereunder, payable in cash or by certified or official bank check. In lieu of paying cash to exercise this Warrant, the Holder may, by designating a "cashless" exercise on the Notice of Exercise Form, acquire a number of whole shares of the Company's Common Stock equal to (a) the difference between (i) the Market Value of the Company's Common Stock and (ii) the Exercise Price, multiplied by (b) the number of shares of Common Stock purchasable under the portion of the Warrant tendered to the Company, divided by (c) the Market Value of the Company's Common Stock. Upon surrender of this Warrant Certificate with the annexed Notice of Exercise Form duly executed, together with payment of the Exercise Price for the shares of Common Stock purchased, the Holder shall be entitled to receive a certificate or certificates for the shares of Common Stock so purchased. For the purposes of this Section 2, "Market Value" shall be an amount equal to the average closing bid price of a share of Common Stock for the five (5) business days immediately preceding the Company's receipt of the Notice of Exercise Form duly executed.

3. Reservation of Shares. The Company hereby agrees that at all times during the term of this Warrant there shall be reserved for issuance upon exercise of this Warrant such number of shares of its Common Stock as shall be required for issuance upon exercise of this Warrant (the "Warrant Shares").

4. Mutilation or Loss of Warrant. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) receipt of reasonably satisfactory indemnification, and (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will execute and deliver a new Warrant of like tenor and date and any such lost, stolen, destroyed or mutilated Warrant shall thereupon become void.

5. Rights of the Holder. The Holder shall not, by virtue hereof, be entitled to any rights of a stockholder in the Company, either at law or equity, and the rights of the Holder are limited to those expressed in this Warrant and are not enforceable against the Company except to the extent set forth herein.

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6. Adjustments to Exercise Terms.

If the Company at any time prior to the full execution of this Warrant shall, by subdivision, combination, merger, spin-off, re-classification or like capital adjustment of the securities, change any of the securities to which purchase rights under this Warrant exist into the same or different number of securities of any class or classes, this Warrant shall thereafter entitle the Holder to acquire such number and kind of securities as would have been issuable as a result of such change with respect to the securities acquirable immediately prior to such transaction. If shares of the securities acquirable upon exercise of this Warrant are subdivided into a greater number of securities, including any stock dividend, or if such securities are combined into a lesser number of securities, then the purchase price for the securities acquirable upon exercise of this Warrant and the securities acquirable pursuant to this Warrant shall be proportionately and equitably adjusted.

7. Transfer to Comply with the Securities Act; Registration Rights.

(a) This Warrant has not been registered under the Securities Act of 1933, as amended, (the "Act") and has been issued to the Holder for investment and not with a view to the distribution of either the Warrant or the Warrant Shares. Neither this Warrant nor any of the Warrant Shares or any other security issued or issuable upon exercise of this Warrant may be sold, transferred, pledged or hypothecated in the absence of an effective registration statement under the Act and applicable state securities laws relating to such security, unless in the opinion of counsel satisfactory to the Company, such registrations are not required under the Act. Each certificate for the Warrant, the Warrant Shares and any other security issued or issuable upon exercise of this Warrant shall contain a legend on the face thereof, in form and substance satisfactory to counsel for the Company, setting forth the restrictions on transfer contained in this Section.

(b) The Company agrees to file a registration statement, which

shall include the Warrant Shares, on Form SB-2 or another available form (the "Registration Statement"), pursuant to the Act, pursuant to a Registration Rights Agreement between the Company and Holder dated as of the date hereof (the "Registration Rights Agreement").

8. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage pre-paid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed or sent by facsimile transmission, or, if mailed, two days after the date of deposit in the United States mails, as follows:

(i) if the to Company, to:

Wasatch Interactive Learning Corporation
5250 South Commerce Drive, Suite 101
Salt Lake City, UT 84107
ATTN: CEO
Telephone No.: (801) 261-1001
Telecopier No.: (801) 269-1509

(ii) if to the Holder, to:

c/o Thomson Kernaghan & Co.
365 Bay Street, Suite 1000, 10th Fl.
Toronto, Ontario M5H 2V2
Telephone No.: (416) 860-4160
Telecopier No.: (416) 860-8313

Any party may be notice given in accordance with this Section to the other parties designate another address or person for receipt of notices hereunder.

9. Supplements and Amendments; Whole Agreement. This Warrant may be amended or supplemented only by an instrument in writing signed by the parties hereto. This Warrant contains the full understanding of the parties hereto with respect to the subject matter hereof and thereof and there are no representations, warranties, agreements or understandings other than expressly contained herein and therein.

10. Governing Law. This Warrant shall be deemed to be a contract made under the laws of the State of California and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

11. Descriptive Headings. Descriptive headings of the several Sections of this Warrant are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Warrant as of the 16th day of March, 2000.

Wasatch Interactive Learning Corporation,
a Washington corporation

By: /s/ _____
Name: Barbara Morris
Title: President

Attest:

/s/

Name: Carol Loomis
Title: Vice President

ANNEX IV
TO
SECURITIES PURCHASE
AGREEMENT

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT, dated as of March 16, 2000 (this "Agreement"), is made by and between Wasatch Interactive Learning Corporation, a Washington corporation (the "Company"), and the each entity named on the signature page hereto (individually referred to as the "Initial Investor" and collectively referred to as the "Initial Investors").

W I T N E S S E T H:

WHEREAS, upon the terms and subject to the conditions of the Securities Purchase Agreement, dated as of March 16, 2000, between the Initial Investors and the Company (the "Securities Purchase Agreement"; capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Securities Purchase Agreement), the Company has agreed to issue and sell to the Initial Investors a 7% Convertible Debenture, in the principal amount of \$4,000,000 (which may be issued to each individual Buyer in series) (the "Debentures") which term, as used herein shall have the meaning ascribed to it in the Securities Purchase Agreement); and

WHEREAS, the Company has agreed to issue the Warrants to the Initial Investors in connection with the issuance of the Debentures; and

WHEREAS, the Debentures are convertible into shares of Common Stock (the "Conversion Shares") upon the terms and subject to the conditions set forth therein; and

WHEREAS, the Warrants to be issued to the Initial Investors may be exercised for the purchase of shares of Common Stock (the "Warrant Shares") upon the terms and conditions of the Warrants; and

WHEREAS, to induce the Initial Investors to execute and deliver the Securities Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "Securities Act"), with respect to the Conversion Shares and the Warrant Shares;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the

Initial Investor hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following meanings:

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(a) "Investors" means the Initial Investors and any permitted transferee or assignee who agrees to become bound by the provisions of this Agreement in accordance with Section 9 hereof.

(b) "Potential Material Event" means any of the following: (i) the possession by the Company of material information not ripe for disclosure in a registration statement, which shall be evidenced by determinations in good faith by the Board of Directors of the Company that disclosure of such information in the registration statement would be detrimental to the business and affairs of the Company; or (ii) any material engagement or activity by the Company which would, in the good faith determination of the Board of Directors of the Company, be adversely affected by disclosure in a registration statement at such time, which determination shall be accompanied by a good faith determination by the Board of Directors of the Company that the registration statement would be materially misleading absent the inclusion of such information.

(c) "Register," "Registered," and "Registration" refer to a registration effected by preparing and filing a Registration Statement or Statements in compliance with the Securities Act and pursuant to Rule 415 under the Securities Act or any successor rule providing for offering securities on a continuous basis ("Rule 415"), and the declaration or ordering of effectiveness of such Registration Statement by the United States Securities and Exchange Commission (the "SEC").

(d) "Registrable Securities" means the Conversion Shares and the Warrant Shares.

(e) "Registration Statement" means a registration statement of the Company under the Securities Act.

2. Registration.

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(a) Mandatory Registration. The Company shall prepare and file with the SEC, as soon as possible after the Closing Date, but no later than thirty (30) days following the Closing Date, a Registration Statement on Form SB-2, registering for resale by the Investors all of the Registrable Securities,

but in no event less than two hundred percent (200%) of the aggregate number of shares into (i) which the Debentures would be convertible at the time of filing of the Registration Statement (assuming for such purposes that the entire principal and interest balance of all Debentures had been eligible to be converted, and had been converted, into Conversion Shares in accordance with their terms, whether or not such eligibility or conversion had in fact occurred as of such date), and (ii) which would be issued upon exercise of all of the Warrants at the time of filing of the Registration Statement (assuming for such purposes that all such Warrants had been eligible to be exercised and had been exercised in accordance with their terms, whether or not such eligibility or exercise had in fact occurred as of such date). The Registration Statement shall also state that, in accordance with Rule 416 and 457 under the Securities Act, it also covers such indeterminate number of additional shares of Common Stock as may become issuable upon conversion of the Debentures and the exercise of the Warrants (and the Existing Warrants) to prevent dilution resulting from stock splits, or stock dividends. The Company will use its best efforts to cause the Registration Statement to be declared effective no later than one hundred twenty days (120) days after the Closing Date. If at any time the number of shares of Common Stock into which the Debentures may be converted and which would be issued upon exercise of the Warrants equals more than seventy five percent (75%) of the aggregate number of shares of Common Stock then registered, the Company shall, within ten (10) business days after receipt of a written notice from any Investor, either (i) further amend the Registration Statement filed by the Company pursuant to the preceding sentence, if such Registration Statement has not been declared effective by the SEC at that time, to register 200% of the aggregate of all shares of Common Stock into which the Debentures may then or in the future be converted and which would be issued currently or in the future upon exercise of the Warrants, or (ii) if such Registration Statement has been declared effective by the SEC at that time, file with the SEC an additional Registration Statement on Form SB-2, as may be appropriate, to register (A) 200% of the aggregate shares of Common Stock into which the Debentures may then or in the future be converted and which would be issued currently or in the future upon exercise of the unexercised Warrants, less (B) the aggregate number of shares of Common Stock already registered which have not been issued upon conversions of the Debentures or the exercise of Warrants. The Registration Statement shall not include any shares other than the Registrable Securities, and certain other shares that the Company is obligated to Register as set forth in Schedule 5(b), without the consent of the Investors.

(b) Payments by the Company.

(i) If the Registration Statement covering the Registrable Securities is not filed with the SEC on or before thirty (30) days after the Closing Date (the "Required Filing Date"), then the Company shall pay each Investor a late filing penalty (collectively "Late Filing Penalties"), (i) on the first day after the Required Filing Date, an amount equal to two percent (2%) of the original purchase price paid pursuant to the Securities Purchase Agreement (the "Purchase Price") for the Debentures, and (ii) on each subsequent monthly anniversary of the Required Filing Date, if the Registration Statement has not been filed in proper form on or before such date, an amount equal to three percent (3%) of the Purchase Price for the Debentures.

(ii) If the Registration Statement covering the Registrable Securities is not effective within the earlier of (a) five (5) days after notice by the SEC that it may be declared effective (including the issuance by the SEC of a "no review letter"), or (b) one hundred twenty (120) days following the Closing Date (the "Required Effective Date"), then the Company shall pay each Investor a late effective date penalty (collectively "Late Effective Date Penalties") (sometimes Late Filing Penalties and Late Effective Penalties are

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collectively referred to as "Late Penalties"), (i) on the first day after the Required Effective Date, an amount equal to two percent (2%) of the Purchase Price for the Debentures and (ii) on each subsequent monthly anniversary of the Required Effective Date, if the Registration Statement has not been declared effective on or before such date, an amount equal to three percent (3%) of the Purchase Price for the Debentures.

(iii) By way of illustration and not in limitation of the foregoing, assuming a Closing Date of February 3, 2000 (X) if the Registration Statement is timely filed but is not declared effective until July 15, 2000 (assuming for the purpose of this example that the SEC has not previously provided notice that it may be declared effective), the aggregate Late Effective Date Penalty will equal 5% percent of the Purchase Price (2% on June 4, the 120th day after the Closing Date, plus 3% on July 2) or (Y) if the Registration is filed on April 9 and is not declared effective until June 15, 2000 (assuming for the purpose of this example that the SEC has not previously provided notice that it may be declared effective), the aggregate Late Filing Penalty will equal 8% of the Purchase Price (2% on March 5, the 30th day after the Closing Date, plus 3% on April 4 and May 4) and the aggregate Late Effective Date Penalty will equal 2% percent of the Purchase Price (2% on June 4, the 120th day after the Closing Date).

(iv) Additionally, if the Registration Statement is not filed within seventy five (75) days from the Closing Date, each Investor may, at its option, require the Company to redeem the Debentures in full, within three (3) days, in cash, in accordance with Section 6 of the Debenture.

(v) Late Penalties will be payable to the Investor by the Company in cash or other immediately available funds on the date such Late Penalty is incurred.

(vi) The parties acknowledge that the damages which may be incurred by the Investors if the Registration Statement is not filed by the Required Filing Date or if the Registration Statement has not been declared effective by the Required Registration Date may be difficult to ascertain. The parties agree that the Late Penalties represent a reasonable estimate on the part of the parties, as of the date of this Agreement, of the amount of such damages. The payment of the Late Penalties to the Investors shall not limit the

Investors' other rights and remedies hereunder or under any other document entered into in connection herewith.

(vii) Notwithstanding the foregoing, the amounts payable by the Company pursuant to this provision shall not be payable to the extent any delay in the effectiveness of the Registration Statement occurs because of an act of, or a failure to act or to act timely by the Investors or their counsel if the Company timely forwards to counsel any required documents or in the event all of the Registrable Securities may be sold pursuant to Rule 144 or another available exemption under the Act.

3. Obligations of the Company. In connection with the registration of the Registrable Securities, the Company shall do each of the following.

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(a) Prepare promptly, and file with the SEC by the Required Filing Date, the Registration Statement with respect to not less than the number of Registrable Securities provided in Section 2(a) above, and thereafter use its reasonable best efforts to cause each Registration Statement relating to Registrable Securities to become effective by the Required Effective Date and keep the Registration Statement effective at all times until the earliest (the "Registration Period") of (i) the date that is two (2) years after the Closing Date, (ii) the date when the Investors may sell all Registrable Securities under Rule 144 or (iii) the date the Investors no longer own any of the Registrable Securities, which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(b) Prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep the Registration effective at all times during the Registration Period, and, during the Registration Period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of the Company covered by the Registration Statement until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in the Registration Statement;

(c) The Company shall permit a single firm or counsel designated by the Investors to review the Registration Statement and all amendments and supplements thereto a reasonable period of time (but not less than three (3) business days) prior to their filing with the SEC, and not file any document in a form to which such counsel reasonably objects.

(d) Notify the Investors, their counsel and managing underwriters, if any, immediately (and, in the case of (i)(A) below, not less than five (5) days prior to such filing) and (if requested by any such Person) confirm such notice in writing no later than one (1) Business Day following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to the Registration Statement is proposed to be filed; (B) whenever the Commission notifies the Company whether there will be a "review" of such Registration Statement; (C) whenever the Company receives (or representatives of the Company receive on its behalf) any oral or written comments from the Commission in respect of a Registration Statement (copies or, in the case of oral comments, summaries of such comments shall be promptly furnished by the Company to the Investors); and (D) with respect to the Registration Statement or any post-effective amendment, when the same has become effective; (ii) of any request by the Commission or any other Federal or state governmental authority for amendments or supplements to the Registration Statement or Prospectus or for additional information; (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iv) if at any time any of the representations or warranties of the Company contained in any agreement (including any underwriting agreement) contemplated hereby ceases to be true and correct in all material respects; (v) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose; and (vi) of the occurrence of any event that to the best knowledge of the Company makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to the Registration Statement, Prospectus or other documents so that, in the case of the Registration Statement or the Prospectus,

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as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. In addition, the Company shall furnish the Investors with copies of all intended written responses to the comments contemplated in clause (C) of this Section 3(d) not later than one (1) Business Day in advance of the filing of such responses with the Commission so that the Investors shall have the opportunity to comment thereon.

(e) Furnish to each Investor whose Registrable Securities are included in the Registration Statement and its legal counsel identified to the Company, (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company, one (1) copy of the Registration Statement, each preliminary prospectus and prospectus, and each amendment or supplement thereto, and (ii) such number of copies of a prospectus, and all amendments and supplements thereto and such other documents, as such Investor

may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor;

(f) As promptly as practicable after becoming aware of such event, notify each Investor of the happening of any event of which the Company has knowledge, as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and use its best efforts promptly to prepare a supplement or amendment to the Registration Statement or other appropriate filing with the SEC to correct such untrue statement or omission, and deliver a number of copies of such supplement or amendment to each Investor as such Investor may reasonably request;

(g) As promptly as practicable after becoming aware of such event, notify each Investor who holds Registrable Securities being sold (or, in the event of an underwritten offering, the managing underwriters) of the issuance by the SEC of a Notice of Effectiveness or any notice of effectiveness or any stop order or other suspension of the effectiveness of the Registration Statement at the earliest possible time;

(h) Notwithstanding the foregoing, if at any time or from time to time after the date of effectiveness of the Registration Statement, the Company notifies the Investors in writing of the existence of a Potential Material Event, the Investors shall not offer or sell any Registrable Securities, or engage in any other transaction involving or relating to the Registrable Securities, from the time of the giving of notice with respect to a Potential Material Event until such Investor receives written notice from the Company that such Potential Material Event either has been disclosed to the public or no longer constitutes a Potential Material Event; provided, however, that the Company may not so suspend the right to such holders of Registrable Securities for more than two twenty (20) day periods in the aggregate during any 12-month period ("Suspension Period") with at least a ten (10) business day interval between such periods, during the periods the Registration Statement is required to be in effect;

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(i) Use its reasonable efforts to secure or maintain, as applicable, NASD OTC Bulletin Board authorization and quotation for such Registrable Securities and, without limiting the generality of the foregoing, to arrange for at least two market makers to register with the National Association of Securities Dealers, Inc. ("NASD") as such with respect to such Registrable Securities;

(j) Provide a transfer agent and registrar, which may be a single entity, for the Registrable Securities not later than the effective date

of the Registration Statement;

(k) Cooperate with the Investors who hold Registrable Securities (or, subject to receipt by the Company of appropriate notice and documentation, as may be required by the Securities Purchase Agreement, the Debentures, the Warrants or this Agreement, securities convertible into Registrable Securities) being offered to facilitate the timely preparation and delivery of certificates for the Registrable Securities to be offered pursuant to the Registration Statement and enable such certificates for the Registrable Securities to be in such denominations or amounts as the case may be, as the Investors may reasonably request, and, within five (5) business days after a Registration Statement which includes Registrable Securities is ordered effective by the SEC, the Company shall deliver, and shall cause legal counsel selected by the Company to deliver, to the transfer agent for the Registrable Securities (with copies to the Investors whose Registrable Securities or securities convertible into Registrable Securities are included in such Registration Statement) an appropriate instruction and opinion of such counsel; provided, however, that nothing in this subparagraph (j) shall be deemed to waive any of the provisions regarding the conditions or method of conversion of The Debentures or exercise of Warrants into Registrable Securities; and

(l) Take all other reasonable actions necessary to expedite and facilitate disposition by the Investor of the Registrable Securities pursuant to the Registration Statement.

4. Obligations of the Investors. In connection with the registration of the Registrable Securities, each Investor shall have the following obligations:

(a) As a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor, such Investor shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of the Registrable Securities held by it, as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least five (5) days prior to the first anticipated filing date of the Registration Statement, the Company shall notify each Investor of the information the Company requires from each such Investor (the "Requested Information") if such Investor elects to have any of such Investor's Registrable Securities included in the Registration Statement. If at least two (2) business days prior to the filing date the Company has not received the Requested Information from an Investor (a "Non-Responsive Investor"), then the Company may file the Registration Statement without including Registrable Securities of such Non-Responsive Investor;

(b) To cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement hereunder, unless such Investor has notified the Company in writing of such Investor's election to exclude all of such Investor's Registrable Securities from the Registration Statement; and

(c) Upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(e) or 3(f), above, such Investor shall immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(e) or 3(f) and, if so directed by the Company, such Investor shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction) all copies in such Investor's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

5. Expenses of Registration. (a) All reasonable expenses (other than underwriting discounts and commissions of each Investor and legal fees of counsel to each Investor) incurred in connection with registrations, filings or qualifications pursuant to Section 3, including, without limitation, all registration, listing, and qualifications fees, printers and accounting fees, the fees and disbursements of counsel for the Company, and a fee for a single counsel for the Investors not exceeding \$3,500, shall be borne by the Company.

(b) Except as and to the extent specifically set forth in Schedule 5(b) attached hereto, neither the Company nor any of its subsidiaries has, as of the date hereof, nor shall the Company nor any of its subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Investors herein or otherwise conflicts with the provisions hereof. Except as and to the extent specifically set forth in Schedule 5(b) attached hereto, neither the Company nor any of its subsidiaries has previously entered into any agreement granting any registration rights with respect to any of its securities to any person or entity. Without limiting the generality of the foregoing, without the written consent of the Investors of a majority of the then outstanding Registrable Securities, the Company shall not grant to any person the right to request the Company to register any securities of the Company under the Securities Act unless the rights so granted are subject in all respects to the prior rights in full of the Investors set forth herein, and are not otherwise in conflict or inconsistent with the provisions of this Agreement.

6. Indemnification. In the event any Registrable Securities are included in a Registration Statement under this Agreement:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Investor who holds such Registrable Securities, the directors, if any, of such Investor, the officers, if any, of such Investor, each person, if any, who controls any Investor within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act") (each, an "Indemnified Person" or "Indemnified Party"), against any losses, claims, damages, liabilities or expenses (joint or several) incurred (collectively, "Claims") to which any of them may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any of the following statements, omissions or violations in the Registration Statement, or any post-effective amendment thereof, or any prospectus included therein: (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any post-effective amendment thereof or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation under the Securities Act, the Exchange Act or any state securities law (the matters in the foregoing clauses (i) through (iii) being, collectively, "Violations"). Subject to clause (b) of this Section 6, the Company shall reimburse the Investors, promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a) shall not (I) apply to a Claim arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto, if such prospectus was timely made available by the Company pursuant to Section 3(c) hereof; (II) be available to the extent such Claim is based on a failure of the Investor to deliver or cause to be delivered the prospectus made available by the Company; or (III) apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld. Each Investor will indemnify the Company and its officers, directors and agents against any claims arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company, by or on behalf of such Investor, expressly for use in connection with the preparation of the Registration Statement, subject to such limitations and conditions as are applicable to the Indemnification provided by the Company to this Section 6. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section

(b) Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action (including any governmental action), such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be. In case any such action is brought against any Indemnified Person or Indemnified Party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, assume the defense thereof, subject to the provisions herein stated and after notice from the indemnifying party to such Indemnified Person or Indemnified Party of its election so to assume the defense thereof, the indemnifying party will not be liable to such Indemnified Person or Indemnified Party under this Section 6 for any reasonable legal or other reasonable out-of-pocket expenses subsequently incurred by such Indemnified Person or Indemnified Party in connection with the defense thereof other than reasonable costs of investigation, unless the indemnifying party shall not pursue the action of its final conclusion. The Indemnified Person or Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and reasonable out-of-pocket expenses of such counsel shall not be at the expense of the indemnifying party if the indemnifying party has assumed the defense of the action with counsel reasonably satisfactory to the Indemnified Person or Indemnified Party. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is prejudiced in its ability to defend such action. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

7. Contribution. To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that (a) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in Section 6; (b) no seller of Registrable

Securities guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation; and (c) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities.

8. Reports under Exchange Act. With a view to making available to the Investors the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the SEC that may at any time permit the Investors to sell securities of the Company to the public without registration ("Rule 144"), the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) use its best efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

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(c) furnish to each Investor so long as such Investor owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company and (iii) such other information as may be reasonably requested to permit the Investors to sell such securities pursuant to Rule 144 without registration.

9. Assignment of the Registration Rights. The rights to have the Company register Registrable Securities pursuant to this Agreement shall be automatically assigned by an Investor to any transferee of the Registrable Securities (or all or any portion of any Debentures of the Company which is convertible into such securities) permitted or allowable by the terms of the Securities Purchase Agreement only if: (a) such Investor agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company within a reasonable time after such assignment, (b) the Company is, within a reasonable time after such transfer or assignment, furnished with written notice of (i) the name and address of such transferee or assignee and (ii) the securities with respect to which such registration rights are being transferred or assigned, (c) immediately following such transfer or assignment the further disposition of such securities by the transferee or assignee is restricted under the Securities Act and applicable state securities laws, and (d) at or before the time the Company received the written notice contemplated by clause (b) of this sentence the transferee or assignee agrees in writing with or in favor of the Company to be bound by all of the provisions

contained herein, a copy of which shall be provided to the Company. The copies referred to in clauses (a) and (d) of the immediately preceding sentence may be redacted to delete certain financial and other details of the transaction between the Investor and its transferee if the same is included in the document to be provided to the Company. In the event of any delay in filing or effectiveness of the Registration Statement as a result of such assignment, the Company shall not be liable for any damages arising from such delay, or the payments set forth in Section 2(c) hereof.

10. Amendment of Registration Rights. Any provision of each such Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Investors who hold collectively eighty (80%) percent of the Debentures. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Investor and the Company.

11. Miscellaneous.

(a) A person or entity is deemed to be a holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

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(b) Any notice or communication required or permitted by this Agreement shall be given in writing addressed as follows:

If to Company:

Wasatch Interactive Learning Corporation
5250 South Commerce Drive, Suite 101
Salt Lake City, UT 84107
ATTN: CEO
Telephone No.: (801) 261-1001
Telecopier No.: (801) 269-1509

with a copy to:

Snow, Becker Krauss P.C.
605 Third Avenue
New York, New York 10158-0125
Attention: Elliot H. Lutzker, Esq.
Telephone: (212) 687-3860
Facsimile: (212) 949-7052

If to Investors: c/o Thomson Kernaghan & Co.
365 Bay Street, Suite 1000, 10th Fl.
Toronto, Ontario M5H 2V2
Telephone No.: (416) 860-4160
Telecopier No.: (416) 860-8313

with a copy to: Michael S. Rosenblum, Esq.
Law Offices of Michael S. Rosenblum
1875 Century Park East, Suite 700
Los Angeles, California 90067

All notices shall be served personally by telecopy, by telex, by overnight express mail service or other overnight courier, or by first class registered or certified mail, postage prepaid, return receipt requested. If served personally, or by telecopy, notice shall be deemed delivered upon receipt (provided that if served by telecopy, sender has written confirmation of delivery); if served by overnight express mail or overnight courier, notice shall be deemed delivered forty-eight (48) hours after deposit; and if served by first class mail, notice shall be deemed delivered seventy-two (72) hours after mailing. Any party may give written notification to the other parties of any change of address for the sending of notices, pursuant to any method provided for herein.

(c) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(d) This Agreement shall be governed by and interpreted in accordance with the laws of the State of California for contracts to be wholly performed in such state and without giving effect to the principles thereof regarding the conflict of laws. Any litigation based thereon, or arising out of, under, or in connection with, this agreement or any course of conduct, course of dealing, statements (whether oral or written) or actions of the Company or Purchaser shall be brought and maintained exclusively in the state or Federal courts of the State of California, sitting in the City of Los Angeles. The Company hereby expressly and irrevocably submits to the jurisdiction of the state and federal Courts of the State of California for the purpose of any such litigation as set forth above and irrevocably agrees to be bound by any final judgment rendered thereby in connection with such litigation. The Company further irrevocably consents to the service of process by registered mail, postage prepaid, or by personal service within or without the State of California. The Company hereby expressly and irrevocably waives, to the fullest extent permitted by law, any objection which it may have or hereafter may have to the laying of venue of any such litigation brought in any such court referred

to above and any claim that any such litigation has been brought in any inconvenient forum. To the extent that the Company has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of

execution or otherwise) with respect to itself or its property, the Company hereby irrevocably waives such immunity in respect of its obligations under this Agreement and the related agreements entered into in connection herewith.

(e) If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

(f) Subject to the requirements of Section 9 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

(g) All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

(h) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning thereof.

(i) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by telephone line facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

(j) The Company acknowledges that any failure by the Company to perform its obligations under Section 3(a) hereof, or any delay in such performance could result in loss to the Investors, and the Company agrees that, in addition to any other liability the Company may have by reason of such failure or delay, the Company shall be liable for all direct damages caused by any such failure or delay, unless the same is the result of force majeure. Neither party shall be liable for consequential damages.

(k) This Agreement, the Securities Purchase Agreement and the other documents referenced therein constitute the entire agreement among the parties hereto with respect to the subject matter hereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein. This Agreement supersedes all prior agreements and understandings among the parties hereto with respect to the subject matter hereof. This Agreement may be amended only by an instrument in writing signed by the party to be charged with enforcement thereof.

(l) Any default by an individual Investor hereunder or any related agreement, including, without limitation, the Securities Purchase Agreement, shall not be deemed a default by any other Investor and shall not excuse the Company's performance hereunder or thereunder with respect to the non-defaulting Investors.

(m) In the event of any action for breach of or to enforce or declare rights under any provision of this Agreement, the prevailing party shall

be entitled to reasonable attorneys' fees and costs, to be paid by the losing party.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

Wasatch Interactive Learning Corporation,
a Washington corporation

By: /s/

Name: Barbara Morris

Title: President

Brock Road, LLC, a Cayman Islands
limited liability company

By: /s/

Navigator Management, LTD, Director

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