

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2006-08-11** | Period of Report: **2006-06-30**
SEC Accession No. **0001144204-06-032223**

(HTML Version on secdatabase.com)

FILER

BRIGHTSTAR INFORMATION TECHNOLOGY GROUP INC

CIK: **1050025** | IRS No.: **760553110** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-23889** | Film No.: **061022694**
SIC: **7373** Computer integrated systems design

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

FORM 10-QSB

(MARK ONE)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2006 OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 000-23889

BRIGHTSTAR INFORMATION TECHNOLOGY GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

DELAWARE
(STATE OF OTHER JURISDICTION OF

76-0553110
(I.R.S. EMPLOYER
INCORPORATION OR ORGANIZATION)
IDENTIFICATION NO.)

**6160 STONERIDGE MALL ROAD, SUITE 250, PLEASANTON,
CALIFORNIA 94588**
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: **(925) 251-0000**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No .

The number of shares of Common Stock of the Registrant, par value \$.001 per share, outstanding at July 31, 2006 was 209,707,518.

Transitional Small business Disclosure Format (Check one): Yes ; No .

BRIGHTSTAR INFORMATION TECHNOLOGY GROUP, INC.
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**“SAFE HARBOR” STATEMENT UNDER THE UNITED STATES PRIVATE
SECURITIES LITIGATION REFORM ACT OF 1995**

Statements that are not historical facts contained in this Quarterly Report on Form 10-QSB are forward looking statements that involve risk and uncertainties that could cause actual results to differ from projected results. The words “anticipate,” “believe,” “estimate,” “expect,” “plan,” “intend” and similar expressions, as they relate to us, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. We cannot assure you that any of our expectations will be realized. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, without limitation, the timing of development of the areas where we may sell our services, the market price of our services and products, changes in applicable statutory and regulatory requirements, costs of delivery of our products and services, the strength and financial resources of our competitors, our ability to find and retain skilled personnel, labor relations, the results of financing efforts and the ability to meet capital requirements, and general economic conditions.

PART 1, ITEM 1. FINANCIAL STATEMENTS

BRIGHTSTAR INFORMATION TECHNOLOGY GROUP, INC.
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
 (\$000'S, EXCEPT PER SHARE DATA)

	Unaudited June 30, 2006
ASSETS	
Current assets:	
Cash	\$25
Trade accounts receivable, net of allowance for doubtful accounts of \$6	410
Prepaid expenses and other	93
Total current assets	528
Property and equipment, net	58
Working capital advance in connection with MPI acquisition	300
In-place contracts	989
Customer list	809
Other intangible assets	371
Total assets	\$3,055
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Line of credit	\$60
Accounts payable	96
Accrued salaries and other expenses	207
Payable to affiliate	872
Deferred revenue	491
Total current liabilities	1,726
Convertible notes payable to affiliate	1,800
Notes payable to affiliate	1,258
Other liabilities - payable to affiliate	101
Commitments and contingencies	-
Stockholders' equity:	
Preferred stock, \$0.001 par value; 3,000,000 shares authorized; 136,585 shares issued and outstanding in 2006	-
Common stock, \$0.001 par value; 747,000,000 shares authorized; 209,707,518 shares issued and outstanding in 2006	210
Additional paid-in capital	100,376
Accumulated deficit	(102,416)
Total stockholders' equity	(1,830)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$3,055

See notes to condensed consolidated financial statements.

BRIGHTSTAR INFORMATION TECHNOLOGY GROUP, INC.
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (\$000'S, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	2006	2005	2006	2005
Revenue	\$747	\$669	\$1,569	\$1,425
Cost of revenue	526	483	1,041	1,056
Gross profit	221	186	528	369
Operating expenses:				
Selling, general and administrative	444	212	891	431
Depreciation and amortization	89	5	179	10
Total operating expenses	533	217	1,070	441
Loss from operations	(312)	(31)	(542)	(72)
Interest expense, net	(72)	(31)	(145)	(62)
Loss before tax provision	(384)	(62)	(687)	(134)
Income tax provision	-	-	-	-
Net loss	<u>\$(384)</u>	<u>\$(62)</u>	<u>\$(687)</u>	<u>\$(134)</u>
Net loss per share: basic and diluted				
Net loss per share	<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.00)</u>
Average shares outstanding:				
basic and diluted	<u>189,850,375</u>	<u>62,790,441</u>	<u>130,608,070</u>	<u>39,170,427</u>

See notes to condensed consolidated financial statements.

BRIGHTSTAR INFORMATION TECHNOLOGY GROUP, INC.
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (\$000'S, EXCEPT PER SHARE DATA)

	SIX MONTHS ENDED	
	JUNE 30,	
	2006	2005
Operating activities:		
Net loss	\$(687)	\$(134)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	178	11
Changes in operating assets and liabilities		
Trade accounts receivable	(124)	170
Unbilled revenue	-	(17)
Prepaid expenses and other assets	(58)	(17)
Accounts payable	77	(62)
Accrued salaries and other expenses	(18)	(90)
Deferred revenue	131	-
Other liabilities	-	26
Net cash provided (used) by operating activities	(501)	(113)
Investing activities:		
Acquisitions, net	(1,800)	-
Investment	(300)	-
Net cash used in investing activities	(2,100)	-
Financing activities:		
Proceeds from sale of common stock	-	213
Proceeds from sale of preferred stock	-	137
Net borrowings (payments) under line of credit	(91)	(196)
Net borrowings (payments) from affiliate	657	
Proceeds from convertible notes payable	1,800	-
Net cash provided (used) by financing activities	2,366	154
Net decrease in cash	(235)	41
Cash:		
Beginning of period	260	43
End of period	\$25	\$84
Supplemental Disclosure:		
Interest paid	\$7	\$7
Non cash acquisition consideration	\$210	\$-

See notes to condensed consolidated financial statements.

BRIGHTSTAR INFORMATION TECHNOLOGY GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(\$000'S, EXCEPT SHARE AND PER SHARE DATA)

1. Basis of Presentation

The balance sheet as of June 30, 2006, the statements of operations for the three and six months ended June 30, 2006 and June 30, 2005, respectively, and the statements of cash flows for the six months ended June 30, 2006 and June 30, 2005 have been prepared by the Company and have not been audited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows at June 30, 2006 and for all periods presented have been appropriately made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's fiscal year 2005 Annual Report on Form 10-K. The results of operations for interim periods presented are not necessarily indicative of the operating results for the full year.

2. Acquisitions

In January 2006, the Company acquired all of the assets and operations of privately held Neulogic Media, LLC ("Neulogic"). Neulogic provides e-communication solutions which include website development and support, content distribution, e-mail marketing and back office integration to the philanthropic community. Neulogic was acquired to introduce new products and services to BrightStar customers. The Condensed Consolidated Financial Statements include the operating results of Neulogic from the date of acquisition.

The purchase price of approximately \$2.0 million, consisting of cash of \$1.8 million and 139,000,000 shares of the Company's common stock, preliminarily valued at \$210, was accounted for as business combination and allocated to the acquired assets and other identified intangibles, as follows (in thousands):

Fair value of assumed liabilities	\$(326)
Identified intangible assets acquired:	
In place contracts and customer list	1,936
Tradename	150
Developed software	250
Total	<u>\$2,010</u>

The value of \$210 thousand was estimated based on the April 2005 purchase of the Company by Stellar McKim LLC, this amount could change during the allocation period based on independent valuation of the consideration given or the assets received. Management is presently evaluating the assets acquired and liabilities assumed and such amounts could change during the allocation period.

The valuation of in place contracts, customer list, trade name and developed software represent the fair value of these assets as determined by management based on a preliminary valuation which could change during the allocation period. The allocation period will end in December 2006. All intangible assets are being amortized on a straight-line basis over the estimated useful life of seven years.

Selected unaudited pro forma combined consolidated statement of operations, as if the transaction had occurred at the beginning of the periods reported:

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Revenues	747	915	1,569	1,871
Gross profit	221	404	528	751
Gross profit margin	30	% 44	% 34	% 40
Net loss	(384)	(63)	(687)	(202)
Net loss per share	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Weighted average number of shares	209,707,518	189,393,139	208,939,564	172,035,582

3. Intangible Assets

In January 2006, the Company completed the acquisition of Neulogic (See Note 2) in the first quarter of 2006. Upon the integration of Neulogic, BrightStar created a separate division named Neulogic, Inc., and assigned all operations and assets to Neulogic, Inc.

The following is a summary of the Company's purchased intangible assets as of June 30, 2006 (in thousands):

	Gross Carrying Amount	Estimated Useful Life (in years)	Accumulated Amortization	Net Carrying Value
In place contracts	\$1,065	7	\$76	\$989
Customer list	871	7	62	809
Tradenname	150	7	11	139
Developed software	250	7	18	232
	<u>\$2,336</u>		<u>\$167</u>	<u>\$2,169</u>

Estimated future amortization expense for purchased intangible assets as of June 30, 2006 is as follows (in thousands):

2006	\$165
2007	334
2008	334
2009	334
2010	334
2011	334
2012	334
	<u>\$2,169</u>

4. Accrued Salaries and Other Expenses

Accrued salaries and other expenses consist of the following:

	June 30, 2006
Accrued payroll and payroll taxes	\$64
Accrued professional fees	138
Other accrued expenses	5
Total accrued expenses	<u>\$207</u>

5. Related Party Transactions

At June 30, 2006, the Company had various balances due to Stellar McKim LLC, its majority shareholder, including notes payable, accrued interest and liabilities related to operating cash advances. Additionally, during 2006, members of Stellar's management provided executive management services to the Company without charge.

At June 30, 2006, significant balances with Stellar were (in thousands):

	June 30, 2006
Accrued liabilities due to Stellar, net	\$872
Long term notes payable to Stellar	1,258
Long term other liabilities to Stellar	101
Convertible note payable to Stellar	1,800
	<u>\$4,031</u>

6. Convertible Note Payable, net

On January 4, 2006, the Company borrowed \$1.8 million from Stellar McKim LLC, which owns 74.7% of the outstanding voting power of the Company. The loan was evidenced by a Promissory Note, dated as of January 4, 2006, and is payable on January 4, 2009. Interest on the outstanding balance of the note accrues at the rate of 9% per annum and is payable annually commencing on the first anniversary of the date of the note. All amounts due under the note are payable, at the option of the Company, in cash or in shares of BrightStar Stock. In the event that we elect to pay amounts due under the note in shares of BrightStar Stock, the shares shall be valued at the average trading price of our common stock for the 20 days immediately preceding the date of payment. No beneficial conversion feature has been recognized in connection with this borrowing, as the conversion price if the company elects to settle in stock is based on the fair value at conversion. All of the proceeds of the loan were paid to the principals of Neulogic.

7. Net Loss Per Share

Basic loss per share is based upon the weighted average number of common shares outstanding during the period. Diluted income loss per share is computed using the weighted average number of common shares and potentially dilutive securities outstanding during the period. Potentially dilutive securities include incremental common shares issuable upon the exercise of stock options and warrants and conversion of notes payable. Potentially dilutive securities are excluded from the computation if their effect is anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Numerator:				
Net loss	<u>\$(384)</u>	<u>\$(62)</u>	<u>\$(687)</u>	<u>\$(134)</u>
Denominator:				
Weighted-average common shares outstanding	<u>189,850,375</u>	<u>50,393,139</u>	<u>130,608,070</u>	<u>33,035,582</u>
Total shares, basic	<u>189,850,375</u>	<u>50,393,139</u>	<u>130,608,070</u>	<u>33,035,582</u>
Effect of dilutive securities:				
Add: Dilutive common stock equivalents (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total shares, diluted	<u>189,850,375</u>	<u>50,393,139</u>	<u>130,608,070</u>	<u>33,035,582</u>
Basic net loss per share	<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.00)</u>
Diluted net loss per share	<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.00)</u>

- (1) Diluted EPS for the three and six month period ended June 30, 2006 excludes the effect of approximately 483.7 million common shares potentially issuable upon the exercise of stock options and warrants and the conversion of notes payable, as their inclusion would be anti-dilutive.

8. Significant Customers

For the second quarter of 2006, the Company had a single customer that accounted for 23% of total revenue. This customer also accounted for approximately 35% of the Company's total outstanding accounts receivable balance as of June 30, 2006. In addition, the Company had one other customer which accounted for 14% of the Company's total outstanding accounts receivable balance as of June 30, 2006.

For the second quarter of 2005, the Company had a single customer that accounted for 46% of total revenue. This customer also accounted for approximately 23% of the Company's total outstanding accounts receivable balance as of June 30, 2005. In addition, the Company had one customer that accounted for 20%, and another customer that each accounted for 12% of total revenue. These two customers accounted for 31% and 9%, respectively, of the Company's total outstanding accounts receivable balance as of June 30, 2005.

9. Recently Issued Accounting Standards

In February 2006 the Financial Accounting Standards Board issued Statement No. 155 ("SFAS No 155"), "Accounting for Certain Hybrid Instruments: An Amendment of FASB Statements No. 133 and 140". Management does not believe that this statement will have a significant impact as the company does not use such instruments.

In March 2006 the Financial Accounting Standards Board issued Statement No. 156 ("SFAS No 156"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". Management does not believe that this statement will have a significant impact as the company does not use such instruments.

10. Commitments and Contingencies

The Company leases office space under an operating lease agreement that expires in September 2008. Minimum future commitments under this agreement for the years ending December 31 are: 2006, \$23; 2007, \$46; and 2008, \$35.

11. Subsequent Events

On July 25, 2006, the Company entered into a Stock Purchase Agreement (the "Agreement") with Harold Kraft, an individual, Pat Dane, an individual, and MyPublicInfo, Inc., a Delaware corporation ("MPI"). MPI engages in the business of providing background check information as well as other tools designed to prevent identity theft through its website, www.mypublicinfo.com (the "Business"). Pursuant to the Agreement, the Company is to exchange 1,984,273 shares of a new Series B Preferred Stock ("Series B Preferred Stock") in exchange for all of the issued and outstanding common stock of MPI.

In addition, the Company has agreed to negotiate in good faith employment agreements with principals of MPI and entered into a management and administrative services agreement with MPI. The Company is required to invest up to \$5 million in MPI to be used for working capital and investment purposes.

On June 9, 2006, the Company released the first \$300 of the required investment to MPI. The \$300 payment relates to an advance payment of the working capital funding of MPI, made in advance of the acquisition. The advance accrues interest at the prime rate and is payable on a quarterly basis. Upon closing of the acquisition, the advance shall be applied towards the \$5 million required cash investment.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

FORWARD-LOOKING INFORMATION - Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this MD&A regarding the Company's financial position, business strategy and plans and objectives of management of the Company for future operations are forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside of the Company's control, that could cause actual results to materially differ from such statements. While the Company believes that the assumptions concerning future events are reasonable, it cautions that there are inherent difficulties in predicting certain important factors, especially the timing and magnitude of technological advances; the prospects for future acquisitions; the possibility that a current customer could be acquired or otherwise be affected by a future event that would diminish their information technology requirements; the competition in the information technology industry and the impact of such competition on pricing, revenues and margins; the degree to which business entities continue to outsource information technology and business processes; uncertainties surrounding budget reductions or changes in funding priorities of existing government programs and the cost of attracting and retaining highly skilled personnel.

Overview

BrightStar Information Technology Group, Inc. ("BrightStar" or "the Company"), founded in April 1998, provides information technology ("IT") services for its customers. We help organizations maximize their competitive advantage through the implementation and /or support of leading edge enterprise-level packaged-systems applications and legacy software systems by focusing primarily on serving clients in government markets. BrightStar also provides software support and training services to major corporations and recently entered the philanthropic market with the acquisition of Neulogic. We have approximately 30 employees and contractors. The Company has its headquarters in the San Francisco Bay Area with a field office near Dallas, Texas and Columbus, Ohio. We also have other service-delivery locations throughout the United States, including Arizona, Arkansas, California, Florida and Texas.

We generate the vast majority of our revenue from two channels: (1) IT services provided to the commercial and (2) philanthropic markets. We derive most of our revenues from the sales of IT services in the United States, our domestic market.

Acquisition of MyPublicInfo, Inc. On July 25, 2006, we entered into a Stock Purchase Agreement (the "Agreement") with Harold Kraft, an individual, Pat Dane, an individual, and MyPublicInfo, Inc., a Delaware corporation ("MPI"). MPI engages in the business of providing background check information as well as other tools designed to prevent identity theft through its website, www.mypublicinfo.com (the "Business"). Pursuant to the Agreement, we are to exchange 1,984,273 shares of a new Series B Preferred Stock ("Series B Preferred Stock") in exchange for all of the issued and outstanding common stock of MPI.

Acquisition of Neulogic Media, LLC. In January 2006, we acquired all of the assets and operations of privately held Neulogic Media, LLC ("Neulogic"). Neulogic provides e-communication solutions which include website development and support, content distribution, e-mail marketing and back office integration to the philanthropic community. Under the terms of the purchase agreement, we agreed to purchase Neulogic for approximately \$2.0 million. The Consolidated Financial Statements include the operating results of Neulogic from the date of acquisition. See notes 2 and 3 for further information.

Financial highlights. Net revenues for the three and six months ended June 30, 2006 were \$0.8 million and \$1.6 million, slightly higher than the three and six months ended June 30, 2005. While revenues increased slightly, they were driven by a reduction in the demand for our Enterprise Resource Planning ("ERP") services offset revenues generated by our acquisition of Neulogic. Our operating expenses for the three and six months ended June 30, 2006 were \$0.5 million and \$1.1 million, compared to \$0.2 million and \$0.4 for the three and six months ended June 30, 2005. The increase in operating expenses primarily resulted from increases in sales and marketing expenses, as

further described below. We expect our spending for the remainder of fiscal 2006 to increase as compared to 2005 as we expand our sales and marketing programs and invest in our organizational infrastructure.

Results of Operations

Revenues. The timing of revenues is difficult to forecast because our sales cycle can be relatively long and is subject to a number of uncertainties, including customers' budgetary constraints, the timing of customers' budget cycles, customers' internal approval processes and general economic conditions. In addition, as is customary in the industry, our engagements generally can be changed or terminated without a significant customer penalty. Our revenue and results of operations may fluctuate significantly from quarter to quarter or year to year because of a number of factors, including, but not limited to, changes in demand for IT services, the effect of changes in estimates to complete fixed fee contracts, the rate of hiring and the productivity of revenue generating personnel, the availability of qualified IT professionals, the significance of customer engagements commenced and completed during a quarter, the number of business days in the quarter, changes in the relative mix of the Company's services, changes in the pricing of the Company's services, the timing and the rate of entrance into new geographic or IT specialty markets, departures or temporary absences of key revenue-generating personnel, the structure and timing of acquisitions, and general economic factors.

For the quarter and six months ended June 30, 2006, revenues were \$0.7 million and \$1.5 million, consistent with the quarter and six months ended June 30, 2005. Decreases in our commercial IT services resulting from a reduced demand for our enterprise resource planning consulting services were offset by the acquisition of Neulogic and our entry into the philanthropic IT market place.

Cost of revenues. Cost of revenues consists primarily of salaries (including non-billable and training time) and benefits for consultants and employees. The Company generally strives to maintain its gross profit margins by offsetting increases in salaries and benefits with increases in billing rates, although this is subject to the market conditions at the time. In addition, the Company tries to increase or decrease the number of consultants used by the Company to provide its services, including third party contractors, as the amount of billable work (and resultant revenue) changes. In other words, the Company continually strives to minimize the amount of unbillable consulting resources or bench.

Gross profit as a percentage of revenue for the quarter ended June 30, 2006 increased from 28% to 30% compared to quarter ended June 30, 2005. Gross profit as a percentage of revenue for the six months ended June 30, 2006 increased from 26% to 34% compared to six months ended June 30, 2005, primarily reflecting the inclusion of Neulogic's operations and change in the mix of services provided to our clients.

Selling, general and administrative expenses. Selling, general and administrative expenses (SG&A) primarily consist of costs associated with (i) corporate overhead, (ii) sales and account management, (iii) telecommunications, (iv) human resources, (v) recruiting and training, and (vi) other administrative expenses.

Selling, general and administrative expenses for the quarter and six months ended June 30, 2006 increased from \$0.2 million to \$0.4 million or 100% and from \$0.4 million to \$0.9 million or 125% compared to the quarter and six months ended June 30, 2005, primarily as a result of the acquisition of Neulogic and increased general and administrative services provided to our business, mainly in the areas of sales and marketing, research and development and general corporate administration.

Liquidity and Capital Resources

Historically, we have funded our operations with the proceeds from debt and from cash generated from operations. As of June 30, 2006, we had \$25 thousand of cash and cash equivalents. We had an accumulated deficit of approximately \$102.4 million as of June 30, 2006.

Net cash used in operating activities totaled \$0.5 million for the six months ended June 30, 2006 as compared to cash used in operations of \$0.1 million for the six months ended June 30, 2005. Net cash used in operating activities for the six months ended June 30, 2006 resulted primarily from operating losses and increases in accounts receivables and accrued expenses, as a result of including Neulogic's operations. For the six months ended June 30, 2005, net cash used in operating activities resulted primarily from increases in accounts payable and accrued liabilities.

Net cash used in investing activities totaled \$2.1 million for the six months ended June 30, 2006 as compared to no investing activities the six months ended June 30, 2005. For the six months ended June 30, 2006, net cash used in investing activities resulted from the acquisition of Neulogic and investments. There were no investing activities for the six months ended June 30, 2005.

Net cash provided by financing activities was \$2.4 million for the six months ended June 30, 2006, as compared to cash provided by financing activities of \$154 thousand for the six months ended June 30, 2005. For the six month periods ended June 30, 2006, net cash provided by financing activities consisted of proceeds from the issuance of convertible notes payable and advances from our majority shareholder, partially offset by payments on debt obligations related to the receivables-based revolving line of credit. For the six months

ended June 30, 2005, net cash provided by financing activities resulted from proceeds from the sale of common and preferred stock offset by payments on debt obligations related to the receivables-based revolving line of credit.

In December 2002, we negotiated a \$750 thousand revolving line of credit based on domestic accounts receivable which accrues interest at a rate of 4% above prime. Accessing the accounts receivable based revolving line of credit is restricted based on qualifying accounts receivable and compliance with certain loan covenants. As of June 30, 2006 the credit facility had an outstanding balance of \$60 thousand.

Series I Subordinated Promissory Notes (the "Notes")

We have \$1.3 million in 8% subordinated notes due in December 2007. On July 26, 2001, we raised \$1.1 million through a private placement of convertible promissory notes. The Notes are secured on a junior basis by substantially all of the assets of the Company and its operating subsidiaries, and were convertible into common stock, at the option of the investors, at a fixed price of \$0.23 per share, subject to anti-dilution provisions. The Company paid interest from inception through June 30, 2003 by issuing additional Notes. The Company also issued a total of 836,867 stock warrants in conjunction with the Notes exercisable at \$0.50.

In April 2005, under the terms of the Stellar Transaction, the Notes became payable to Stellar McKim LLC, the convertible features of all Notes were eliminated, all warrants associated with the Notes were cancelled and the terms of the notes and all interest accrued on the Notes as of March 31, 2005 were extended to December 31, 2007.

On January 4, 2006, we borrowed \$1.8 million from Stellar McKim LLC. The loan was evidenced by a Promissory Note, dated as of January 4, 2006, and is payable on January 4, 2009. Interest on the outstanding balance of the note accrues at the rate of 9% per annum and is payable annually commencing on the first anniversary of the date of the note. All amounts due under the note are payable, at our option, in cash or in shares of our common stock. In the event that we elect to pay amounts due under the note in shares of our common stock, the shares shall be valued at the average trading price of our common stock for the 20 days immediately preceding the date of payment. All of the proceeds of the loan were paid to the principals of Neulogic.

Under present circumstances, we believe that our planned results from operations, when combined with the proceeds available from the BFI credit facility, or any alternative working capital facility, will be adequate to fund its operations at least through the end of 2006. However, our operating results could be worse than we are expecting, or the BFI credit facility or other credit facility could be canceled. Under such circumstances, without additional financing, there can be no assurance that the Company would have sufficient cash available to meet our obligations as they come due in order to continue as a going concern.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses BrightStar's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in preparation of its consolidated financial statements.

Revenue recognition

We provide services to customers for fees that are based on time and materials and fixed fee contracts. Accordingly, revenue is recognized as consulting services are performed. Unbilled revenue is recorded for contract services provided for which billing has not been rendered. Costs reimbursed by its customers are included in revenue for the periods in which the costs are incurred.

Also, we enter into arrangements to sell products, services, and other arrangements (multiple element arrangements) that include combinations of products. Revenue from product sales and services, net of discounts, is recognized provided that persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectibility is reasonably assured. Service revenues are recorded when completed. Deferred revenue primarily represents the excess of amounts billed over contract amounts earned. Other multiple element arrangements require delivery of services in the future. We use objective evidence of fair value to allocate revenue to the elements and recognize revenue when the criteria for revenue recognition have been met for each element. Revenue is deferred on the undelivered element based on estimated service periods and recognized when service delivery occurs. Deferred revenues associated with annual fees are recognized over the one year service period.

Income taxes

Income taxes are recorded under the liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Stock-based compensation

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (“FAS”) No. 123 (Revised 2004), Share-Based Payment (FAS 123R), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including stock options, employee stock purchases related to the employee stock purchase plan and restricted stock units based on estimated fair values of these awards over the requisite employee service period. FAS 123R supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (“APB 25”), which the Company previously followed in accounting for stock-based awards. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (“SAB 107”) to provide guidance on FAS 123R. The Company has applied SAB 107 in its adoption of FAS 123R.

Under FAS 123R, stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized on a straight-line basis as expense over the employee’s requisite service period. The Company has no awards with market or performance conditions. The Company adopted the provisions of FAS 123R on January 1, 2006, the first day of the Company’s fiscal year 2006, using the modified prospective application. The valuation provisions of FAS 123R apply to new awards and to awards that are outstanding on the effective date and subsequently modified or cancelled, prior periods are not revised for comparative purposes. Estimated compensation expense for awards outstanding on the effective date will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure under FASB Statement No. 123, “Accounting for Stock-Based Compensation” (FAS 123).

As of March 31, 2006, all stock option issued by the Company are fully vested, accordingly, no stock-based compensation costs have been recognized by the Company.

Item 3. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures.* Our chief executive officer and our chief financial officer, after evaluating the effectiveness of the company’s “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Rules 13a-15e and 15d-15e) as of the end of the period covered by this report (the “Evaluation Date”), have concluded that, as of the Evaluation Date, our disclosure controls and procedures were adequate based on the evaluation of these controls and procedures required by paragraph (b) of the Exchange Act Rules 13a-15 or 13d-15.

(b) *Changes in internal controls.* During our last fiscal quarter, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

There have been no material changes from the information previously reported under Item 3 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005. Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2005 for more details.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits

(a) Exhibits

4.15 - Certificate of Designation, Preferences and Rights of Series B Preferred Stock.

10.46 - Stock Exchange Agreement by and among BrightStar Information Technology Group, Inc., MyPublicInfo, Inc., Harold Kraft, Pat Dane and investors.

31.1 - Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 - Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 - Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1360.

32.2 - Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1360.

SIGNATURES

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

BRIGHTSTAR INFORMATION TECHNOLOGY GROUP, INC.

Date: August 10, 2006.

BY: /s/ Brian S. Burnett

Brian S. Burnett

Chairman and Chief Executive Officer

INDEX TO EXHIBITS

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION</u>
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BRIGHTSTAR INFORMATION TECHNOLOGY GROUP, INC.

**CERTIFICATE OF DESIGNATION, PREFERENCES AND
RIGHTS OF SERIES B PREFERRED STOCK BY RESOLUTION OF
THE BOARD OF DIRECTORS**

The undersigned, being, respectively, the Chairman and Secretary of BrightStar Information Technology Group, Inc., a Delaware corporation (the “Company”), organized and existing under the General Corporation Law of the State of Delaware (“DGCL”), DO HEREBY CERTIFY AS FOLLOWS:

Pursuant to the authority conferred upon the Board of Directors (the “Board”) by the Certificate of Incorporation of the Company, as amended, and pursuant to Section 151 of the DGCL, the Board duly adopted, by written consent in lieu of a meeting, a resolution providing for the issuance of a series of **1,984,273** shares of Series B Preferred Stock, par value \$0.0001 per share, which resolution is as follows:

RESOLVED, that pursuant to the authority vested in the Board in accordance with the provisions of the Certificate of Incorporation of the Company, as amended, a series of preferred stock of the Company shall be designated Series B Preferred Stock, to consist of **1,984,273** shares with a par value of \$0.0001 per share, and to have preferences, powers, rights and features as follows:

Section 1. Definitions.

Capitalized terms used but not otherwise defined herein shall have the meanings as follows:

“**Certificate of Incorporation**” means the Certificate of Incorporation of the Company as amended and supplemented by the amendments and certificates of designation, preferences and rights from time to time.

“**Common Stock**” means the shares of the Company’s common stock, par value \$0.01 per share, authorized under the Certificate of Incorporation, as amended.

“**Fair Market Value**” means the fair market value of a property as determined in good faith by the Board. If the property is a security, the fair market value of such security shall be determined by the Board based on the closing sale price of such security (or if no closing price is reported, the average of the closing bid and closing ask prices or, if more than one in either case, the average closing bid and average closing ask prices) on such date as reported in composite transactions for the principal United States securities exchange on which the common stock is traded.

“**MPI**” means MyPublicInfo, Inc., a Delaware corporation with its principal place of business at 2020 North 14th Street, # 700, Arlington VA 22201.

“**Net Proceeds**” means the gross cash proceeds, and the Fair Market Value of any property received in connection therewith, of a Sale of MPI transaction, less (ii) all expenses thereof, including, without limitation, reasonable attorneys’, accountants’ and other professional fees, brokers’ fees, all reasonable expenses of sale, closing costs, appraisal costs, transfer taxes, recording fees, charges and taxes, including unincorporated business taxes allocable to such Sale of MPI transaction, the payment of which is deferred to be paid out of such Net Proceeds

of a Sale of MPI transaction, and (ii) any reserves for such purposes as the Board of Directors of MPI, in their sole and absolute discretion, decide to establish.

“Net Profits” means the amount of net profits of MPI as determined under U.S. Generally Accepted Accounting Principles, minus any reserve as the board of directors of MPI, in their sole and absolute discretion, decide to establish, or any amount that the board of directors of MPI in their sole and absolute discretion, decide to retain or invest in MPI.

“**Person**” means an individual, a partnership, a corporation, a limited liability company, a limited liability, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

“**Sale of MPI**” means the sale of MPI to an independent third party (whether by merger, consolidation, sale of all or substantially all of the assets of MPI, or sale of all or substantially all capital stock of MPI).

Section 2. Designation; Shares Authorized. 1,984,273 shares of preferred stock authorized by the Certificate of Incorporation are hereby designated Series B Preferred Stock ("Preferred Stock").

Section 3. Dividends. The holders of Preferred Stock shall not be entitled to receive dividends.

Section 4. Liquidation. The holders of Preferred Stock shall not be entitled to receive any liquidation preference.

Section 5. Voting Rights; Special Voting Rights. The holders of the Preferred Stock shall be entitled to notice of all stockholders meetings in accordance with the Company’s bylaws. Except as otherwise required by applicable law, the holders of the Preferred Stock shall be entitled to vote on all matters submitted to the stockholders for a vote, together with the holders of the voting Common Stock all voting together as a single class. The holders of Preferred Stock shall be entitled to such number of votes as shall be equal to one vote per share of Preferred Stock. Notwithstanding any other provision to the contrary in this Certificate of Designation or the Certificate of Incorporation, as amended, the prior affirmative vote of the holder or holders of at least 80% of the Preferred Stock shall be required for any action of the Company or its shareholders which:

- i. would change or changes the number of shares constituting the Preferred Stock or would change or changes the powers, designations, preferences and rights of any shares of Preferred Stock provided in this Certificate of Designation;
- ii. would result or results in the imputation of a dividend on the Preferred Stock pursuant to Section 305 of the United States Internal Revenue Code, as amended, or successor provisions thereto;
- iii. would amend this Certificate of Designation or create a superior class of stock in preference to the Series B Preferred Stock; or
- iv. would change or terminate Harold Kraft or Pat Dane from their duties, responsibilities and authority as MPI officers with the responsibility for managing the day-to-day operations and business of MPI, change or terminate Harold Kraft or Pat Dane as Directors on MPI’s Board of Directors, and such other duties and responsibilities assigned to them from the Board of Directors of MPI.

Section 6. Valuation of Series B Preferred Stock. The Preferred Stock is a separate class of the Company’s authorized stock whose value solely reflects the financial performance and economic value of MPI rather than the financial performance and economic value of the Company as a whole.

Section 7. Conversion Rights. The Preferred Stock is not convertible into shares of the Company’s Common Stock.

Section 8. Right to Net Profits. When and if the Board, in its sole and absolute discretion, decides to distribute Net Profits of MPI, the respective holders of Preferred Stock shall each be entitled to each holder’s respective pro rata share of the percent (the “Preferred Stock Percentage”) of the Net Profits of MPI; provided, that such Preferred Stock Percentage shall be adjusted from time to time to reflect any dividend, stock split, repurchase, redemption, combination or other similar recapitalization affecting such shares of Preferred Stock. The Preferred Stock Percentage will be 70% to the existing MPI shareholders as reflected in Exhibit A of the Stock Exchange Agreement

inclusive of The Vantage Funds, converted promissory notes, exercised Company options and any options to be issued for future management compensation. The balance of the Net Profits of MPI (i.e. 30%) shall be distributed to and retained by the holders of the MPI Common Stock.

Section 9. Rights Upon Sale of MPI. In the event that there is a Sale of MPI by the Company, the respective holders of the Preferred Stock and the MPI Common Stock, as the case may be, shall be entitled to each shareholder's pro rata share of the Net Proceeds of the sale of MPI; provided, that such Preferred Stock Percentage shall be adjusted from time to time to reflect any dividend, stock split, repurchase, redemption, combination or other similar recapitalization affecting such shares of Preferred Stock. Notwithstanding the foregoing, the distribution of Net Proceeds may be made in cash or, in the sole and absolute discretion of the Board, in kind. Upon the receipt of such Net Proceeds, whether distributed in cash or in kind, the Preferred Shares, and all rights attendant thereto, shall be automatically cancelled.

Section 10. No Impairment. The Company will not, by amendment of this Certificate of Designation, its Certificate of Incorporation or By-Laws or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company.

Section 11. Replacement. Upon receipt of evidence reasonably satisfactory to the Company (an affidavit of the registered holder shall be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing Preferred Stock, and in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Company (provided that if the holder is a financial institution or other institutional investor its own agreement shall be satisfactory), or, in the case of any such mutilation upon surrender of such certificate, the Company shall (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of Shares of such class represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate, and dividends shall accrue on the Preferred Stock represented by such new certificate from the date to which dividends have been fully paid on such lost, stolen, destroyed or mutilated certificate.

Section 12. Amendment and Waiver. No amendment, modification or waiver shall be binding or effective with respect to this Certificate of Designation hereof without the prior written consent of the holders of two-thirds of the Preferred Stock outstanding at the time such action is taken.

Section 13. Notices. Except as otherwise expressly provided hereunder, all notices, demands or other communications to be given or delivered under or by reason of the provisions of this Certificate of Designation shall be in writing and shall be deemed to have been given when delivered personally to the recipient, sent to the recipient by reputable overnight courier service (charges prepaid), mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, or transmitted by facsimile or electronic mail (with request for immediate confirmation of receipt in a manner customary for communications of such type and with physical delivery of the communication being made by one of the other means specified in this Section 14 as promptly as practicable thereafter). Such notices, demands and other communications shall be addressed (i) in the case of a holder of Preferred Stock, to his address as is designated in writing from time to time by such holder, (ii) in the case of the Company, to its principal office.

SIGNATURES

IN WITNESS WHEREOF, Brightstar Information Technology Group, Inc. has caused this certificate to be signed by the Chairman and the Secretary this 25th day of July, 2006.

:

By: _____
Name: Ian Scott-Dunne
Chairman

Date:

By: _____
Name: James J. Cahill
Director

STOCK EXCHANGE AGREEMENT

BY AND AMONG

BRIGHTSTAR INFORMATION TECHNOLOGY GROUP, INC.

MYPUBLICINFO, INC.

HAROLD KRAFT

PAT DANE

AND

THE INVESTORS LISTED ON EXHIBIT A

Dated as of July 25, 2006

STOCK EXCHANGE AGREEMENT

This Stock Exchange Agreement (this “Agreement”) is entered into as of July 25, 2006, by and among BrightStar Information Technology Group, Inc., a Delaware corporation (the “BrightStar”), Harold Kraft, an individual residing at 2020 N 14th Street, #700, Arlington, Virginia 22201 (“Kraft”), Pat Dane, an individual residing at 801 North Caswell, Southport, North Carolina 28461 (“Dane”), the investors listed on Exhibit A hereto (the “Investors”), and MyPublicInfo, Inc., a Delaware corporation (the “Company”). Kraft and Dane are each sometimes referred to herein individually as a “Seller” and collectively as, the “Sellers” and each of the parties named in the foregoing sentence is sometimes referred to herein individually as a “Party” and collectively with all of the other parties named in the foregoing sentence as, the “Parties.”

PRELIMINARY STATEMENTS

A. The Company engages in the business of providing background check information as well as other tools designed to prevent identity theft through its website, www.mypublicinfo.com (the “Business”).

B. Each of the Sellers owns the number of shares of common stock of the Company, par value \$.0001 per share (“Company Common Stock”), set forth opposite such Seller’s name on Exhibit A hereto, and each of the Investors owns the number of company Common Stock issued upon conversion of the Convertible Promissory Note (as defined in Article 1) or Company issued options held by such Investor set forth opposite such Investor’s name on Exhibit A hereto (all of such shares being sometimes referred to herein collectively as, the “Company Shares”).

C. BrightStar desires to acquire the Company Shares in exchange for, and each of the Sellers and Investors desires to exchange his Company Shares for, newly issued shares of BrightStar’s Series B Preferred Stock, par value \$.001 per share, upon the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE 1

DEFINITIONS

Capitalized terms used but not otherwise defined herein shall have the meanings set forth below:

- 1.1 “**Adverse Consequences**” means all proceedings, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, investigation and/or remediation costs, dues, penalties, fines, costs of defense and other costs, amounts paid in settlement, Liabilities, responsibilities, Taxes, liens, losses, expenses, and fees, including court costs and reasonable attorneys’ fees and expenses.
- 1.2 “**Affiliate**” has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Exchange Act.
- 1.3 “**Agreement**” means this Stock Exchange Agreement.
- 1.4 “**Ancillary Agreements**” means all other agreements and instruments to be executed and delivered pursuant to this Stock Exchange Agreement.

- 1.5 **“BrightStar Common Stock”** means common stock, par value \$.001 per share, of BrightStar.
- 1.6 **“BrightStar Disclosure Schedule”** means the disclosure schedule delivered by BrightStar to Sellers and the Company.
- 1.7 **“Business”** has the meaning set forth in Paragraph A. of the Preliminary Statements herein.
- 1.8 **“Closing”** has the meaning set forth in Section 2.2.

- 1.9 “**Closing Date**” has the meaning set forth in Section 2.2.
- 1.10 “**Code**” means the Internal Revenue Code of 1986, as amended.
- 1.11 “**Company**” has the meaning first set forth above.
- 1.12 “**Company Common Stock**” has the meaning set forth in Paragraph B. of the Preliminary Statements herein.
- 1.13 “**Company Intellectual Property**” means all intellectual property and all right, title and interest therein currently owned or used by the Company.
- 1.14 “**Company Disclosure Schedule**” has the meaning set forth in preamble to Article 3 hereof.
- 1.15 “**Company Shares**” has the meaning set forth in Paragraph B of the Preliminary Statements herein.
- 1.16 “**Convertible Promissory Notes**” means the convertible promissory notes of the Company held by, or previously held by a Seller or Investor.
- 1.17 “**Encumbrance**” means any claim, mortgage, servitude, easement, encroachment, restrictive covenant, right of way, survey defect, equitable interest, lease or other possessory interest, lien, option, pledge, security interest, preference, priority, right of first refusal, environmental use restriction or similar restriction.
- 1.18 “**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended.
- 1.19 “**Filing**” has the meaning set forth in Section 3.22.
- 1.20 “**GAAP**” means United States generally accepted accounting principles as in effect as of the date of any document purported to be prepared in accordance with GAAP.
- 1.21 “**Governmental Authorization**” means any approval, consent, ratification, waiver, authorization, franchise, license, permit (including environmental permits) or registration issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Law.
- 1.22 “**Governmental Body**” means any (i) nation, region, state, province, county, municipality, city, town, village, district or other jurisdiction, (ii) Federal, state, provincial, local, municipal, foreign or other government, (iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department or other entity and any court or other tribunal), (iv) multinational organization, (v) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power of any nature or (vi) official of any of the foregoing.
- 1.23 “**Investors**” means the holders of outstanding Convertible Promissory Notes of the Company, as listed on Exhibit A hereto.
- 1.24 “**IRS**” means the United States Internal Revenue Service or any successor agency and, to the extent relevant, the United States Department of Treasury.
- 1.25 “**Law**” means any foreign, Federal, state and local statute, law, constitution, treaty, rule, regulation, by-law, ordinance, code, regulation, resolution, order, determination, writ, injunction, awards (including, without limitation, awards of any arbitrator), judgment, decree, binding case law, principle of common law or notice of any Governmental Body (for the avoidance of doubt, including, but not limited to, the laws of the United States of America).

1.26 **“Liabilities”** includes liabilities, commitments, indebtedness or obligations of any nature, whether known or unknown, whether absolute, accrued, contingent, choate, inchoate or otherwise, whether due or to become due, and whether or not required to be reflected on a balance sheet prepared in accordance with GAAP, including any liability for Taxes.

- 1.27 **“Material Adverse Effect”** means any event or circumstance that has, or is reasonably likely to have, a significant adverse effect on the financial condition, assets, goodwill, Business, results of operation or prospects of the Company taken as a whole.
- 1.28 **“Material Contracts”** has the meaning set forth in Section 3.19.
- 1.29 **“Party”** and **“Parties”** have the meanings first set forth above.
- 1.30 **“Person”** means an individual or an entity, including a Governmental Body or any other body with legal personality separate from its equityholders or members, including if established by any Governmental Body.
- 1.31 **“Proceeding”** means any action, arbitration, audit, examination, investigation, claim, demand, inquiry, hearing, litigation, suit or appeal (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, and whether public or private) commenced, brought, conducted, heard by or before or otherwise involving any Governmental Body or arbitrator.
- 1.32 **“SEC”** means the United States Securities and Exchange Commission.
- 1.33 **“Securities Act”** means the United States Securities Act of 1933, as amended.
- 1.34 **“Seller”** and **“Sellers”** each have the meaning set forth in the Preliminary Statement.
- 1.35 **“Series B Preferred”** means Series B Preferred Stock of BrightStar, par value \$.001 per share, with such relative rights and preferences as are set forth in Exhibit B hereto.
- 1.36 **“Tax”** means any Federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.
- 1.37 **“Tax Return”** means any return, declaration, report, claim for refund, or information return or statement required to be supplied to any governmental authority relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

ARTICLE 2

EXCHANGE OF SHARES; closing

2.1 **Exchange of Shares.** On the Closing Date, and upon the terms and subject to the conditions set forth herein, the Sellers and the Investors shall sell, assign, transfer, convey and deliver the Company Shares to BrightStar, and BrightStar shall accept the Company Shares from the Sellers and the Investors and, in exchange therefor, shall issue and deliver to each Seller and Investor the number of shares of Series B Preferred set forth opposite such Seller’s or Investor’s name on the signature page or Exhibit A hereto, as applicable.

2.2 **Closing.** The closing of the transactions contemplated by this Agreement (the “Closing”) shall take place at the offices of Guzov Ofsink, LLC, 600 Madison Avenue, New York, New York 10022, on July 25, 2006, or such other date or at such other location or time as may be agreed upon by the Parties (the “Closing Date”). At the Closing, each Seller and Investor shall deliver to BrightStar all certificates evidencing Company Shares owned by him or her, duly endorsed in blank, against the delivery by BrightStar to such Seller or Investor of one or more certificates, in definitive form and registered in the name of such Seller or Investor, evidencing the number of shares of Series B Preferred issuable to such Seller or Investor hereunder.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND SELLERS

The Company and Sellers jointly and severally represent and warrant to BrightStar that, with respect to the Company and Sellers, except as set forth in the disclosure schedule to be delivered by the Company to BrightStar at the Closing (the “Company Disclosure Schedule”): (i) all statements contained in this Article 3 are true, correct and complete on the date hereof; and (ii) all such statements shall be true, correct and complete on the Closing Date as if first made on such date. The Company and Sellers further agree that, notwithstanding anything contained herein to the contrary, nothing in the Company Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein unless the applicable paragraph of the Company Disclosure Schedule identifies such exception with reasonable particularity and describes the relevant facts in reasonable detail in light of the corresponding section of this Article 3. Each Investor, severally and not jointly, represents and warrants to BrightStar that, with respect to such Investor, all statements contained in Section 3.22 and Sections 3.24 through 3.28 are true, correct and complete on the date hereof and shall be true, correct and complete on the Closing Date as if first made on such date.

3.1 Organization and Standing; Capacity. (a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full and unrestricted corporate power and authority to: (i) own, operate and lease its assets; (ii) carry on the Business as currently conducted and proposed to be conducted; (iii) execute and deliver this Agreement and each Ancillary Agreement to which it is a party; (iv) perform its obligations hereunder and thereunder; and (v) consummate the transactions contemplated hereby and thereby. The Company is duly qualified to do business and is in good standing in all jurisdictions in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification, except where the failure to so qualify will not have a Material Adverse Effect. The Company does not have any subsidiaries.

(b) Each Seller has full capacity and is competent to execute and deliver this Agreement and all Ancillary Agreements to which such Seller is a party.

3.2 Authorization of Transaction. (a) The execution and delivery by the Company of this Agreement and each of the Ancillary Agreements to which it is a party, and the consummation by the Company of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate actions, including all required board and shareholder approvals.

(b) Assuming the due and valid execution of this Agreement and each of the Ancillary Agreements to which the Company is a party by the other parties hereto and thereto, this Agreement and each of such Ancillary Agreements constitute the valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, reorganization, insolvency and other similar Laws and court decisions relating to or affecting the enforcement of creditors rights generally and by the application of general equitable principles. Except as otherwise required by applicable Federal or state securities Laws, the Company need not provide any notice to, make any filing with or obtain any authorization, consent, or approval of any Governmental Body or any other Person in order to execute and deliver this Agreement and each Ancillary Agreement to which the Company is a party or to consummate the transactions contemplated hereby and thereby.

(c) With respect to each Seller, assuming the due and valid execution of this Agreement and each of the Ancillary Agreements to which such Seller is a party by the other parties hereto and thereto, this Agreement and each of such Ancillary Agreements constitute the valid and legally binding obligations of such Seller, enforceable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, reorganization, insolvency and other similar Laws and court decisions relating to or affecting the enforcement of creditors rights generally and by the application of general equitable principles and will effectively vest in BrightStar good, valid and marketable title to all Company Shares owned by such Seller, free and clear of all Encumbrances. Except as otherwise required by applicable Federal or state securities Laws, no Seller need provide any notice to, make any filing with, or obtain any authorization, consent, or approval of

any Governmental Body or any other Person in order to consummate the transactions contemplated by this Agreement and each Ancillary Agreement to which such Seller is a party.

3.3 **Noncontravention.** (a) The execution and delivery by the Company of this Agreement and each Ancillary Agreement to which the Company is a party, the performance by the Company of its obligations hereunder and thereunder, and the consummation by the Company of the transactions contemplated hereby and thereby, do not and will not: (i) conflict with or violate any provision of any Law to which the Company is subject or by which any of its assets or properties is bound or affected; (ii) conflict with or violate or any provision of the Company's Certificate of Incorporation or By-laws; (iii) conflict with, result in any breach of or constitute a default under any agreement, contract or other arrangement (whether written or oral) to which the Company is a party or by which any of its assets is bound or affected; or (iv) result in or require the creation or imposition of or result in the acceleration of any indebtedness, or of any Encumbrance of any nature upon, or with respect to any of the Company's assets.

(b) The execution and delivery by each Seller of this Agreement and each Ancillary Agreement to which such Seller is a party, the performance by such Seller of its obligations hereunder and thereunder, and the consummation by such Seller of the transactions contemplated hereby and thereby, do not and will not: (i) conflict with or violate any provision of any Law to which such Seller is subject or by which any of his assets or properties (including the Company Shares) is bound or affected; (ii) conflict with, result in any breach of or constitute a default under any agreement, contract or other arrangement (whether written or oral) to which such Seller is a party or by which any of his assets (including the Company Shares) is bound or affected; or (iii) result in or require the creation or imposition of or result in the acceleration of any indebtedness, or of any Encumbrance of any nature upon or with respect to any of such Seller's assets including, but not limited to, the Company Shares.

3.4 Capitalization. The entire authorized capital stock of the Company consists of (i) 10,000,000 shares of Company Common Stock, of which 1,984,273 shares are issued and outstanding. No other capital stock or equity securities of or interests in the Company are authorized or outstanding, and except as set forth in Section 3.4(a) of the Company Disclosure Schedule, there are no shares of capital stock or other securities of the Company reserved for future issuance. All of the issued and outstanding shares of Company Common Stock have been duly authorized, are validly issued, fully paid and nonassessable, were issued in compliance with all applicable Federal and state securities Laws and any other applicable Laws. Except as set forth in Section 3.4(b) of the Company Disclosure Schedule, there are no outstanding or authorized options, warrants, purchase rights, subscription rights, rights of first refusal, pre-emptive rights, conversion rights, exchange rights or other contracts or commitments (whether written or oral) that could require the Company to issue, sell or otherwise cause to become outstanding any of its capital stock (including any instruments or securities convertible into capital stock); and the Company has no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of the Company Common Stock.

3.5 Financial Statements. Attached hereto as Exhibit C are the Company's unaudited Balance Sheet and Statements of Income, Changes in Stockholders' Equity and Cash Flow (collectively, the "Financial Statements") as of and for the year ended December 31, 2005 and for the fiscal quarter ended March 31, 2006 and the six months ended June 30, 2006. The Financial Statements (including the notes thereto) are in accordance with the books and records of the Company, have been prepared in accordance with GAAP consistently applied and present fairly the financial condition of the Company as of the dates and for the periods indicated.

3.6 Absence of Litigation. There is no Proceeding pending or threatened by or before any Governmental Body against the Company or any Seller nor is there any basis for any such Proceeding. As of the date hereof, there is no Proceeding pending or, to the Company's or any Seller's knowledge, threatened by or before any Governmental Body (i) seeking to prevent, hinder, modify or challenge any of the transactions contemplated by this Agreement, or (ii) that would cause any of the transactions contemplated by this Agreement to be illegal, invalid, voidable or otherwise rescinded.

3.7 Title to Assets. The Company has good and marketable title to, or a valid leasehold interest in, all properties and assets owned or used by it or located on its premises or necessary or advisable for the conduct of the Business as currently conducted or proposed to be conducted, free and clear of all Encumbrances.

3.8 Employment Practices. (a) None of the Company's employees is covered by or subject to any collective bargaining agreement, union contract, labor agreement or conciliation agreement. To Sellers' knowledge, (i) none of the Company's employees has any plans to terminate employment with the Company; (ii) the Company has not experienced any strikes, grievances, claims of unfair labor practices or other collective bargaining disputes; (iii) there are no outstanding or pending grievances, claims of unfair labor practices or other employee or collective bargaining disputes against or involving the Company; (iv) the Company has not committed any unfair labor practice; (v) no organizational effort is presently being made or threatened by or on behalf of any labor union with respect to any of the Company's employees; and (vi) no (A) charges of discrimination (relating to sex, age, race, national origin, handicap or veteran status), or (B) allegations that would be investigated by agencies such as the Department Of Labor, Occupational Safety and Health Administration, Office Federal Contract Compliance Programs, Internal Revenue Services or any other Federal, state or local agency, involving the Company or any of its employees are pending before any Governmental Body nor, to Sellers' knowledge, have any such charges been threatened. Section 3.8(a) of the Company

Disclosure Schedule sets forth a correct and complete list (including the name, hire date, current compensation and benefits payable to such persons for the current calendar year) of all the Company's employees.

(b) The Company has complied with all applicable Laws relating to employment practices in all material respects. Neither the Company nor any Seller is aware that any officer or key employee, or any group of key employees, intends to terminate their employment with the Company, nor is there any present intention by the Company or any Seller to terminate the employment of any officer, key employee or group of key employees.

(c) Section 3.8(b) of the Company Disclosure Schedule lists all current directors, officers and employees of the Company, showing each such Person's name, position, and annual remuneration, bonuses and fringe benefits for the current fiscal year. **Except as set forth in Section 3.8(c) of the Company Disclosure Schedule**, the Company has no written employment agreements with any of its directors, officers and employees and all of its employees are employed "at will."

3.9 Employee Benefit Plans. Section 3.9 of the Company Disclosure Schedule lists all benefit plans maintained by the Company and all individual or group compensation arrangements to which the Company is a party (collectively, the "Plan"). Except as set forth in Section 3.9 of the Company Disclosure Schedule:

(i) Each Plan, the administrator and fiduciaries of each Plan, and the Company have complied in all material respects with the applicable requirements of ERISA (including, but not limited to, the fiduciary responsibilities imposed by Part 4 of Title I, Subtitle B of ERISA) and the prohibited transaction requirements of ERISA Section 406), the Code (including, but not limited to, the prohibited transaction requirements of Code Section 4975) and any other applicable laws, rules and regulations governing each Plan, and each Plan has at all times been properly administered in compliance with its terms and in accordance with all such laws, rules and regulations;

(ii) each Plan intended to qualify under Code Section 401(a) is the subject of a favorable, unrevoked determination letter issued by the IRS as to its qualified status under the Code and the tax-exempt status of the Plan's trust under Code Section 501(a) upon which the Company may still rely, and no circumstances have occurred that would reasonably be expected to adversely affect the tax-qualified status of any such Plan;

(iii) the Company has never contributed, or been obligated to contribute, to any (i) Defined Benefit Plan (within the meaning of ERISA Section 3(35)) or (ii) Multiemployer Plan (within the meaning of ERISA Sections 3(37) and 4001) and is not subject to any funding or withdrawal liability with respect to any such Plan;

(iv) all contributions (including all employer contributions and employee salary reduction contributions), premiums and other payments that would be (without regard to the transactions contemplated hereby and by the Ancillary Agreements), but are not yet, due from the Company to or under any Plan have been adequately and properly provided for by the Company in accordance with such Plan;

(v) there is no matter pending (other than routine determination letter filings) or, to the knowledge of Sellers, threatened with respect to any Plan before the Internal Revenue Service, the Department of Labor, the SEC, the Pension Benefit Guaranty Corporation or any other Federal or state government agency or any court;

(vi) no Plan that is an employee Welfare Benefit Plan (within the meaning of ERISA Section 3(1)) provides for continuing benefits or coverage for any participant or beneficiary of a participant after such participant's termination of employment, except to the extent required by law, and there has been no violation of Code Section 4980B or ERISA Sections 601 et seq. or the Health Insurance Portability and Accountability Act with respect to any such Plan that could result in any material liability to BrightStar;

(vii) no Plan obligates the Company to pay any separation, severance, termination or similar benefit to any current employee as a result of any transaction contemplated by this Agreement or any of the Ancillary Agreements as a result of a change in control or ownership within the meaning of the Plan or Code Section 280G; and

(viii) with respect to each Plan, true, correct, and complete copies of the applicable following documents have been filed or distributed appropriately and made available to BrightStar: (i) all current Plan documents and any amendment thereto; (ii) the most

recent Forms 5500, summary annual reports, financial statements, and actuarial reports for the last three (3) Plan years; (iii) summary plan descriptions and any summary of material modifications; (iv) the most recent determination letter received from the IRS; and (v) the related trust agreements, insurance contracts and other funding agreements that implement such Plans.

3.10 Intellectual Property. The Company owns or has a right to use all Company Intellectual Property, free and clear of any and all Encumbrances of any kind, except where the failure to own or have a right to use such property or such lien or encumbrance would not have a Material Adverse Effect. All Company Intellectual Property and a listing of all names under which the Company has operated are set forth in Section 3.10 to the Company Disclosure Schedule. The Company has provided to BrightStar correct and complete copies of all patents, copyright and trademark registrations, licenses, agreements and other written documentation related to, or evidencing the Company's ownership or right to use, the Company Intellectual Property. The Company is the sole and exclusive owners of and possesses all right, title, and interest in and to, the Company Intellectual Property, free and clear of all Encumbrances. The legality, validity, enforceability, ownership, use of and right to use the Company Intellectual Property have not been and are not currently being challenged, interfered with, or infringed upon and, to the Company's and Sellers' knowledge, are not subject to any such challenge. The Company has taken all reasonably necessary action to maintain and protect the Company Intellectual Property and will continue to maintain those rights until the Closing so as not to adversely affect the validity or enforcement of the Company Intellectual Property. The use of the Company Intellectual Property by the Company does not conflict with, infringe upon, violate or interfere with or constitute an appropriation of any right, title, interest or goodwill, including, without limitation, any intellectual property right, trademark, trade name, domain name, patent, service mark, brand mark, brand name, database, industrial design, trade secrets, technology, software, customer lists, copyright or any pending application therefor of any other Person, and neither the Company nor any Seller has knowledge of any claims therefor. The use of all Company Intellectual Property will not be adversely affected by the transactions contemplated in this Agreement.

3.11 Notes and Accounts Receivables.

(a) Section 3.11 of the Company Disclosure Schedule lists all promissory notes of the Company, the issue and maturity dates thereof, the outstanding principal balances thereunder and the interest rate applicable thereto. All of such notes are reflected properly on the Financial Statements.

(b) Section 3.11 of the Company Disclosure Schedule lists all accounts payable and receivable of the Company and the respective ages thereof. All accounts payable are current and are not in default. All accounts receivable are valid receivables not subject to setoffs or counterclaims and are current and collectible. All accounts payable and accounts receivable are properly reflected on the Financial Statements.

3.12 Tax Matters.

(a) The Company has:

(i) timely filed all Tax Returns required to have been filed by it. All such Tax Returns are true, correct and complete in all respects and all Taxes required to be paid, with respect to the Business, have been paid or reserves for such Taxes have been established on the Company's accounting books;

(ii) there are no Liens on any of the Company's assets that arose in connection with any failure (or alleged failure) by any Person to pay any Tax;

(ii) withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party;

(iii) not waived any statute of limitations with respect to any Tax or agreed to any extension of time with respect to a Tax assessment or deficiency; and

(b) There are no pending, or to Sellers' knowledge threatened, audits, investigations, disputes or claims concerning any Tax liability of the Company with respect to the Business.

(c) The Company is not a party to any Tax allocation or sharing agreement and does not have any liability for the Taxes of any Person under Treasury Regulation Section 1.1502-6, as a transferee or successor, by contract or otherwise.

(d) The Company is not currently the beneficiary of any extension of time within which to file any Tax Return.

3.13 Books and Records. The books of account, minute books, equity record books and other records of the Company, all of which have been or will be made available to BrightStar prior to the Closing, are accurate and complete in all material respects and have been maintained in accordance with sound business practices. Each transaction of the Company is properly and accurately recorded on the books and records of the Company.

3.14 Powers of Attorney. There are no outstanding powers of attorney executed on behalf of the Company or any Seller.

3.15 Brokers' Fees. Neither the Company nor any Seller has any Liability to pay any fees or commissions or other consideration to any broker, finder, or agent with respect to the transactions contemplated by this Agreement or for which BrightStar could become liable or obligated.

3.16 Conduct of Business. With respect to the Business and except as disclosed in Section 3.16 of the Company Disclosure Schedule, since December 31, 2005, the Company has not: (i) incurred any material obligation or Liability except normal trade or Business obligations or Liabilities incurred in the ordinary and normal course of the Business; (ii) failed to discharge or satisfy any lien or pay any obligation or Liability, other than in the ordinary and normal course of the Business; (iii) sold, assigned, transferred, leased, exchanged or otherwise disposed of any of its properties or assets other than current assets in the ordinary and normal course of the Business; (iv) made any general wage or salary increase, increased the compensation of any employee, entered into any employment contract with any employee, or instituted any employee welfare, bonus, stock option, profit-sharing, retirement or similar plan or arrangement; (v) suffered any material damage, destruction or loss, whether as the result of fire, explosion, earthquake, accident, casualty, labor trouble, requisition or taking of property by any governmental authority, flood, windstorm, embargo, riot or Act of God or the enemy, or other similar casualty or event or otherwise, and whether or not covered by insurance adversely affecting the Business; (vi) canceled or compromised any debt or claim other than in the ordinary and normal course of the Business; (vii) entered into any transaction, contract or commitment outside the ordinary and normal course of the Business which would have a Material Adverse Effect; (viii) acquired or sold any real estate, real property options, leaseholds, or leasehold improvements; (ix) terminated, discontinued, closed or disposed of any operation of the Business; (x) suffered any Material Adverse Effect; (xi) made (or committed to make) any material capital expenditures in connection with the operation of the Business; (xii) failed to operate the Business only in the ordinary and normal course, ordinary and normal course of the Business consistent with past practice; (xiv) failed to pay the trade payables of the Business in the ordinary and normal course of the Business consistent with past practice; (xv) failed to pay or discharge material Liabilities relating to the Business as and when due and payable; (xvi) failed to keep in full force and effect insurance covering its assets and the Business in amounts consistent with past practice; (xvii) entered into any contract other than in the ordinary and normal course of the Business consistent with past practice nor permitted any amendment or termination of any contract or that is material to the Business; and (xviii) experienced no adverse change in its employee, customer or supplier relationships other than changes in the ordinary and normal course of the Business.

3.17. Insurance. Section 3.17 of the Company Disclosure Schedule sets forth the following information with respect to each insurance policy (including policies providing property, casualty, liability, product liability and workers' compensation coverage and bond and surety arrangements) to which the Company is a party: (i) the name of the insurer, the name of the policy holder and the name of each covered insured; (ii) the policy number and the period of coverage and type of coverage; and (iii) a description of any retroactive premium adjustments or other loss sharing arrangements. Section 3.17 of the Company Disclosure Schedule contains a summary of all claims submitted, pending or paid under such policies within the past five (5) years. With respect to each such insurance policy: (i) the policy is legal, valid, binding, enforceable in accordance with its terms and in full force and effect; (ii) neither the Company nor, to Sellers' knowledge, any other party to the policy is in breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred which, with notice or lapse of time, would constitute such a breach or default, or permit termination, modification or acceleration, under the policy; (iii) neither

the Company nor, to Sellers' knowledge, any other party to the policy has repudiated any provision thereof; and (iv) up to the Closing Date, the policy and the insurance coverage provided by the policy will be maintained in full force and effect and will not be canceled, modified or changed without the prior written consent of BrightStar. There are no outstanding sureties or other bonds securing any obligations of the Company, and the Company has no Liability (accrued, contingent or otherwise) with respect to surety or other bonds.

3.18 Compliance with Law. The Company is in compliance with all applicable Laws, including Federal, foreign, state, county or local laws, statutes and regulations relating to equal employment opportunities, fair employment practices, unfair labor practices, terms of employment, professional licenses, business and other licenses, occupational health and safety, wages and hours and discrimination, and zoning ordinances and building codes. Copies of all notices of violation of any of the foregoing that the Company or any Seller has received in the past five (5) years or since the Company's inception, whichever is shorter, are set forth in Section 3.18 of the Company Disclosure Schedule.

3.19 Contracts and Commitments. (a) Except as set forth in Section 3.19 of the Company Disclosure Schedule, the Company is not a party to, nor are any of its assets bound by or subject to, any oral or written:

(i) contract, lease or other similar document that has an aggregate value of \$10,000 or more or cannot be terminated or canceled without further liability to the Company or the Business upon the giving of no more than thirty (30) days notice;

(ii) contract with any consultant, or for the employment of any person, including any consultant, who is engaged in the conduct of the Business,

(iii) contract or commitment limiting or restraining the Company or any successor thereto from engaging or competing in any manner or limiting or controlling the use or disclosure of confidential information, nor, to Sellers' knowledge, is any employee of the Company subject to any such contract or commitment;

(iv) license, assignment, franchise, distributorship or other similar contract that relates in whole or in part to any software (other than readily available "off-the-shelf" software), patent, trademark, trade name, service mark or copyright or to any ideas, technical assistance or know-how or other Intellectual Property of or used by the Company in the conduct of the Business;

(v) contract relating to borrowed money or other indebtedness (including any letters of credit) or the mortgaging, pledging or otherwise placing a lien or other encumbrance on any material asset of the Company;

(vi) contracts relating to joint ventures or agreements involving a sharing of profits;

(vii) contract relating to investigating, testing, handling, removal, cleanup, abatement or other actions in connection with environmental liabilities;

(viii) contract for the future purchase of fixed assets or the maintenance thereof or for the future purchase of materials, supplies or equipment in excess of the Company's normal operating requirements; or

(ix) contract containing any provision for delayed damages, liquidated damages, indemnification not fully covered by insurance, or extraordinary remedies, including potential liability for consequential damages;

(b) Each of the contracts, leases and other agreements and commitments listed in Section 3.19 of the Company Disclosure Schedule shall be collectively referred to herein as the "Material Contracts." All Material Contracts are legal, valid, binding and enforceable in accordance with their terms, in full force and effect and binding upon the other parties thereto. There is no breach or default in any material respect by the Company or, to Sellers' knowledge, any other party in the performance, observance or fulfillment of any obligations, covenants, liabilities or conditions contained in any of the Material Contracts, and no event has occurred or condition exists that with or without notice, lapse of time or the happening or occurrence of any other event would constitute a breach or default in any material respect, or permit termination, modification or acceleration, by any party to, or bound by, the Material Contracts. The Company has not assigned, secured, pledged, transferred, conveyed, mortgaged, deeded in trust or encumbered in any way any interest in any of the Material Contracts. There are no disputes, oral agreements or forbearance programs in effect as to any Material Contract. Complete and accurate copies of all Material Contracts that are in writing (including any amendments or supplements thereto) have been delivered to BrightStar by the Company and any oral Material Contract has been summarized in Section 3.19 of the Company Disclosure Schedule. Subject to receipt of any required consents or approvals set forth in Section 3.19 of the Company Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not result in the

termination, default or breach of any Material Contract, and immediately after the Closing, all Material Contracts will continue in full force and effect without the imposition of any additional condition or obligation on the Company or the Business resulting from the consummation of the transactions contemplated hereby and by the Ancillary Agreements.

3.20 Consents. No consents or approvals of, or notices to, or filings, registrations or qualifications with, any third person and no consents or waivers from, or notices to, any other parties to leases, licenses, franchises, permits, indentures, contracts or other instruments are required for the consummation by the Company and Sellers of the transactions contemplated hereby and by the Ancillary Agreements.

3.21 No Undisclosed Liabilities. The Company has no Liabilities except: (i) Liabilities which are reflected and reserved against on the face of the Balance Sheet (which shall not include any disclosure in any financial footnotes thereto) which have not been paid or discharged since the date thereof; (ii) accounts payable and accrued expenses incurred in the ordinary course of the Business consistent with past practice which have not caused the level of the Company's accounts payable or accrued expenses to increase materially from the amounts reflected on the face of the Balance Sheet (which shall not include any disclosure in any financial footnotes thereto); (iii) liabilities arising in the ordinary course of business consistent with past practice under contracts or real property leases (other than any liability resulting from, arising out of, relating to, in the nature of, or caused by any breach of contract, breach of warranty, tort, infringement or violation of law); (iv) Liabilities which would not be required by GAAP to be set forth on a balance sheet and could not, in the aggregate, reasonably be expected to have a material adverse effect on the financial condition, operation or prospects of the Company or the Business, or (v) as set forth on Section 3.22 of the Company Disclosure Schedule. The Company is not a guarantor or otherwise liable for any Liability of any other Person.

3.22 Ownership of Company Shares. All of the Company Shares have been duly and validly issued and are fully paid and non-assessable. Each Seller or each Investor, as applicable, is the record and beneficial owner of the Company Shares set forth opposite his name on Exhibit A, free and clear of any and all Encumbrances, and has the power and authority to sell, transfer, assign and deliver such Company Shares as provided in this Agreement, and such delivery will convey to BrightStar good and marketable title to such Company Shares, free and clear of any and all Encumbrances. No Seller or Investor, as applicable, is a party to any contract with respect to any equity securities of the Company, including, but not limited to, any contract that could require such Seller or Investor, as applicable to sell, transfer, or otherwise dispose of any of his Company Shares other than pursuant to this Agreement.

3.23 Certain Business Practices. The Company has, at all times, complied with the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, known as the CAN-SPAM Act, to the extent applicable to the Company's activities.

3.24 No Registration. Sellers or the Investors, as applicable, understand that neither the Series B Preferred nor the shares of BrightStar Common Stock issuable upon conversion of the Series B Preferred has been registered under the Securities Act or any state securities laws; and that all of such shares will be issued in reliance upon exemptions contained in the Securities Act or interpretations thereof and in the applicable state securities laws and cannot be offered for sale, sold or otherwise transferred unless they are registered or qualify for exemption from registration under the Securities Act. Each Seller or Investor, as applicable, is an "accredited" investor as such term is defined in Rule 502 promulgated under Regulation D under the Securities Act.

3.25 Acquisition for Investment. The Series B Preferred and the shares of BrightStar Common Stock issuable upon conversion of the Series B Preferred are being acquired under this Agreement by Sellers or Investors, as applicable, in good faith solely for their own respective accounts, for investment and not with a view toward distribution within the meaning of the Securities Act.

3.26 Risks of Investment. Sellers or Investors, as applicable, understand and are able to bear any economic risks associated with an investment in BrightStar (including, without limitation, holding the shares of Series B Preferred and any shares of BrightStar Common Stock issuable on conversion of the Series B Preferred).

3.27 Disclosure of Information. Sellers or Investors, as applicable, acknowledge that Sellers or Investors, as applicable, have had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the Series B Preferred to be issued pursuant to this Agreement. Sellers or Investors, as applicable, further acknowledge that they have had an opportunity to ask questions and receive answers from BrightStar regarding its business and to obtain additional information (to the extent BrightStar possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Sellers or to which Sellers had access.

3.28 Full Disclosure. The representations and warranties and statements made by the Company and Sellers or the Investors, as applicable, in this Agreement are true, accurate, correct and complete in every respect and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained herein not false or misleading.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF BRIGHTSTAR

BrightStar represents and warrants to the Company and Sellers that: (i) all statements contained in this Article 4 are true, correct and complete on the date hereof; and (ii) all such statements shall be true, correct and complete on the Closing Date as if first made on such date. BrightStar further agrees that, notwithstanding anything contained herein to the contrary, nothing in the BrightStar Disclosure Schedule shall be deemed adequate to disclose an exception to a representation or warranty made herein unless the applicable paragraph of the BrightStar Disclosure Schedule identifies such exception with reasonable particularity and describes the relevant facts in reasonable detail in light of the corresponding section of this Article 4.

4.1 Organization and Standing. BrightStar represents and warrants that it is a corporation duly organized and validly existing under the laws of the State of Delaware, with full corporate power and authority to: (i) own, operate and lease its assets to carry on its business as currently conducted and as proposed to be conducted; (ii) execute and deliver this Agreement and each Ancillary Agreement to which it is a party; (iii) perform its obligations hereunder and thereunder; and (iv) consummate the transactions contemplated hereby and by the Ancillary Agreements to which it is a party.

4.2 Authorization of Transaction. Assuming its due and valid execution and delivery by each other Party hereto, this Agreement constitutes the valid and legally binding obligation of BrightStar, enforceable in accordance with its terms, except to the extent that such enforcement may be limited by bankruptcy, reorganization, insolvency and other similar Laws and court decisions relating to or affecting the enforcement of creditors rights generally and by the application of general equitable principles. Except as otherwise required by applicable Federal or state securities Laws, BrightStar need not provide any notice to, make any filing with, or obtain any authorization, consent, or approval of any Governmental Body or any other Person in order to consummate the transactions contemplated by this Agreement.

4.3 Brokers' Fees. BrightStar has no Liability to pay any fees or commissions or other consideration to any broker, finder, or agent with respect to the transactions contemplated by this Agreement or for which the Company or any Seller could become liable or obligated.

4.4 Noncontravention. The execution, delivery and performance by BrightStar of this Agreement, the fulfillment of and compliance with the respective terms and provisions hereof and thereof, and the consummation by BrightStar of the transactions contemplated hereby, do not and will not: (i) conflict with or violate any provision of, any Law having applicability to BrightStar or any of its assets, or any provision of the Certificate of Incorporation or By-laws of BrightStar; (ii) conflict with, or result in any breach of, or constitute a default under any agreement, contract or other arrangement (whether written or oral) to which BrightStar is a party or by which BrightStar or any of its assets may be bound; or (iii) result in or require the creation or imposition of or result in the acceleration of any indebtedness, or of any Encumbrance of any nature upon, or with respect to any of the assets of BrightStar, including the Series B Preferred.

4.5 Capitalization. The entire authorized capital stock of BrightStar consists of: (i) 747,000,000 shares of common stock, par value \$.001 per share, of which 70,707,518 shares are issued and outstanding; and (ii) 136,585 shares of Series A Preferred Stock, par value \$.001 per share, all of which are issued and outstanding and held of record by Stellar McKim LLC; and (iii) 2,863,415 shares of undesignated Preferred Stock, par value \$.001 per share, none of which is issued or outstanding. As of the Closing, 1,984,273 shares of such undesignated preferred stock shall be designated as Series B Preferred Stock, par value \$.001 per share, as contemplated by this Agreement. Except as set forth in the BrightStar Disclosure Schedule, there are no outstanding or authorized options, warrants, purchase rights, subscription rights, rights of first refusal, pre-emptive rights, conversion rights, exchange rights or other contracts or commitments (whether written or oral) that could require BrightStar to issue, sell or otherwise cause to become outstanding any of its capital stock (including any instruments or securities convertible into capital stock). There are no outstanding or authorized stock appreciation, phantom stock, profit participation or similar rights with respect to BrightStar. To BrightStar's knowledge, there are no voting trusts, proxies, or other agreements or understandings with respect to the voting of any outstanding BrightStar capital stock.

4.6 Due and Valid Issuance. The Series B Preferred, when issued as provided in this Agreement, will be duly and validly issued, fully paid and non-assessable and will be issued in compliance with all applicable Federal and state securities Laws and any other applicable Laws.

4.7 **No Registration.** BrightStar understands that the Company Shares have not been registered under the Securities Act or any state securities laws and will be issued in reliance upon exemptions contained in the Securities Act or interpretations thereof and in the applicable state securities laws, and cannot be offered for sale, sold or otherwise transferred unless such shares are registered or qualify for exemption from registration under the Securities Act.

4.8 **Disclosure of Information.** BrightStar acknowledges that it has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the Company Shares to be purchased pursuant to this Agreement. BrightStar further acknowledges that it has had an opportunity to ask questions and receive answers from the Company regarding the Business and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to BrightStar or to which BrightStar had access.

4.9 **Full Disclosure.** The representations and warranties and statements made by BrightStar in this Agreement are true, accurate, correct and complete in every respect and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained herein not false or misleading.

ARTICLE 5

CONDITIONS TO OBLIGATIONS OF BRIGHTSTAR

The obligations of BrightStar to perform its obligations hereunder and under the Ancillary Agreements and to consummate the transactions contemplated hereby and by the Ancillary Agreements are subject to satisfaction of the following conditions:

5.1 **Representations and Warranties.** The representations and warranties made by the Company, Sellers and the Investors herein and in the Ancillary Agreements shall be true and correct in all material respects on and as of the Closing Date, as though made on and as of such date (for purposes of this Section 5.1, any representation or warranty that is qualified by a materiality standard shall be read without regard to any such materiality qualification as if such qualification were not contained therein), and the Company and Sellers shall deliver to BrightStar a certificate, signed by an executive officer of the Company and by each Seller, to such effect at the Closing, with respect to the representations and warranties made by the Company and Sellers;

5.2 **No Breach.** The Company and each Seller shall have performed in all material respects all obligations and complied in all material respects with all agreements, covenants and conditions required under this Agreement and under the Ancillary Agreements to be performed or complied with by them prior to the Closing, and shall deliver to BrightStar a certificate, signed by an executive officer of the Company and by each Seller, to such effect at the Closing;

5.3 **Due Diligence Investigation.** BrightStar shall have completed to its satisfaction a due diligence investigation of the Company and the Business, the results of which shall have been satisfactory to BrightStar in its sole discretion. Such due diligence may include, but not be limited to, a thorough review of financial, legal, contractual, environmental, tax, insurance, labor, patent and trademark, pension and benefit, and any other matters that BrightStar and its auditors, tax and legal counsel and other advisors may deem relevant. Further, BrightStar and its advisors shall have had access to the operating management of the Business and have been permitted inspection of any and all sites where the Business is conducted.

5.4 **Operation in Ordinary Course.** Sellers shall have continued to operate the Company and the Business in the ordinary course from the date hereof until the Closing, and no Material Adverse Effect shall have occurred from the date hereof until the Closing.

5.5 **Conversion of Outstanding Notes and Exercise of Outstanding Options.** Any and all Convertible Promissory Notes and Company Options shall have been converted or exercised into shares of Company Common Stock, which shares shall be included in the Company Shares being purchased hereunder.

5.6 **Deliveries.** The Company and/or Sellers (as applicable) shall have delivered to BrightStar all of the following items:

- (a) A copy of the Company's Certificate of Incorporation, as amended to date, certified to by the Secretary of State of Delaware.
- (b) A copy of the Company's By-laws, certified to by the Company's Secretary.
- (c) An incumbency certificate with respect to the executive officers of the Company, signed by the Company's Secretary.
- (d) A certificate of the Secretary of State of Delaware as to the continued good standing of the Company.
- (e) Certificates, duly endorsed for transfer in blank, evidencing all of the Company Shares.
- (f) Minute and stock books, ledgers, accounting books and other records of the Company, as reasonably required.
- (g) An executed management and administrative service agreement in the form annexed hereto as Exhibit D.
- (h) Documents evidencing a Waiver executed by Affinion Group (fka Trilegiant Corporation) with respect to certain contractual rights by and between the Company and Affinion Group.
- (i) The Company Disclosure Schedule in a form acceptable to Brightstar in its reasonable discretion.

ARTICLE 6

CONDITIONS TO OBLIGATIONS OF THE COMPANY AND SELLERS

The obligations of the Company and Sellers to perform their respective obligations hereunder and under the Ancillary Agreements and to consummate the transactions contemplated hereby and by the Ancillary Agreements are subject to satisfaction of the following conditions:

6.1 Representations and Warranties. The representations and warranties made by BrightStar herein and in the Ancillary Agreements shall be true and correct in all material respects on and as of the Closing Date, as though made on and as of such date (for purposes of this Section 6.1, any representation or warranty that is qualified by a materiality standard shall be read without regard to any such materiality qualification as if such qualification were not contained therein), and BrightStar shall deliver to the Company and Sellers a certificate, signed by an executive officer of BrightStar, to such effect at the Closing;

6.2 No Breach. BrightStar shall have performed in all material respects all obligations and complied in all material respects with all agreements, covenants and conditions required under this Agreement and under the Ancillary Agreements to be performed or complied with by it prior to the Closing, and shall deliver to the Company and Sellers a certificate, signed by an executive officer of BrightStar, to such effect at the Closing;

6.3 Delivery of Stock Certificates. BrightStar shall have delivered to Sellers and the Investors certificates evidencing the shares of Series B Preferred to be issued to such Parties at the Closing.

6.4 Investment of \$5 million. BrightStar shall have deposited an aggregate of \$5 million into a bank account controlled by it for use by the Company. The \$5 million will be used for the Company's working capital and investment purposes.

ARTICLE 7

CONDITIONS TO OBLIGATIONS OF ALL PARTIES

The obligations of all parties hereto to perform their respective obligations hereunder and under the Ancillary Agreements and to consummate the transactions contemplated hereby and by the Ancillary Agreements are subject to satisfaction of the following conditions:

- 14 -

7.1 Litigation; Proceedings. No litigation or other proceeding by any Governmental Body or other third Person shall have been commenced that challenges the validity or legality of any of the transactions contemplated hereby and by the Ancillary Agreements; and no judgment order, injunction or decree issued by any Governmental Body or other legal restraint or prohibition preventing the consummation of any of such transactions shall be in effect. No Law shall have been enacted, entered, promulgated or enforced by any Governmental Body that prohibits, materially restricts or makes illegal the consummation of any of the transactions contemplated hereby or by the Ancillary Agreements.

7.2 Consents; Filings. All material authorizations, consents and exemptions by Governmental Bodies and other third Persons shall have been obtained, and all filings required to consummate the transactions contemplated hereby and by the Ancillary Agreements, including the Certificate of Designations, substantially in the form annexed hereto as Exhibit E, with respect to the Series B Preferred shall have been made, and all of the foregoing shall be in full force and effect.

7.3 Employment Agreements. Each of Pat Dane and Harold Kraft shall have entered into Employment Agreements with the Company, substantially in the form annexed hereto as Exhibits F-1 and F-2.

ARTICLE 8

INDEMNIFICATION

8.1 Survival of Representations and Warranties. All the representations, warranties, covenants, indemnities and other agreements contained in this Agreement shall survive for a period of two years from the Closing.

8.2 Indemnification of the Parties. (a) In the event that either BrightStar, on the one hand, or the Company or Sellers, on the other hand, breaches any of such Party's representations, warranties and covenants contained herein (ignoring, for purposes of determining whether or not any such breach has occurred, any materiality qualifiers), then BrightStar or (in the case of a breach by the Company or Sellers) Sellers shall indemnify, defend and hold harmless the other Party and its directors, officers, employees, agent, representatives or Affiliates (each, an "Indemnified Party") from and against the entirety of any Adverse Consequences they may suffer through and after the date of the claim for indemnification resulting from, arising out of, relating to, in the nature of, or caused by such breach.

8.3 Matters Involving Third Parties. (a) If any third party shall notify any Indemnified Party with respect to any matter (a "Third Party Claim") which may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this Article 8, then each Indemnified Party shall promptly notify the Indemnifying Party thereof in writing; *provided, however*, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party thereby is actually and materially prejudiced.

(b) Any Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as: (i) the Indemnifying Party notifies the Indemnified Party in writing within fifteen (15) days after the Indemnified Party has given notice of the Third Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim; (ii) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder; (iii) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief; (iv) settlement of, or an adverse judgment with respect to, the Third Party Claim is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice adverse to the continuing business interests of the Indemnified Party; and (v) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently.

(c) So long as the Indemnifying Party is conducting the defense of the Third Party Claim in accordance with Section 8.3(b): (i) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim; (ii) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (not to be withheld unreasonably); and (iii) the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party (not to be withheld unreasonably).

(d) In the event any of the conditions in Section 8.3(b) is or becomes unsatisfied: (i) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third Party Claim in any manner it reasonably may deem appropriate (and the Indemnified Parties need not consult with, or obtain any consent from, any Indemnifying Party in connection therewith); (ii) the Indemnifying Parties will reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses); and (iii) the Indemnifying Party will remain responsible for any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim to the fullest extent provided in this Article 8.

ARTICLE 9

EVENTS OF DEFAULT; TERMINATION

9.1 Events of Default. It shall be an Event of Default under this Agreement and under each of the Ancillary Agreements, if any one of the following events shall occur for any reason whatsoever (each, an "Event of Default"):

(a) If BrightStar shall fail to deliver the certificates representing the Series B Preferred as provided herein;

(b) If Sellers fail to deliver certificates evidencing all of the Company Shares, duly endorsed for transfer in blank, to BrightStar at the Closing;

(b) If BrightStar shall fail to perform any of its obligations under this Agreement or any of the Ancillary Agreements, as the case may be, and fails to cure such default within ten (10) days after notice thereof from the Company and Sellers;

(c) If the Company or any Seller shall fail to perform any of its or his obligation under this Agreement or any of the Ancillary Agreements, as the case may be, and Seller fails to cure such default within ten (10) days after notice thereof from BrightStar;

(d) Any representation, warranty, condition, covenant or agreement made by BrightStar in this Agreement or in any Ancillary Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made, and BrightStar fails to cure such default within twenty (20) days after notice thereof from the Company and Sellers; or

(e) Any representation, warranty, condition, covenant or agreement made by the Company and Sellers in this Agreement or in any Ancillary Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made, and the Company and Sellers fail to cure such default within ten (10) days after notice thereof from BrightStar; or (f) The Company or any Seller: (i) makes an assignment for the benefit of creditors; (ii) admits in writing that it is unable to pay its debts generally as they become due; (iii) files a petition in bankruptcy under the Bankruptcy Code; (iv) has a petition in bankruptcy filed against it which petition is not dismissed within thirty (30) days of the filing thereof; (v) consents to the appointment of a receiver or trustee for all or a substantial part of its property; (vi) has a petition filed against it for the appointment of a receiver which petition is not dismissed within thirty (30) days of the filing thereof; or (vii) commences any proceeding under a state or Federal statute permitting readjustment of debt; or

(g) The Company fails to obtain the agreement of the Investors: (i) to convert the outstanding principal balances of all Convertible Promissory Notes and the exercise of all outstanding company options into Company Common Stock; and (ii) to include all shares of Company Common Stock issued upon such conversion in the Company Shares being exchanged for shares of Series B Preferred pursuant to this Agreement.

9.2. Termination. This Agreement may be terminated: (i) by the written agreement of the Company, Sellers and BrightStar; (ii) by the Company or Sellers, upon the occurrence of an Event of Default by BrightStar; or (iii) by BrightStar, upon the occurrence of an Event of Default by the Company or any Seller.

9.3 **Effect of Termination.** Termination of this Agreement shall not constitute or be deemed to be a waiver or release of, or otherwise affect, the claims, rights and remedies of the parties arising under this Agreement or any Ancillary Agreement. The provisions of Article 8 and Article 10 hereof shall survive termination of this Agreement.

ARTICLE 10

MISCELLANEOUS

10.1 **Press Releases and Public Announcements.** None of the Company, the Sellers or the Investors shall issue any press release or make any public announcement relating to the subject matter of this Agreement or the transactions contemplated hereby except as may be required under applicable Laws.

10.2 **No Third Party Beneficiaries.** This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

10.3 **Entire Agreement.** This Agreement (including any Ancillary Agreements) constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

10.4 **Succession and Assignment.** This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of his or its rights, interests, or obligations hereunder without the prior written approval of the other Party; provided, however, that any Investor may (i) assign any or all of its rights and interests hereunder to one or more of its Affiliates and (ii) designate one or more of its Affiliates to perform its obligations hereunder (in any or all of which cases the Investor shall no longer remain responsible for the performance of all of its obligations hereunder).

10.5 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

10.6 **Headings.** The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

10.7 **Notices.** All notices, consents, waivers and other communications under this Agreement must be in writing and will be deemed given to a Party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid), (b) sent by facsimile or e-mail with confirmation of transmission by the transmitting equipment, or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested; in each case to the following addresses, facsimile numbers or e-mail addresses and marked to the attention of the individual (by name or title) designated below (or to such other address, facsimile number, e-mail address or individual as a party may designate by notice to the other parties):

If to BrightStar:

BrightStar Information Technology Group, Inc.
6160 Stoneridge Mall Road, Suite 250
Pleasanton, CA 94588
Attention: Ian Scott-Dunne
Telephone No.: 925-251-0000
Facsimile No.: 925-251-0001
E-mail: ian@stellarfinancial.com

With a copy (which shall not constitute notice) to:

Guzov Ofsink, LLC
600 Madison Avenue, 14th Floor
New York, New York 10022
Attention: Darren L. Ofsink
Telephone No.: (212) 371-8008
Facsimile No.: (212) 688-7273
E-mail: dofsink@golawintl.com

If to the Company:

MyPublicInfo, Inc.
2020 N 14th Street, #700
Arlington, Virginia 22201
Tel: (703) 598-1369
Fax: (202) 403-3300

With a copy (which shall not constitute notice) to:

James R. Hagerty, Esq.
Kalbian Hagerty LLP
888 17th Street, NW, Suite 1000
Washington, DC 20006

If to Sellers:

Harold Kraft
2020 North 14th Street, #700
Arlington, VA 22201
C: 703.598.1369
O: 202.575.3000 x 5000
hhk@MyPublicInfo.com

Pat Dane
801 North Caswell
Southport, North Carolina 28461
Tel: (910) 547-0002

With a copy (which shall not constitute notice) to:

James R. Hagerty, Esq.
Kalbian Hagerty LLP
888 17th Street, NW, Suite 1000
Washington, DC 20006

If to an Investor:

The address of such Investor as set forth below such Investor's name on the signatory page

10.8 **Controlling Law; Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to choice of law provisions, statutes, regulations or principles of this or any other jurisdiction. Each Party hereby irrevocably submits to the exclusive jurisdiction (including personal jurisdiction) of the state and federal courts of the State of New York for any action, suit or proceeding arising in connection with this Agreement, and agrees that any such action suit or proceeding shall be brought only in such court (and waives any objection based on forum non conveniens or any other jurisdiction to venue therein). Process in any Proceeding under this Agreement may be served on any Party anywhere in the world.

10.9 **Amendments and Waivers.** No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Parties. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

10.10 **Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. Furthermore, in lieu of such invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

10.11 **Expenses.** Each Party shall bear all costs and expenses incurred by it in connection with the Agreement and the transactions contemplated hereby.

10.12 **Construction.** The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word “including” shall mean including without limitation. The Parties intend that each representation, warranty, and covenant contained herein shall have independent significance. If any Party has breached any representation, warranty, or covenant contained herein in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) which the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant.

10.13 **Incorporation of Exhibits.** The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date first set forth above.

**BRIGHTSTAR INFORMATION TECHNOLOGY
GROUP, INC.**

By:

Name:

Title:

MYPUBLICINFO, INC.

By:

Name:

Title:

SELLERS:

Harold Kraft

Pat Dane

EXHIBIT A

INVESTORS

Sondra Block

Address:

Stewart Block

Address:

Al Hinton

Address:

Don Hinton

Address:

Devin Hinton

Address:

Tod Narum

Address:

Laurie Narum

Address:

Barbara Collazo

Address:

Mark Meninger

Address:

Jill C. Meninger

Address:

Anthony Besson

Address:

Julie Besson

Address:

William Percich

Address:

Monica Van Appel Percich

Address:

Brett Jerome Percich

Address:

Steven Billmyer

Address:

Roberta Billmyer

Address:

Leisha Holmes

Address:

Garret Holmes

Address:

I, Brian Burnett, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of BrightStar Information Technology Group, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- c) Disclosed in this report any change in the registration's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2006

BY: /s/ Brian S. Burnett

Brian S. Burnett
Chief Executive Officer
(Principal Executive Officer)

I, John Coogan, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of BrightStar Information Technology Group, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- c) Disclosed in this report any change in the registration's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2006

BY: /s/ John M. Coogan

John M. Coogan

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2006 of BrightStar Information Technology Group, Inc. (the "Form 10-QSB"), I, Brian Burnett, Chief Executive Officer, of BrightStar Information Technology Group, Inc., certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) such Form 10-QSB for the quarterly period ended June 30, 2006 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Form 10-QSB for the quarterly period ended June 30, 2006 fairly presents, in all material respects, the financial condition and results of operations of BrightStar Information Technology Group, Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to BrightStar Information Technology Group, Inc. and will be retained by BrightStar Information Technology Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 10, 2006

By: /s/ Brian S. Burnett _____

Brian S. Burnett
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2006 of BrightStar Information Technology Group, Inc. (the "Form 10-Q"), I, John Coogan, Chief Financial Officer, of BrightStar Information Technology Group, Inc., certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (3) such Form 10-QSB for the quarterly period ended June 30, 2006 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (4) the information contained in such Form 10-QSB for the quarterly period ended June 30, 2006 fairly presents, in all material respects, the financial condition and results of operations of BrightStar Information Technology Group, Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to BrightStar Information Technology Group, Inc. and will be retained by BrightStar Information Technology Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 10, 2006

By: /s/ John M. Coogan

John M. Coogan
Chief Financial Officer