

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10SB12G

Form for initial registration of a class of securities for small business issuers pursuant to Section 12(g)

Filing Date: **1999-03-26**  
SEC Accession No. **0000889812-99-000976**

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### FILER

#### TELTRAN INTERNATIONAL GROUP LTD

CIK: **1069793** | IRS No.: **113172507** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10SB12G** | Act: **34** | File No.: **000-25641** | Film No.: **99574224**

#### Mailing Address

*ONE PENN PLAZA STE 4632  
NEW YORK NY 10119*

#### Business Address

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NEW YORK NY 10119  
2126431283*

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-SB

GENERAL FORM FOR REGISTRATION OF SECURITIES  
OF SMALL BUSINESS ISSUERS

Under Section 12(b) or 12(g) of the Securities Exchange Act of 1934

TELTRAN INTERNATIONAL GROUP, LTD.  
(Name of Small Business Issuer in Its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

11-3172507  
(I.R.S. Employer Identification No.)

One Penn Plaza, Suite 4632  
New York, New York 10119  
(Address of principal executive offices)

(212) 643-1283  
(Issuer's telephone number, including area code)

Securities to be registered under Section 12(b) of the Act:

Title of each class to be so registered	Name of each exchange on which each class is to be registered
Not applicable	Not applicable

Securities to be registered under Section 12(g) of the Act:

Common Stock, par value \$0.001 per share

PART I

Item 1. Description of Business.

Introduction General

Teltran International Group, Ltd. (the "Company") through its wholly owned subsidiary Teltran International, Inc. ("International") is primarily engaged in the international telecommunication business. It was a development stage company until April 1998 when it commenced services for an internet telephony system. In October 1998 it entered into additional arrangements which included the ability to sell internet telephony time. Thus far the Company has entered into initial agreements for this service and anticipates beginning this service in April 1999.

The Company, formerly known as Spectratek Incorporated, a Utah corporation, acquired all of the outstanding shares of International on May 1, 1996, by issuing shares of the Company's common stock in an amount that resulted in the original stockholders of International receiving approximately 66% of the then outstanding shares of the Company. For financial reporting purposes, the transaction was recorded as a recapitalization of International. International is the continuing, surviving, entity for accounting purposes, but the Company is the continuing entity for legal purposes.

On October 6, 1997, Spectratek was reincorporated in the State of Delaware under the name of Teltran International Group, Ltd. References to the "Company" unless otherwise indicated by the context refer to the Company and

International. The Company's offices are located at One Penn Plaza, New York, New York 10119 and its telephone number is 212-643-1283.

All share and per share data in this registration statement (other than in the financial statements) have been adjusted to effect a one-for 20 reverse split of the Company's Common Stock effective on December 1, 1997.

#### Industry Background

During the last fifteen years international telecommunications have changed dramatically. Deregulation has resulted in the end of monopoly and a proliferation of competitors. In addition, international agreements among most industrial nations have been entered into opening telecommunication markets to competition and foreign ownership. At the same time technology changed adding to the overall efficiency of telecommunication services and increasing capacity dramatically. These factors have combined to reduce costs significantly. Additionally, the technology resulted in the development of new methods of completing calls including refiling which is the routing of calls from country A to B and termination in country C. The combined rates between the three countries is less than the rate directly from country A to country B.

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A resale arrangement typically involves the wholesale purchase of termination services on a per-minute basis by one long distance provider from another. A single international call may pass through the facilities of multiple long distance carriers and resellers before it reaches the foreign facilities-based carrier that ultimately terminates the call. Such resale, first permitted with the deregulation of the United States market, enable the emergence of alternative international providers that relied, at least in part, on transmission services acquired on a wholesale basis from other long distance providers. Resale arrangements set per minute prices for different routes, which may be guaranteed for a set time period or subject to fluctuation following notice. These international providers include entities whose business is a reseller with no independent system to originate or terminate calls and no equipment except the connection of the resellers source of telecommunication's time to its customer. Presently, the Company's primary business is the latter. It attempts to obtain the least expensive telecommunications time available for resale to other resellers including credit phone card companies.

The Company's immediate resale operations will be conducted through internet proto-call which is a recent phenomenon. The Internet telephony industry begin in 1995, when experienced Internet users began to transfer voice messages from one PC to another. Subsequently, software was introduced which allowed PC users to place international calls via the Internet to other PC users for the price of a local call. Initially, the growth of Internet telephony was constrained due to the poor sound quality of the calls and because calls were mainly limited to those placed from one PC to another.

However, as the industry has grown, substantial improvements have been made. New software has substantially reduced delays. The use of private networks or intranets to transmit calls as an alternative to the public Internet has alleviated capacity problems. Developments in hardware, software and networks are expected to continue to improve the quality and viability of Internet telephony.

Internet telephony provides customers with substantial savings compared to conventional long distance calls, because the total cost of an Internet telephone call is based on the local calls to and from the gateways of the respective internet providers, thereby bypassing the international settlements process.

#### Business History

Initially the Company intended to concentrate its efforts on establishing and operating a global messaging business. Pursuant to that strategy the Company intended to provide its customers with a universal mailbox and a platform that was capable of generating multimedia broadcasts of messages and documents received by the client. That is the messages could be faxed or

otherwise delivered to various locations within the enterprise. As an adjunct to its global messaging service the Company also provided enhanced fax services including fax broadcasting. The Company has postponed its efforts to provide global messaging services. It derived insignificant revenues from fax broadcast services for clients.

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The Company's principal business activity is to provide the resale of telecommunication time to enable clients to provide competitive rates for international communications. This involves several arrangements. The first is to obtain availability of favorable wholesale international rates from carriers and other resellers. This Company then enters into arrangements for the sale of this time. This entails the connection between the Company, the customer and carrier. This is accomplished through telecommunication switches owned by a third party at the third parties location. Prior to April, 1998 the Company derived no or insignificant revenues and was considered a development stage Company. During 1999 it derived revenues as a refile hub for OzEmail Interline Pty, Limited ("OzEmail") which operates a collection of network for international calls through the internet. That is the Company would receive calls for the OzEmail system and direct them through the least expensive routing to countries which have no OzEmail internet termination. The Company derived substantial revenues from this activity in 1998 but believes this source will decline as OzEmail obtains a greater number of countries with affiliates where calls can be completed entirely through the OzEmail network collection. The Company subsequently entered into an "affiliate arrangement with OzEmail which enables the Company to sell international voice telephone availability through the internet system utilizing OzEmail technology and protocols.

#### The OzEmail System

OzEmail is a subsidiary of a major internet provider in Australia. OzEmail has assembled a consortium of companies in various countries as affiliates to establish internet network for the transmission and receipt of its Voice over Internet Protocol worldwide or OzEmail's version of internet telephony. OzEmail owns proprietary hardware and software technology utilized in the transmission, routing and connecting of communications, including voice telephony, fax and other transmissions, through the internet system and other conventional systems as public switched networks. The proprietary hardware or "VIN" Hardware is used as the gateway for the carrying and routing of calls.

OzEmail has licensed the proprietary software and VINs and other trade secrets to provide or establish a network in the country in which the provider or affiliate is located. OzEmail joins the providers in various countries to provide international service. Each provider furnishes termination service in its territory enabling providers in other countries to route the calls to the local provider which in turn terminates their calls in the territory over conventional public switched telephone networks. The provider receives a termination fee. The provider is required to market the OzEmail service in its territory offering calling service through OzEmail systems. The local provider is required to pay a fee to OzEmail for all international services of provider customers routed through OzEmail network. The heart of the system is the VIN, each of which is capable of handling a fixed number of calls. Each provider is required to purchase sufficient VINs from OzEmail to service its customers. A VIN can only handle a finite number of calls so that additional multiple VINS may be required for each customer. Generally, the customer of the provider is a pre-paid calling card service calling center or other entity seeking to provide international calling to its customers.

Basically, the client of the provider's customers originates a local call through the internet

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which connects to a VIN which transmits the call over internet protocol to a VIN of a provider located in the foreign country. The call is then connected to the domestic local telephone network. All the calls are processed by the control node of OzEmail which is also used for billing, rating and verification

purposes. If no provider has been appointed in the country of destination, the call will be routed through a refile provider in a third country for the least expensive routing.

#### OzEmail/Teltran

In 1998 the Company was appointed as a refile hub for OzEmail for calls terminating in countries without OzEmail affiliates. In addition, later in October 1998 the Company was appointed a non-exclusive OzEmail affiliate in the United States. The Company then purchased and installed VINs at its switching site and began to market the OzEmail service in the United States. As an affiliate the Company provides termination services in the United States. To date, the Company has derived little or no revenues from this service. After the Company has purchased VINs it has successfully tested the OzEmail telephony service. Each agreement requires sufficient number of VINs as well as a test period of several weeks to determine the quality of service to the particular destination. The Company has entered into an arrangement for sales of communication time including sales to South Africa and Netherlands Antilles. Service is scheduled to begin in April 1999. Several additional agreements are pending.

#### OzEmail Agreements

The affiliates arrangement consists two three-year agreements each expiring October 12, 2001. The first agreement is the Interconnectivity and Support Agreement. Under this agreement, Teltran has joined an international consortium of companies established by OzEmail in different countries as a non-exclusive affiliate, of the OzEmail system in the United States. This entitles the Company to transmit internet telephony calls worldwide over OzEmail's interconnected systems. The Company is obligated to roll out the services in the United States and to purchase the required equipment for the operation of the systems from OzEmail. The Company further is obligated to provide termination services for a fee for the benefit of providers or affiliates in other countries. The Agreement provides for the payment of fees to OzEmail by the Company for calls originating through the system. The second agreement is the USA Intellectual Property License Agreement. This agreement grants Teltran a non-exclusive license for three years to use OZI's software, hardware, Intellectual property, advertising/promotional material, etc. to perform services under the internet interconnectivity and support agreement. The refile services are performed under a Telecommunications Service Agreement expiring October 2000 unless terminated sooner. The Agreement requires the Company to maintain equipment for refile services. The Company further is obligated to provide termination services for a fee for the benefit of providers or affiliates in other countries.

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#### Government Regulation

The Company is licensed as an international reseller pursuant to Section 214 of the Federal Communication Act.

#### Marketing/Customers

The Company will market its resale service as part of the OzEmail network to other carriers wholesalers, call centers, international phone card providers and others. During 1998 the Company's principal customer was OzEmail pursuant to the refile arrangement. During 1998 the Company received approximately 79.3% of its revenues from OzEmail. The Company does not anticipate that it will derive significant refile revenues from OzEmail in the future. Moreover, as the Company enters into resale arrangements, it's dependence on OzEmail as a refile customer will decline. The Company derived 17.1% of its revenues in 1998 from Telecom 2000 for providing domestic long distance capacity. This arrangement has terminated.

The Company markets its service through its executive officers, one of whom is the vice president of sales and marketing. The Company has also entered into non-exclusive arrangements with agents who will receive a commission from the revenues generated any customer of the Company introduced by an agent.

## Competition

Currently, the Company competes with numerous other long distance resellers and providers. The Company believes its significant competition will be other independent resellers and providers including providers of competing voice telephony systems as well as possible affiliates of OzEmail appointed in the future other competitors include large carriers such as AT&T, MCI, Sprint, and WorldCom; and other providers of international long distance services such as STAR Telecommunications, Inc., as alliances that provide wholesale carrier services, such as "Global One" other internet telephony problems. In addition, the Company has a non exclusive affiliate arrangement with OzEmail. Therefore, OzEmail is free to appoint another affiliate which may result the Company facing substantial competition. Many of the Company's competitors are significantly larger and have substantially greater market presence, as well as greater financial, technical, operational, marketing and other resources and experience than the Company.

The Company competes for customers in the telecommunications markets primarily based on price and, to a lesser extent, the type and quality of service offered. Increased competition could force the Company to reduce its prices and profit margins if its competitors are able to procure rates or enter into service agreements that are comparable to or better than those the Company obtains, or are able to offer other incentives to existing and potential customers. Similarly, the Company has no control over the prices set by its competitors.

## Employees

The Company has five full-time employees, four of whom are engaged in executive and

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technical functions and one of whom is a clerical employee. The Company also employs a bookkeeper on a part-time basis.

## Technical Facility

The Company has an oral arrangement with an unaffiliated party pursuant to which the Company's technical equipment is housed and maintained at this party's facility in New York City. All equipment, connections and telephone lines between the Company and its customers and overseas providers are located at this facility. The Company utilizes the owner's switches to effect these connections.

## Internet Portal

The Company in February 1999 instituted a web portal. A portal is a website which enables the user to access various other web sites without multiple steps thereby saving the user time. The Teltran portal contains direct links to many commerce sites, including Amazon.com the internet bookseller. Recently, the Company provided access to brokerage firms through the portal and anticipates receiving payment from brokerage firms utilizing this service based on customers' business introduced to the brokerage firm through the portal. The Company has affiliate arrangements with retailers pursuant to the Company will receive a percentage of revenues generated by consumers accessing the site through the Company's portal. If the Company's portal received a prescribed number of hits to its website it will be in a position to provide advertising on its site and receive revenues for doing so. The Company believes it will achieve this requirement shortly. Users may also use the portal as their home page.

## Additional Revenues

The Company is receiving revenues for obtaining a contract for a third party. It receives commissions based on income derived by such third party.

Item 2. Management's Discussion and Analysis or Plan of Operation.

## Introduction

Prior to April, 1998 the Company was a development stage Company and had no significant revenues since inception.

### Statement of Operations Year Ended 1998 Compared to Year Ended 1997 (unaudited)

The Company's revenues was approximately \$535,000 for 1998 while the Company received no revenues in 1997.

The Company's operating expenses during 1998 were approximately \$707,000 compared to approximately \$827,780 during the prior year. The reduced expenses were primarily attributable to decline in salary expense in 1998 recently from a reduction in staff.

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Since the Company did not commence income producing operations until 1998, the Company does not believe that either 1997 or 1998 are any indication of the Company's future operations. The Company anticipates that the year 1999 will be the first full year of operations and that its revenues will be derived from businesses not conducted in 1998.

The Company believes that it will have substantial increased revenues in 1999 as it began to derive revenues from in voice telephony operations.

## Liquidity

The Company had a negative working capital of approximately \$280,000 as of December 31, 1998 compared to a negative working capital or approximately \$82,000 at December 31, 1997. The increase was primarily attributable to increased debt financing. Also during 1998 the Company financed a portion of its receivable through a factoring arrangement. Since December 31, 1998 the Company received gross proceeds of \$650,000 from the sale of convertible notes and exercise of warrants. All the notes have been converted and the Company has been able to repay and terminate its factoring arrangement.

The Company is required to purchase additional equipment to perform the contracts for the resale of telephone time over OzEmail networks. This is the only substantial capital expend     of the Company. It has determined to require its client to purchase the equipment or to provide advances for this purpose. As long as the Company funds to purchase equipment to perform its contracts it believes its present working capital is adequate for its operations for the next twelve months.

## Item 3. Description of Property.

The Company's executive offices are located at One Penn Plaza, New York, New York 10119, where it leases approximately 2,400 square feet pursuant to a lease that expires on February 28, 2003. The annual base rental for this space is approximately \$90,000.

The Company's telecommunication equipment is located and maintained at a separate facility owned by a third party. See Item 1 - "Description of Business - Technical Facility

## Item 4. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth certain information regarding the aggregate and percentage ownership of the Company's Common Stock as of February 28, 1999 for (i) each person known by the Company to beneficially own more than five percent of the Company's Common Stock, (ii) each of the Company's directors, (iii) each of the executive officers named in the Summary Compensation Table below and (iv) all directors and executive officers as a group.

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Name	Number of Shares	Beneficial Ownership Percentage
Byron R. Lerner (1) (2)	725,000	9.1%
James E. Tubbs (1)	725,000	9.1%
Martin Miller (1)	250,000	3.1%
All executive officers and directors as a group (4 persons) (1)	1,779,333	22.3%

(1) Includes options exercisable within 60 days to acquire 400,000 shares in the case of Messrs. Lerner and Tubbs and 250,000 shares in the case of Mr. Miller. The foregoing excludes option to acquire an additional \$300,000 shares in the case of Messrs. Lerner and Tubbs.

(2) Includes 250,000 shares held of record by a corporation which is wholly owned by Mr. Lerner.

The address of such person is c/o Teltran International Group, Ltd., One Penn Plaza, New York, New York 10119.

Item 5. Directors, Executive Officers, Promoters and Control Persons.

The directors and executive officers of the Company are as follows:

Name	Age	Position
Byron R. Lerner	54	President, Chief Executive Officer and Director
James E. Tubbs	39	Executive Vice President, Chief Operating Officer and Director
Peter Biagioli	39	Vice president of Sales and Marketing
Martin Miller	58	Director

Byron R. Lerner has been Chief Executive Officer and President of the Company since June

1997 and a director of the Company since May 1996. Mr. Lerner was Chief Financial Officer of the Company between May 1996 and June 1997. Between 1993 and 1995, Mr. Lerner was president of International of GlobalCom, a firm he founded which engaged in the resale of domestic and international long distance phone time. From 1990 to 1993 Mr. Lerner was president of L&S Communications, a reseller of domestic and international long distance telephone time.

James E. Tubbs has been Executive Vice President and a director of the Company since May 1996. Between 1994 and 1995, Mr. Tubbs was President of OmniCom, a reseller of UniDial. From 1984 through May 1996 he was employed as an executive in various entities controlled by Brett Mussburger, the sports broadcaster. Simultaneously Mr. Tubbs was employed in various capacities as an executive in sports and entertainment matters by the networks which engaged Mr. Mussburger.

Peter Biagioli has been Vice President of Sales and Marketing of the Company since 1997. From February 1988 to January 1997 Mr. Biagioli was vice president of Worldwide Commercial Development for the Worldwide Manifest Division TNT Express. During the period November 1982 to January 1988 he was employed by Avis Rent A Car System Inc. as Regional Sales Manager for the New York Metropolitan market.



Martin Miller has been a director of the Company since November 1995. Mr. Miller, for the past five years, has been a manager of corporate finance for Millport Ltd., presently a Bahamian based investment advisor of foreign investors.

Item 6. Executive Compensation.

The following table sets forth information concerning compensation paid or accrued by the Company or its subsidiaries for services rendered during the fiscal year ended December 31, 1998 to the Company's Chief Executive Officer no executive officer whose compensation exceeded \$100,000 during its fiscal year ended December 31, 1998.

Summary Compensation Table

Name and Principal Position	Year	Salary
Byron E. Lerner President and Chief Executive Officer	1998	\$ 88,000
	1997	37,500

All directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Executive officers are elected annually by the Board of Directors to hold office until the first meeting of the Board following the next annual meeting of stockholders and until their successors are chosen and qualified.

Option Plan

The Company has adopted a 1998 Stock Option Plan (the "Option Plan") for officers, employees and consultants of the Company and any of its subsidiaries authorizing the grant of options to purchase 3,000,000 shares of the Company's common stock. As of February 28, 1999 options to purchase 1,790,000 shares of common stock were outstanding and options to purchase 1,210,000 shares of common stock were available for grant.

The Employee Plan is administered by the board of directors. In general, the Committee will select the persons to whom options will be granted and will determine, subject to the terms of the Employee Plan, the number, the exercise period and other provisions of such options. The options granted under the Employee Plan will be exercisable in such installments as may be provided in the grant.

Options granted to employees may be either incentive stock options under the Internal Revenue Code ("ISOs") or non ISOs. The board may determine the exercise price provided that, in the case of ISOs, such price may not be less than 100% (110% in the case of ISOs granted to holders of 10% of the voting power of the Company's stock) of the fair market value (as defined in the Employment Plan) of the Company's common stock at the date of grant. The aggregate fair market value (determined at time of option grant) of stock with respect to which ISOs become exercisable for the first time in any year cannot exceed \$100,000.

The options are evidenced by a written agreement containing the above terms and such other terms and conditions consistent with the Plan as the Committee may impose. Each option, unless sooner terminated, shall expire no later than ten (10) years (five years in the case of ISOs granted to holders of 10% of the voting power of the Company's stock) from the date of the grant, as the Committee may determine. The Committee has the right to amend, suspend or terminate the Employee Plan at any time, provided, however, that unless ratified by the Company's stockholders no amendment or change in the Plan will be effective for certain matters including increase in the total number of shares which may be issued under the Plan or extending the term of the Employee Plan.

Options Granted in Last Fiscal Year

	Number of Shares Underlying Option Granted -----	Exercise Price -----
Byron Lerner	200,000	\$.37
	83,334	1.75
	83,333	3.000
	83,333	5.00
James Tubbs	200,000	\$.37
	83,334	1.75
	83,333	3.000
	83,333	5.00

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In addition, on January 31, 1999 the Company issued Plan Options to purchase an additional 795,000 shares of common stock at \$.59 per share. Of these options 250,000 were issued to each of Messrs. Lerner and Tubbs and Martin Miller, a director of the Company.

#### Employment Agreements

The Company has entered into an employment agreement with Byron Lerner, president and chief executive officer of the Company. The agreement is for a term of 37 months commencing March 1, 1999 and unless notice of non renewal is given at the end of first thirteen months or any year thereafter, the term of the agreement is extended for an additional year period. Mr. Lerner is to receive a base annual salary of \$150,000 until August 1999 when the salary increases to \$180,000. Starting in the second year of the agreement on April 1, 2000 the salary increases to \$189,000 or \$200,000 if the net income as defined in the agreement is at least \$200,000. The salary increases thereafter at the rate of ten percent per annum. The agreement provides for a bonus pool which shall be equal to 15% of net income as defined in the agreement of which Mr. Lerner will receive a maximum of six (6%) of such pool. Mr. James Tubbs, a vice president, and chief operating officer has entered into an identical agreement with the Company.

#### Item 7. Certain Relationships and Related Transactions.

During and prior to 1998 an affiliate of Byron Lerner and James Tubbs each advanced the Company \$100,000 each. In 1998 all these advances were converted into 500,000 shares of the Company's Common Stock. Mr. Lerner has advanced approximately an additional \$13,000 to the Company in 1998 and 1999.

#### Item 8. Description of Securities.

##### General

The Company is authorized to issue 50,000,000 shares of its common stock, par value \$0.001 per share (the "Common Stock"), and 5,000,000 shares of preferred stock, par value \$0.001 per share (the "Preferred Stock"). As of December 31, 1998 7,953,137 shares of the Common Stock were outstanding. No shares of Preferred Stock are currently outstanding.

##### Common Stock

The holders of Common Stock are entitled to one vote for each share held of record on all matters to be voted on by stockholders. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors. The holders of Common Stock are entitled to receive dividends when, as and if declared by the Board of Directors out of funds legally available therefor.

In the event of liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining available for distribution to them

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after payment of liabilities and after provision has been made for each class of stock, if any, having preference over the Common Stock. Holders of shares of Common Stock, as such, have no conversion, preemptive or other subscription rights. There are no redemption provisions applicable to the Common Stock. All of the outstanding shares of Common Stock are fully paid and nonassessable.

#### Preferred Stock

The Company's Certificate of Incorporation authorizes the issuance of "blank check" Preferred Stock with such designation, rights and preferences as may be determined from time to time by the Company's Board of Directors. Accordingly, the Company's Board is empowered, without stockholder approval, to issue Preferred Stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of Common Stock. The Preferred Stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of the Company. Although the Company does not currently intend to issue any shares of Preferred Stock, there can be no assurance that the Company will not do so.

#### Transfer Agent

The transfer agent for the Common Stock is North American Transfer Co., 147 Merrick Road, Freeport, New York 11520.

### PART II

#### Item 1. Market Price of and Dividends on the Registrant's Common Equity and Other Shareholder Matters.

The Company's Common Stock is currently quoted on the OTC Bulletin Board under the symbol "TLTG."

Set forth below are the high and low closing bid quotations for Company's Common Stock for the periods indicated as reflected on the electronic bulletin board. Such quotations reflect interdealer prices without retail mark-up, mark-down or commissions, and may not reflect actual transactions.

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Period	High	Low
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March 31, 1998	3.13	.4325
June 30, 1998	2.94	1.88
September 30, 1998	1.00	.75
December 31, 1998	1.19	.4325
March 31, 1997	.65	.40
June 30, 1997	.33	.22
September 30, 1997	.18	.11
December 31, 1997	.125	.125

As of December 31, 1998, there were approximately 240 recordholders of the Company's Common Stock, although the Company believes that there are more than five hundred beneficial owners of its Common Stock.

The Company plans to retain any future earnings for use in its business and, accordingly, the Company does not anticipate paying dividends in the foreseeable future. Payment of dividends is within the discretion of the Company's Board of Directors and will depend, among other factors, upon the Company's earnings, financial condition and capital requirements.

#### Item 2. Legal Proceedings.

Management of the Company is not aware of any legal proceedings, or pending legal proceedings, to which the Company is a party or to which the property of the Company is subject. A claim however has made by a corporation including a claim for receivables of the Company arising from a potential resale arrangement. The Company has denied the claim.

Item 3. Changes in and Disagreements with Accountants.

None of the events described in Item 304 of Regulation S-B has occurred within the past twenty-four months.

Item 4. Recent Sales of Unregistered Securities.

The following sets forth information relating to all unregistered securities of the Company sold by it since December 31, 1995. As previously indicated, all share numbers have been adjusted retroactively to reflect a 1 for 20 reverse stock split on December 31, 1997.

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On May 1, 1996, the Company issued an aggregate of 500,000 shares of Common Stock to the stockholders of International in exchange for all of the outstanding capital stock of International.

In June 1996 the Company issued 158,333 shares of its common stock in accordance with Regulation 504 of the Securities Act of 1933 for approximately \$950,000.

In February, 1998 the Company issued 500,000 to an affiliate of Bryon Lerner and an officer and directors in satisfaction of indebtedness of \$100,000. The Company believes the issuance of such shares is exempt from the registration requirements pursuant to Section 4(2) of the Securities Act.

In June 1998 the Company issued 6,000,000 shares of its common stock to entities which collectively had the right to participate in the Company's future earnings. These investors acquired the shares for investment. The Company believes the issuance of such shares is exempt from the registration requirements pursuant to Section 4(2) of the Securities Act.

In July and January the Company issued its convertible notes in the aggregate principal amount of \$850,000 to several foreign investors in a transaction exempt pursuant to Rule 504. In connection with the transaction the Company issued warrants to purchase an aggregate of 137,500 shares of its Common Stock various persons. All of the notes have been converted and 1,926,395 shares issued. Warrants were also issued pursuant to Rule 504 to acquire 137,500 shares of the Company have been exercised.

Item 5. Indemnification of Directors and Officers.

Article Sixth of the Certificate of Incorporation of the Company provides with respect to the indemnification of directors and officers that the Company shall indemnify to the fullest extent permitted by Sections 102(b)(7) and 145 of the Delaware General Corporation Law, as amended from time to time, each person that such Sections grant the Company the power to indemnify. Article Sixth of the Certificate of Incorporation of the Company also provides that no director shall be liable to the corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except with respect to (1) a breach of the director's duty of loyalty to the corporation or its stockholders, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) liability under Section 174 of the Delaware General Corporation Law or (4) a transaction from which the director derived an improper personal benefit, it being the intention of the foregoing provision to eliminate the liability of the corporation's directors to the corporation or its stockholders to the fullest extent permitted by Section 102(b)(7) of Delaware General Corporation Law, as amended from time to time.

PART F/S

See Index to Financial Statements and Financial Statements attached hereto

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PART III

Item 1. Index to Exhibits.

Exhibit No. -----	Description -----
3.1	Certificate of Incorporation
3.2	Certificate of Ownership and Merger of Spectratek Incorporation by Taltran International Group, Ltd.
3.3	Amendment to Certificate of Incorporation
10.1	1998 Stock Option Plan
10.2	Employment Agreement between Byron Lerner and Registrant
10.3	USA Interconnectivity and Support Agreement dated October 12, 1999 between Ozemail and Registrant
10.4	USA Intellectual Property License Agreement dated October 12, 1999 between Ozemail and Registrant
10.5	Telecommunication Services Agreement dated October 15, 1998 between Ozemail and Registrant
21.1	Subsidiary List
23	Consent of Leibman Goldberg & Drogin LLP
27	Selected Financial Data Schedule

Item 2. Description of Exhibits.

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SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf by the undersigned, hereunto duly authorized.

Date: March 24, 1999

TELTRAN INTERNATIONAL GROUP, LTD.

By: \_\_\_\_\_

Byron R. Lerner  
Chief Executive Officer, President  
(Principal Executive, Financial  
and Accounting Officer)

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TELTRAN INTERNATIONAL GROUP, LTD.  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

with

INDEPENDENT AUDITORS' REPORT

TELTRAN INTERNATIONAL GROUP, LTD. AND SUBSIDIARIES

For the years ended December 31, 1998 and 1997

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The Board of Directors  
Teltran International Group, Ltd. and Subsidiaries

We have audited the consolidated balance sheet of Teltran International Group, Ltd. and Subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of operations, shareholders' deficit and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Teltran International Group, Ltd. and Subsidiaries as of December 31, 1998 and 1997 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

February 22, 1999

## TELTRAN INTERNATIONAL GROUP, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

December 31, 1998 and 1997

## ASSETS

<TABLE>  
<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Current Assets:		
Cash	\$ 5,389	\$ 3,646
Accounts receivable	94,296	--
Deferred financing costs - net of amortization	19,797	--
	-----	-----
Total current assets	119,482	3,646
	-----	-----
Other Assets:		
Goodwill	40,273	40,273
Organization expense - net of amortization	98	218
	-----	-----
Total other assets	40,371	40,491
	-----	-----
Total assets	\$ 159,853	\$ 44,137
	=====	=====

## LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current Liabilities:		
Convertible debentures payable	\$ 180,488	\$ --
Loan payable	50,000	50,000
Due to factor	65,193	--
Accounts payable, accrued expenses and taxes	104,581	35,081
Corporation taxes payable	100	488
	-----	-----
Total current liabilities	400,362	85,569
	-----	-----
Long-Term Liabilities:		
Notes payable	--	250,000
Loans payable - stockholders'	1,245	10,880
	-----	-----
Total long-term liabilities	1,245	260,880
	-----	-----
Total liabilities	401,607	346,449
	-----	-----
Commitments and Contingencies		
Stockholders' Deficiency:		
Preferred stock, \$.001 par value per share, 5,000,000 shares authorized and -0- issued and outstanding		
Common stock, \$.001 par value per share, 50,000,000 shares authorized and 7,697,295 and 915,637 shares issued in 1998 and 1997 respectively	7,697	916
Additional paid in capital in excess of par value	2,002,359	1,501,928
Deficit	(2,251,810)	(1,805,156)
	-----	-----
Total stockholders' deficiency	(241,754)	(302,312)
	-----	-----

Total liabilities and stockholders' deficiency

\$ 159,853

\$ 44,137

=====

=====

</TABLE>

See notes to financial statements.

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TELTRAN INTERNATIONAL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 1998 and 1997

	1998	1997
	-----	-----
Revenues:		
Sales	\$ 535,197	\$ --
Cost of Sales:		
Purchases	244,832	--
	-----	-----
Gross profit	290,365	--
Expenses:		
Salaries	143,356	371,379
Outside services	271,850	112,032
Professional fees	49,531	21,274
Fees - other	9,384	1,003
Payroll taxes	14,878	28,386
Leasing expense	11,446	--
Travel	93,701	21,219
Insurance	28,863	33,573
Rent	48,834	36,532
Office	3,435	170,618
Miscellaneous	3,908	4,395
Telephone	6,088	27,369
Amortization expenses	21398	0
	-----	-----
Total expenses	706,672	827,780
	-----	-----
Loss from operations	(416,307)	(827,780)
Interest expense	29,959	--
	-----	-----
Net loss before income taxes	(446,266)	(827,780)
Provision for income taxes	388	464
	-----	-----
Net loss	\$ (446,654)	\$ (828,244)
	=====	=====
Net loss per share of common stock based upon 7,697,295 and 915,637 (weighted average) shares issued respectively	\$ (0.06)	\$ (0.90)
	=====	=====

See notes to financial statements.



TELTRAN INTERNATIONAL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

For the years ended December 31, 1998 and 1997

<TABLE>  
<CAPTION>

	Common Stock		Capital in Excess Par Value	Deficit
	Shares	Amount		
<S>	<C>	<C>	<C>	<C>
Balance - March 1, 1996	5,145,491	\$ 5,145	\$ 588,550	\$ (550,478)
March, 1996 Teltran Merger	10,000,000	10,000		
July, 1996 issuance of 3,166,667 shares	3,166,667	3,167	946,833	
Adjustment re: merger elimination entries				31,273
Net loss for the year				(457,707)
Balance - January 1, 1997	18,312,158	18,312	1,535,383	(976,912)
Adjustment re: promissory note			(50,851)	
Reverse stock split 1:20 - December 1, 1997	(17,396,521)	(17,396)	17,396	
For the year ended December 31, 1997				(828,244)
Balance - December 31, 1997	915,637	916	1,501,928	(1,805,156)
Issuance of share as full payment of outstanding debt	6,000,000	6,000	284,000	--
Issuance of shares re: conversion of debt	281,658	281	116,931	--
Issuance of shares re: payment of stockholder's loans	500,000	500	99,500	--
Net loss for the year	--	--	--	(446,654)
Balance - December 31, 1998	7,697,295	\$ 7,697	\$ 2,002,359	\$(2,251,810)

</TABLE>

See notes to financial statements.

TELTRAN INTERNATIONAL GROUP, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 1998 and 1997

<TABLE>  
<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net loss	\$ (446,654)	\$ (828,244)
Adjustment to reconcile net loss to net cash provided by operating activities:		
Amortization expense	21,398	120
Increase in accounts receivable	(94,296)	--
Increase in deferred financing costs	(55,875)	--
Cash advances from factor (net of repayments)	65,193	--
Increase in accounts payable and accrued expenses	69,112	5,613
	-----	-----
Net cash used in operating activities	(441,122)	(822,511)
	-----	-----
Cash Flows from Investing Activities:		
Cash received from issuance of common stock	--	602,300
	-----	-----
Net cash provided by operating activities	--	602,300
	-----	-----
Cash Flows from Financing Activities:		
Issuance of convertible debentures	180,488	--
Conversion of convertible debenture - stock issued	119,512	--
Decrease in notes payable	(250,000)	--
Decrease in loans payable - stockholders'	102,865	--
Issuance of stock for notes payable	290,000	--
Cash received as advances from investors	--	199,149
	-----	-----
Net cash provided by financing activities	442,865	199,149
	-----	-----
Net decrease in cash	1,743	(21,062)
Cash - January 1,	3,646	24,708
	-----	-----
Cash - December 31,	\$ 5,389	\$ 3,646
	=====	=====
Supplemental Disclosures:		
Income tax	\$ 625	\$ 464
	=====	=====
Interest paid	\$ 29,959	\$ --
	=====	=====

</TABLE>

See notes to financial statements.

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TELTRAN INTERNATIONAL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1998

Note 1 - Operations:

Nature of Business:

Teltran International Group, Ltd. through its wholly owned Subsidiary Teltran International, Inc. (the "Company") provides services for state of the art telecommunications.

Effective May 1, 1996, the shareholders of Teltran International Inc. ("the Subsidiary"), a Delaware corporation, completed a stock exchange with Spectratek Inc., a Utah corporation, whereby all the common shares of the subsidiary, were exchanged for 10,000,000 common shares of Spectratek, par value \$.001. The 10,000,000 shares represented approximately 67% of the then total issued and outstanding 15,145,491 shares of Spectratek Inc.

On October 6, 1997, Spectratek merged with Teltran International Group, Ltd., a newly formed Delaware corporation with the surviving entity.

Except as otherwise indicated by the context, references to "the Company" refer to Teltran International Group, Ltd. and the subsidiary.

Note 2 - Summary of Significant Accounting Policies:

Principles of Consolidation:

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary. Intercompany balances and transactions have been eliminated.

Development Stage Activities and Operations:

Prior to April 1998, the Company was a development stage activity. Since the Company now has continuing business revenues, comparative financial information does not include losses accumulated during the development stage period not part of the financial statement period.

At December 31, 1998, the Company has a net operating loss carryforward of approximately \$2,252,000 after limitations based on changes in ownership.

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TELTRAN INTERNATIONAL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 1998

Note 2 - Summary of Significant Accounting Policies:

Basic loss per share was computed by dividing the Company's net loss by the weighted average number of common shares outstanding during the period. There is no presentation of diluted loss per share as the effect of common stock options, warrants and convertible debt amounts are antidilutive. The weighted average number of common shares used to calculate loss per common share during 1998 and 1997 was 7,697,295 and 915,637 respectively.

The Company adopted Financial Accounting Standards Board (FASB) Statement No. 128, "Earnings per Share". The Statement established standards for computing and presenting earnings per share (EPS). It replaced the presentation of primary EPS with a presentation of basic EPS and also requires dual presentation of basic and diluted EPS on the fact of the income statement. The Statement was retroactively applied to the 1997 loss per share but did not have any effect.

Use of Estimates:

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

Fair Value of Financial Instruments:

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments", requires disclosure of the fair value information, whether or not recognized in the balance sheet, where it is practicable to estimate that value. The carrying value of cash, cash equivalents, accounts receivable and notes payable approximates fair value.

Impairment of Long-Lived Assets:

The Company has not completed its evaluation of the adoption of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." However, management believes any such effect will not be material.

Major Customer:

During the year ended December 31, 1998, approximately 70% of the company's revenue was from one customer. Also, 65% of accounts receivable are from this customer who also was factored.

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TELTRAN INTERNATIONAL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 1998

Note 3 - Notes Receivable:

In July 1996, the Company issued 3,166,667 shares of common stock to investors for the sum of \$950,000. During the year ended December 31, 1996, the Company received \$347,700 and the balance of \$602,300 was received during the year ended December 31, 1997.

Note 4 - Due to Factor:

In June 1998, the Company entered into a factoring agreement; financing the accounts receivable of their major customers. At December 31, 1998, the outstanding balance due to the factor, represents approximately 70% of the customers' open balance. Advances from the factor totaled \$509,036 (before customer repayments) from June, 1998 to December, 1998 and were used to pay operating expenses as well as vendor purchases. In February 1999, the Company terminated the factoring agreement and paid the outstanding balance in full.

Note 5 - Notes Payable:

In August 1998, the Company issued \$300,000 of convertible debentures due August 14, 1999 to non-related parties. The debentures accrued interest at 10%. The debentures are convertible into the Company's stock at \$1.25 or 70% of the lowest closing bid price of the common stock, 30 trading days preceding the conversion date. During the period August through December 1998, \$119,512 of debentures were converted to 269,158 shares of common stock. In connection with the transaction, the Company issued 30,000 warrants to purchase \_\_\_\_\_ shares of common stock at \$1.25 per share. Financing costs of this transaction were

deferred, and are being amortized to the convertible debentures maturity date.

In November 1997, the Company entered into a joint venture agreement with a group of unrelated foreign investors which provided for their participation of future profits of the Company in return for cancellation of indebtedness. In June 1998, the Company issued on aggregate of 6,000,000 shares to these investors in consideration of the termination of the joint venture.

Note 6 - Stockholders' Deficit:

During the period August 1998 to December 31, 1998, the Company issued 269,158 shares of its common stock upon the conversion of \$119,512 of the debentures referred to in Note 5.

The Company also issued 500,000 shares of its common stock to related parties of an officer and an officer as repayment of \$100,000 advanced to the Company during the year.

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TELTRAN INTERNATIONAL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 1998

Note 6 - Stockholders' Deficit (Continued):

Upon completion of the reincorporation on October 6, 1997, the Company's capitalization consisted of 50,000,000 shares of common stock and 5,000,000 shares of preferred stock. On December 1, 1997, the shareholders approved a reverse one for twenty common stock split.

Note 7 - Commitments and Contingencies:

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles which contemplates continuation of the Company as a going concern. The Company was a development stage company and had no significant revenues and limited financing during the first three months of 1998. Additionally, the Company, as shown in the accompanying consolidated financial statements, has an accumulated deficit of \$2,251,810 December 31, 1998 and incurred a net loss of \$446,654 during the year ended December 31, 1998. Subsequent to June 30, 1998, the Company is no longer a development stage company since revenues are continuing.

The Company rents its facility under a lease agreement through August 31, 2003.

Future minimum lease payments under these agreements for the years ended December are as follows:

1999	\$ 90,500
2000	90,500
2001	90,500
2002	98,644
2003	98,644
	-----
	\$468,788

Rent expense for the years ended December 31, 1998 and 1997 was \$48,834 and \$36,532, respectively.

TELTRAN INTERNATIONAL GROUP, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 1998

Note 8 - Stock Compensation Plan:

During the year December 31, 1998, the company granted 1,180,000 stock options to certain officers/directors, employees and non-employees that may be exercised at prices ranging from 37.5 to \$5.00 per share. Subsequent to December 31, 1998, the Company pursuant to the plan, granted 795,000 additional stock options to certain employees and non-employees that may be exercised at a price of .59 per share. These options vested immediately upon the date of issuance.

The following table summarizes certain information relative to stock options:

Incentive Stock Options -----	Shares -----	Weighted Average Exercise Price -----
Granted	1,180,000	\$1.69
Exercised	0	--
-----	-----	-----
Outstanding-December 31, 1997	0	1.69
Expired/cancelled	0	1.69
Granted	0	--
-----	-----	-----
Outstanding-December 31, 1998	1,180,000	
	=====	
Exercisable-December 31, 1998	497,500	
	=====	

Note 9 - Subsequent Event:

In January 1999, the Company issued \$550,000 principal amount of convertible debentures due to non-related parties. The debentures accrue interest at 10%, and are convertible into the Company's common stock at prices related to market. Subsequent to the issuance of the debentures, all the debentures were converted into shares.

EXHIBIT INDEX

Exhibit No. -----	Description -----
3.1	Certificate of Incorporation
3.2	Certificate of Ownership and Merger of Spectratek Incorporation by Taltran International Group, Ltd.

3.3	Amendment to Certificate of Incorporation
10.1	1998 Stock Option Plan
10.2	Employment Agreement between Byron Lerner and Registrant
10.3	USA Interconnectivity and Support Agreement dated October 12, 1999 between Ozemail and Registrant
10.4	USA Intellectual Property License Agreement dated October 12, 1999 between Ozemail and Registrant
10.5	Telecommunication Services Agreement dated October 15, 1998 between Ozemail and Registrant
21.1	Subsidiary List
23	Consent of Leibman Goldberg & Drogin LLP
27	Selected Financial Data Schedule

STATE OF DELAWARE  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
FILED 09:00 AM 09/19/1997  
971314828 - 2798687

CERTIFICATE OF INCORPORATION  
OF  
TELTRAN INTERNATIONAL GROUP, LTD.

The undersigned, being of legal age, in order to form a corporation under and pursuant to the laws of the State of Delaware, does hereby set forth as follows:

FIRST: The name of the corporation is Teltran International Group, Ltd.

SECOND: The address of the initial registered and principal office of the Corporation in this state is c/o United Corporate Services, Inc., 15 East North Street, in the City of Dover, County of Kent, State of Delaware 19901 and the name of the registered agent at said address is United Corporate Services, Inc.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the corporation laws of the State of Delaware.

FOURTH: (a) The corporation shall be authorized to issue the following shares:

Class	Number of Shares	Par Value
-----	-----	-----
Common Stock	50,000,000	\$.001
Preferred Stock	5,000,000	\$.001

(b) The Board of Directors is hereby empowered to authorize by resolution or resolutions from time to time the issuance of one or more classes or series of Preferred Stock and to fix the voting powers, full or limited or no voting powers, and such designations, powers, preferences and relative, participating, optional or other rights, if any, and the qualifications, limitations or restrictions thereof, if any, with respect to each such class or series of Preferred Stock (including, without limitation, liquidation preferences, dividend rates, conversion rights and redemption provisions), and the number of shares constituting each such class or series, and to increase or decrease the number of shares of any such class or series to the extent permitted by the Delaware General Corporation Law.

FIFTH: The name and address of the incorporator are as follows: Joseph



SIXTH: a) The Corporation shall, to the full extent permitted by Section 145 of the Delaware General Corporation law, as amended, from time to time, indemnify all persons whom it may indemnify pursuant thereto.

b) No director shall be liable to the corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except with respect to (1) a breach of the director's duty of loyalty to the corporation or its stockholders, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) liability under Section 174 of the Delaware General Corporation Law or (4) a transaction from which the director derived an improper personal benefit, it being the intention of the foregoing provision to eliminate the liability of the corporation's directors to the corporation or its stockholders to the fullest extent permitted by Section 102(b)(7) of the Delaware General Corporation Law, as amended from time to time. The corporation shall indemnify to the fullest extent permitted by Sections 102(b)(7) of the Delaware General Corporation Law, as amended from time to time, each person that such Sections grant the corporation the power to indemnify.

c) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in paragraph d) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Paragraph SIXTH shall be a contract right and shall include the right to be paid by the

Corporation the expenses incurred in defending any such proceeding in advance of its final disposition, provided, however, that if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and

not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Paragraph SIXTH or otherwise. The Corporation may, by action of its Board of Directors, provided indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification or directors and officers.

d) If a claim under sub-paragraph (c) of this Paragraph SIXTH is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard or conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

e) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Paragraph SIXTH shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, by-laws, agreement, vote of stockholders or disinterested directors or otherwise.

f) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

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g) The Corporation's obligation, if any, to indemnify any person who was or is serving as a director, officer, employee, or agent of any direct or indirect subsidiary of the Corporation or, at the request of the Corporation, of any other corporation or of a partnership, joint venture, trust, or other enterprise shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust or other enterprise.

h) Any repeal or modification of the foregoing provisions of this Paragraph SIXTH shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

i) Each person who serves as a director of the Corporation while this Paragraph SIXTH is in effect shall be deemed to be doing so in reliance on the provisions of this Paragraph SIXTH, and neither the amendment or repeal of this Paragraph SIXTH, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Paragraph SIXTH, shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for, arising out of, based upon, or in connection with any acts or omissions of such director occurring prior to such amendment, repeal, or adoption of an inconsistent provision. The provisions of this Paragraph SIXTH are cumulative and shall be in addition to and independent of any and all other limitations on or eliminations of the liabilities of directors of the Corporation, as such, whether such limitations or eliminations arise under or are created by any law, rule, regulation, by-law, agreement, vote or stockholders or disinterested directors, or otherwise.

SEVENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware, may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the

application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths (3/4) in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

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EIGHTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors and officers are subject to this reserved power.

NINTH: The Board of Directors is authorized to adopt, amend, or repeal the by-laws of the Corporation except as and to the extent provided in the by-laws.

IN WITNESS WHEREOF, the undersigned hereby executes this document and affirms that the facts set forth herein are true under the penalties of perjury this 7th day of August, 1997.

/s/ Joseph H. Schmitt  
-----  
Joseph Schmitt, Incorporator

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STATE OF DELAWARE  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
FILED 09:00 AM 10/06/1997  
971336316-2798687

CERTIFICATE OF OWNERSHIP AND MERGER  
OF  
SPECTRATEK, INCORPORATED  
BY  
TELTRAN INTERNATIONAL GROUP, LTD.

Pursuant to Section 253 of the  
General Corporation Law of the State of Delaware

Spectratek, Incorporated, a corporation organized and existing under  
the laws of the State of Utah (the "Corporation")

DOES HEREBY CERTIFY:

FIRST: That it was organized pursuant to the provisions of the Revised  
Business Corporation Act of the State of Utah, on the 5th day of July,  
1983.

SECOND: That it owns all of the outstanding shares of the capital  
stock of Teltran International Group, Ltd. ("Teltran"), a corporation  
organized pursuant to the provisions of the General Corporation Law of  
the State of Delaware, on the 19th day of September, 1997.

THIRD: That its Board of Directors at a meeting held on the 6th day of  
August 1997, determined to merge the Corporation with Teltran pursuant to  
a certain Agreement and Plan of Merger (the "Merger Agreement") and did  
adopt the following resolutions:

RESOLVED, that the officers of the Corporation be, and each  
hereby is, authorized, empowered and directed, in the name  
and on behalf of the Corporation, to form a wholly-owned  
subsidiary of the Corporation, which subsidiary shall be  
incorporated in the state of Delaware under the name of  
Teltran International Group, Ltd. (the "Subsidiary").

RESOLVED, that the officers of the Corporation be, and each  
hereby is, authorized, empowered and directed, in the name  
and on behalf of the Corporation, to enter into the Merger  
Agreement, pursuant to which the Corporation shall be merged  
with and into the Subsidiary and the Subsidiary shall be the

surviving corporation;

RESOLVED, that the officers of the Corporation be, and each hereby is, authorized, empowered and directed, in the name

and on behalf of the Corporation, to submit the Merger Agreement to the Corporation's stockholders for approval in accordance with the Utah Revised Business Corporation Act.

RESOLVED, that the officers of the Corporation be, and each hereby is authorized, empowered and directed, in the name and on behalf of the Corporation as the sole stockholder of the Subsidiary, to approve the Merger Agreement in accordance with the Delaware General Corporation Law;

RESOLVED, that the officers of the Corporation be, and each hereby is, authorized, empowered and directed, in the name and on behalf of the Corporation, to file with the State of Delaware and the State of Utah all necessary documents to reflect the transactions contemplated by the Merger Agreement; and

RESOLVED, that the officers of the Corporation be, and each hereby is, authorized, empowered and directed to take all such action and to do such things as may be necessary or advisable or convenient and proper to effectuate the foregoing resolutions and the intent and purposes thereof.

FOURTH: That the merger has been adopted, approved, certified, executed and acknowledged by the Board of Directors and the shareholders of the Corporation, in accordance with the laws of the State of Utah.

IN WITNESS WHEREOF, this Certificate of Ownership and Merger is hereby executed on this 6th day of October, 1997.

SPECTRATEK, INCORPORATED

By: /s/ Byron Lerner  
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Byron Lerner  
Chief Executive Officer

CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION  
OF  
TELTRAN INTERNATIONAL GROUP, LTD.

TELTRAN INTERNATIONAL GROUP, LTD., a Delaware corporation (the "Corporation"), hereby certifies as follows:

FIRST: That the Board of Directors of the Corporation, by unanimous written consent dated October 16, 1997 in lieu of a meeting of such Board, adopted a resolution proposing and declaring advisable the following amendment to the Certificate of Incorporation of the Corporation, and declaring that such proposed amendment be submitted for consideration by the stockholders of the Corporation entitled to vote in respect thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that ARTICLE FOURTH of the Certificate of Incorporation of this Corporation be amended to add the following provision to said Article:

"c) At the time and date this Certificate of Amendment to the Certificate of Incorporation of the Corporation is filed with the Secretary of State of the State of Delaware, all outstanding shares of Common Stock held by each holder of record on such time and date shall be automatically combined at the rate of one-for-20 without any further action on the part of the holders thereof or this Corporation. No fractional shares will be issued. All fractional shares for one-half share or more shall be increased to the next higher whole number of shares and all fractional shares of less than one-half share shall be decreased to the next lower whole number of shares, respectively."

SECOND: That the amendments effected herein were authorized by the holders of at least a majority of all of the outstanding shares of the Corporation entitled to vote thereon, in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Teltran International Group, Ltd. has caused this Certificate to be signed by Byron Lerner, its President, and attested to by James Tubbs, its Secretary, this 24th day of November, 1997.

TELTRAN INTERNATIONAL GROUP, LTD.

By: /s/ Byron Lerner

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Byron Lerner  
President

ATTEST:

/s/ James Tubbs

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James Tubbs  
Secretary



TELTRAN INTERNATIONAL GROUP LTD.

1998 Stock Option Plan

1. Purpose of the Plan. The Teltran International Group LTD 1998 Stock Option Plan (the "Plan") is intended to advance the interests of Teltran International Group LTD, a Delaware corporation (the "Company"), by inducing persons of ability and potential to join and remain with the Company, by encouraging and enabling employees to acquire proprietary interests in the Company, and by providing the participating persons with an additional incentive to promote the success of the Company. This is accomplished by providing for the granting of "Options" to Eligible Persons. Such may either be (i) options intended to meet the requirements of Section 422 of the Internal Revenue Code of 1986 (the "Code") ("Incentive Stock Options") and (ii) "Nonstatutory Stock Options" which are options which do not necessarily meet the requirements of Section 422.

2. Administration. The Plan shall be administered by the Board of Directors of the Company or by a committee consisting of at least two persons chosen by the Board of Directors. Unless otherwise indicated by the context, the term "Board of Directors" shall refer to the board of directors or such committee. Except as herein specifically provided, the interpretation and construction by the administration of any provision of the Plan or of any Option granted under it shall be final and conclusive. The receipt of Options by Directors, or any members of the Committee, shall not preclude their vote on any matters in connection with the administration or interpretation of the Plan, except as otherwise provided by law.

3. Shares Subject to the Plan. The capital stock subject to grant under the Plan shall be shares of the Company's common stock, \$.001 par value (the "Common Stock"), whether authorized but unissued or held in the Company's treasury or shares purchased from stockholders expressly for use under the Plan. The maximum number of shares of Common Stock which may be issued pursuant to Options granted under the Plan shall not exceed [3,000,000] shares, subject to adjustment in accordance with the provisions of Section 12 hereof. The Company shall at all times while the Plan is in force reserve such number of shares of Common Stock as will be sufficient to satisfy the requirements of all outstanding Options granted under the Plan. In the event any Option granted under the Plan shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part, the unpurchased shares subject thereto shall again be available for Options under the Plan.

4. Certain Definitions: As used herein the following terms shall have the definitions set forth below:

a. "Eligible Participants". Any person providing service to or

on behalf of the Company including employees, directors, consultants or independent contractors of the Company or any subsidiary or subsidiaries of the Company, or any entity which the Company has a substantial interest or any other entity in which the Board of Directors determines that the Company has a substantial beneficial interest to any person providing services to a third party at the request of the Board of Directors.

b. "Eligible Services" shall mean any services by a recipient of an Option (an "Optionee") to or on behalf of the Company or a subsidiary of the Company including services as an employee, director, consultant or independent contractor of or for (i) the Company (ii) any subsidiary of the Company or (iii) any entity which the Company has an interest as hereinafter defined.

c. An "entity in which the Company has an interest" shall include any entity in which (i) Optionee is providing services to or for at the request of the Company or (ii) the Company or subsidiary of the

Company has, in the opinion of the Board of Directors, a substantial interest in the income or assets of such entity or in which the Company otherwise has as an interest.

5. Stock Option Agreement. Each Option granted under the Plan shall be authorized by the Board of Directors and shall be evidenced by a Stock Option Agreement which shall be executed by the Company and by the person to whom such Option is granted. The Stock Option Agreement shall specify the number of shares of Common Stock as to which any Option is granted, the period during which the Option is exercisable and the option price per share thereof.

6. Options. In addition to any other requirement herein each Option shall meet the following requirements:

a. The Option must be granted prior to December 8, 2008.

b. The option price of the shares subject to any Option shall not be less than the fair market value of the Common Stock at the time such Option is granted; provided, however, if an Incentive Stock Option is granted to an individual who owns, at the time the Incentive Stock Option is granted, more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of a subsidiary corporation of the Company, the option price of the shares subject to the Incentive Stock Option shall be at least one hundred ten percent (110%) of the fair market value of the Common Stock at the time the Incentive Stock Option is granted.

c. No Option granted under the Plan shall be exercisable after the expiration of ten (10) years from the date of its grant. However, if an Incentive Stock Option is granted to an individual who owns, at the time the Incentive Stock Option is granted, more than ten percent

(10%) of the total combined voting power of all classes of stock of the Company or of a subsidiary corporation of the Company, such Incentive Stock Option shall not be exercisable after the expiration of five (5) years from the date of its grant. Every Incentive Stock Option granted under the Plan shall be subject to earlier termination as expressly provided in Sections 10 and 15(c) hereof.

d. For purposes of determining stock ownership under this Section 6, the attribution rules of Section 425(d) of the Code shall apply.

e. No Incentive Stock Option shall be granted to individuals other than key employees of the Company or of a subsidiary corporation of the Company.

7. Market Value. For purposes of the Plan, fair market value shall be determined by the Board of Directors or the Committee and, unless another reasonable method for determining fair market value is specified by the Committee, the closing sale price of a share of Common Stock as reported for the trading date next preceding the date in question.

8. Rights of Option Holders. The holder of any Option granted under the Plan shall have rights of a stockholder with respect to the shares covered by his Option until such shares shall be issued to him upon the exercise of his Option.

9. Transferability. Except as otherwise provided by the Board of Directors, no Option granted under the Plan shall be transferable by the individual to whom it was granted otherwise than by will or the laws of descent and distribution, and, during the lifetime of such individual, shall not be exercisable by any other person.

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10. Termination of Eligible Services or Death.

a. (i) Except as otherwise provided herein, if an Optionee ceases to provide Eligible Services any Options hereunder shall terminate forthwith. If an Option terminates because Optionee ceases to provide Eligible Services as a result of the Optionee's involuntary termination this Option may nevertheless be exercised at any time within three months after such termination. For purposes of this Plan, termination as a result of retirement pursuant to a plan adopted by the Company or on the normal retirement date prescribed from time to time by the Company shall be deemed to be an involuntary termination of such individual's Eligible Service.

(ii) An Option need not terminate in the event an Optionee ceases to provide Eligible Services to an entity

which the Company has an interest as defined herein because the Company ceases to have an interest in such an entity for any reason. In such event, the Option may be exercised by Optionee or Optionee's estate as determined in the Stock Option Agreement.

b. If the holder of an Option under the Plan dies (i) while providing Eligible Services, or (ii) within three months after the Optionee ceases to provide Eligible Services as a result of an involuntary termination then such Option may, subject to the provisions of subparagraph 10(d) of this Section 10, hereof be exercised by the estate of an Optionee within one year after death.

c. If the holder of an Option under the Plan ceased providing Eligible Services because of permanent and total disability while providing Eligible Services, then such Option may, subject to the provisions of subparagraph (d) of this Section 10, be exercised at any time within one year after such termination of Eligible Services.

d. Except as otherwise provided herein an Option may be exercised pursuant to this Plan only to the extent that an Optionee was entitled to otherwise exercise the Option at the time of a termination of Eligible Services, or death, and in any event may not be exercised after the Termination Date.

e. For purposes of this Plan, any employment relationship of an employee of the Company or of a subsidiary corporation of the Company or other entity will be treated as continuing intact while he is on military or sick leave or other bona fide leave or absence (such as temporary employment by the Government) if such leave does not exceed ninety days, if longer, so long as his right to re-employment is guaranteed either by statute or by contract.

#### 11. Exercise of Options.

a. Unless otherwise provided in the Stock Option Agreement, any Option granted under the Plan shall be exercisable in whole at any time, or in part from time to time, prior to expiration. The Board of Directors, in its absolute discretion, may provide in any Stock Option Agreement that the exercise of any Option granted under the Plan shall be subject (i) to such condition or conditions as it may impose, including, but not limited to, a condition that the holder thereof provide Eligible Services for such period or periods of time from the date of grant of the Option, as the Board of Directors or the Committee, in its absolute discretion, shall determine; and (ii) to such limitations as it may impose, including, but not limited to, a limitation that the aggregate fair market value of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any employee during any calendar year (under all plans of the Company and its parent and subsidiary corporations) shall not exceed One Hundred Thousand Dollars (\$100,000).

b. An Option granted under the Plan shall be exercised by the delivery by the holder thereof to the Company at its principal office (attention of the Secretary) of written notice of the number of shares with respect to

which the Option is being exercised. Such notice shall be accompanied by payment of the full option price of such shares, and payment of such option price shall be made by the holder's delivery of his check payable to the order of the

Company; provided, however, that notwithstanding the foregoing provisions of this Section 11 or any other terms, provisions or conditions of the Plan, upon approval by the full Board of Directors, shares acquired pursuant to the exercise of any Option may be paid for in full at the time of exercise by (i) the surrender of shares of Common Stock of the Company held by or for the account of the Optionee or subject to a Stock Option Agreement at the time of exercise to the extent permitted by subsection (c)(5) of Section 422 of the Code with respect to an Incentive Stock Option and, with respect to any person who is subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934 (the "Act"), to the extent permitted by Section 16(b) of that Act and the Rules of the Securities and Exchange Commission, without liability to the Company; (ii) subject to the approval of the full Board of Directors, the issuance of a promissory note in compliance with law for a portion of the purchase price; or (iii) such other methods approved by the Board of Directors, in compliance with law and provided that such methods do not disqualify Incentive Stock Options from being treated as such and comply with the provisions of Section 16(b) of the Act . In the case of (i) above, the fair market value of the surrendered shares shall be determined by the Board of Directors as of the date of exercise as provided herein.

#### 12. Adjustment Upon Change in Capitalization.

a. In the event that the outstanding Common Stock is hereafter changed by reason of reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares, stock dividends or the like, an appropriate adjustment shall be made by the Board of Directors in the aggregate number of shares available under the Plan and in the number of shares and option price per share subject to outstanding Options. Any adjustment in the number of shares shall apply proportionately to only the unexercised portion of the Option granted hereunder. If fractions of a share would result from any such adjustment, the adjustment shall be revised to the next lower whole number of shares.

b. If the Company shall be reorganized, consolidated or merged with another corporation, or if all or substantially all of the assets of the Company shall be sold or exchanged, the holder of an Option shall be entitled to receive upon the exercise of such Option (the timing of which, as set forth in Section 11, is in the discretion of the Board of Directors) the same number and kind of shares of stock or the same amount of property, cash or securities as the holder would have been entitled to receive upon the happening of any such corporate event as if the holder had been, immediately prior to such event, the holder of the number of shares covered by such Option; provided, however, that in such event the Board of Directors shall have the discretionary power to take any action necessary or appropriate to prevent any Incentive Stock Option granted

hereunder from being disqualified as an "incentive stock option" under the then existing provisions of the Code or any law amendatory thereof or supplemental thereto.

13. Further Conditions of Exercise.

a. Unless prior to the exercise of an Option the shares issuable upon such exercise have been registered with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, the notice of exercise shall be accompanied by a representation or agreement of the individual exercising the Option to the Company to the effect that such shares are being acquired for investment and not with a view to the resale or distribution thereof or such other documentation as may be required by the Company unless in the opinion of counsel to the Company such representation, agreement or documentation is not necessary to comply with such Act.

b. The Company shall not be obligated to deliver any Common Stock until it has been listed on each securities exchange on which the Common Stock may then be listed or until there has been qualification under or

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compliance with such state or federal laws, rules or regulations as the Company may deem applicable. The Company shall use reasonable efforts to obtain such listing, qualifications and compliance.

14. Effectiveness of the Plan. The Plan was originally adopted by the Board of Directors on December 8, 1998. The Plan shall be subject to approval by the affirmative vote of a majority of the outstanding shares of capital stock of the Company present in person or by proxy at a meeting of stockholders of the Company convened for such purposes, or by written consent, prior to December 8, 1999, which is within one year of adoption of the Plan by the Board of Directors. In the event such stockholder approval is withheld or otherwise not received on or before the latter date, the Plan and all Options which may have been granted thereunder shall become null and void.

15. Termination, Modification and Amendment.

a. The Plan (but not Options previously granted under the Plan) shall terminate on December 15, 1998, which is within ten years of the date of its adoption by the Board of Directors, or sooner as hereinafter provided, and no Option shall be granted after the termination of the Plan.

b. The Plan may from time to time be terminated, modified or amended by the affirmative vote of the holders of a majority of the outstanding shares of capital stock of the Company present in person or by proxy at a meeting of stockholders of the Company convened for such purpose.

c. The Board of Directors may at any time, on or before the termination date referred to in Section 15(a) hereof, terminate the Plan, or from time to

time make such modifications or amendments to the Plan as it may deem advisable; provided, however, that the Board of Directors shall not, without approval by the affirmative vote of the holders of a majority of the outstanding wholly owned shares of the Company present in person or by proxy increase (except as provided by Section 12 hereof) the maximum number of shares as to which Incentive Stock Options may be granted, or change the designation of the employees or class of employees eligible to receive Incentive Stock Options.

d. No termination, modification or amendment of the Plan may, without the consent of the individual to whom an Option shall have been previously granted, adversely affect the rights conferred by such Option.

16. Not a Contract of Employment. Nothing contained in the Plan or in any Stock Option Agreement executed pursuant hereto shall be deemed to confer upon any individual to whom an Option is or may be granted hereunder any right to remain in the employ or service of the Company or a subsidiary corporation of the Company.

17. Indemnification of Board of Directors or Committee. In addition to such other rights of indemnification as they may have, the members of the Board of Directors or the Committee, as the case may be, shall be indemnified by the Company to the fullest extent permitted under applicable law against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any rights granted thereunder and against all amounts paid by them in settlement thereof or paid by them in satisfaction of a judgment of any such action, suit or proceeding, except a judgment based upon a finding of bad faith. Upon the institution of any such action, suit or proceeding, the member or members of the Board of Directors or the Committee, as the case may be, shall notify the Company in writing, giving the Company an opportunity at its own cost to defend the same before such member or members undertake to defend the same on their own behalf.

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18. Definitions. For purposes of the Plan, the terms "parent corporation" and "subsidiary corporation" shall have the same meanings as set forth in Sections 425(e) and 425(f) of the Code, respectively, and the masculine shall include the feminine and the neuter as the context requires.

19. Governing Law. The Plan shall be governed by, and all questions arising hereunder shall be determined in accordance with, the laws of the State of New York.

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## EMPLOYMENT AGREEMENT

Employment Agreement ("Agreement") made and entered into as of March 1, 1999 by and between Teltran International Group, Ltd., a Delaware corporation (the "Company"), and Byron R. Lerner (the "Executive").

The Executive is being employed by the Company as an executive officer. The parties desire to enter into an employment agreement and to set forth herein the terms and conditions of the Executive's continued employment by the Company and its subsidiaries.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and the mutual benefits to be derived here from, the Company and the Executive agree as follows:

1. Employment.

(a). Duties. The Company shall employ the Executive, on the terms set forth in this Agreement, as its Chairman of the Board of Directors President and Chief Executive Officer. The Executive accepts such employment with the Company and shall perform and fulfill such duties as are assigned to him hereunder consistent with his status as a senior executive of the Company, devoting his best efforts and substantial portion of his professional time and attention to the performance and fulfillment of his duties and to the advancement of the interests of the Company, subject only to the direction, approval, control and directives of the Company's Board of Directors (the "Board"). Nothing contained herein shall be construed, however, to prevent the Executive from trading in or managing, for his own account and benefit, in stocks, bonds, securities, real estate, commodities or other forms of investments (subject to law and Company policy with respect to trading in Company securities). Without any additional consideration, Executive shall also serve as an officer of any or all subsidiaries of the Company. Unless otherwise indicated by the context, the term "Company" shall include the Company and all its subsidiaries.

Notwithstanding any provisions to the contrary Executive is retaining his ownership in and receive passive revenues from any telecommunication he may have an interest in prior to the date hereof and the time devoted thereto does not interfere with his duties hereunder.

(b). Place of Performance. In connection with his employment by the Company, the Executive shall be based at the Company's principal place of business in the New York, New York, except when required for travel on Company business.

(c). Nomination as Director. The Company agrees that it will nominate the Executive as a member of the Board of Directors each year during



the term of this Agreement and will use its best efforts to ensure that the Executive is elected to the Board of Directors.

2. Term. The Executive's employment under this Agreement shall commence as of March 1, 1999 (the "Commencement Date") and shall, unless sooner terminated in accordance with the provisions hereof, continue uninterrupted until April 30, 2002 ("Term"). As used herein "Year" shall refer to a twelve month period ending March 31 except the first year shall be a thirteen month period beginning March 1, 1999 and ending April 30, 2000. Unless notice of non-renewal is given by either party at least sixty (60) days prior to the end of the Term or prior to the end of any Year thereafter, the Term of this Agreement shall be automatically extended for an additional period of one year.

3. Compensation.

(a). Base Salary. Executive shall receive a "Base Salary" during the Term. For the period March 1, 1999 through July 31, 1999 the Base Salary shall be at the rate of \$150,000 per annum which shall increase to the rate of \$180,000 per annum commencing August 1, 1999. On April 1, 2000 the Base Salary shall increase to \$189,000 per annum for the Year commencing on such date provided that if Net Income, as hereinafter defined, for the year ended March 31, 2000 is equal to or greater than \$200,000 then the Base Salary shall be increased to \$200,000. Every Year after March 31, 2001 the Base Salary shall increase by an amount equal to ten (10%) percent of the prior year's base Salary.

(b). Net Income. As used herein the term "Net Income" shall mean pre-tax income of the Company determined in accordance with generally accepted accounting principles consistently applied but excluding therefrom (i) any reduction reflecting amortization of good-will and (ii) any deduction for any bonus awarded under Paragraph 1(c).

(c). Bonus Pool Participation. Commencing with the first year beginning April 1, 1999 and ending March 31, 2000 Executive shall be entitled to participate in bonus pool to be awarded for each year of the Term. The bonus pool shall equal fifteen (15%) percent of Net Income for such year and shall be paid on the earlier of the filing of the Company's quarterly report on Form 10-Q for the quarter ending March 31, 2000 or fifty days after the end of such year. At the time of payment Executive shall receive a written statement of the Company's public accountant's calculating the amount of the bonus pool. The allocation of such bonus pool shall be determined by Byron Lerner and James Tubbs while they are employed provided each of Messrs. Lerner and Tubbs shall receive six (6%) percent of such bonus pool. In addition, each of Messrs. Lerner and Tubbs shall participate in such bonus pool to such extent for any year in which they were employed hereunder except if their employment is terminated by their voluntary termination or termination for cause. The obligation to pay a bonus hereunder shall survive termination or expiration of the Agreement.

#### 4. Insurance

(a). Health Insurance and Other Benefits. During the Term, the Executive shall be entitled to all employee benefits generally offered by the Company to its executive officers and key management employees, including, without limitation, all pension, profit sharing, retirement, stock option, salary continuation, deferred compensation, disability insurance, hospitalization insurance, major medical insurance, medical reimbursement, survivor income, life insurance or any other benefit plan or arrangement established and maintained by the Company, subject to the rules and regulations then in effect regarding participation therein.

(b). Keyman Insurance. The Company may obtain keyman life insurance upon the life of the Executive. In amounts to be determined from time to time by Executive and the Company.

#### 5. Expenses.

(a). Reimbursement of Expenses. The Executive shall be reimbursed for all items of travel, entertainment and miscellaneous expenses that the Executive reasonably incurs in connection with the performance of his duties hereunder, provided the Executive submits to the Company such statements and other evidence supporting said expenses as the Company may reasonably require.

(b). Automobile Allowance. The Executive shall be reimbursed for the expenses of owning or leasing an automobile suitable for his position and consistent with Company practices, including the expenses of operating, insuring and parking such automobile, provided the Executive submits to the Company such statements and other evidence supporting such expenses as the Company may require.

6. Vacation. The Executive shall be entitled to not less than four (4) weeks of vacation in any calendar year. Any unused vacation time in a year shall be accumulated and increase the amount of vacation time in subsequent years.

#### 7. Termination of Employment.

(a). Death or Total Disability. In the event of the death of the Executive during the Term, this Agreement shall terminate as of the date of the Executive's death. In the event of the Total Disability (as that term is defined below) of the Executive for sixty (60) days in the aggregate during any consecutive nine (9) month period during the Term, the Company shall have the right to terminate this Agreement by giving the Executive thirty (30) days' prior written notice thereof, and upon the expiration of such thirty (30) day period, the Executive's employment under this Agreement shall terminate. If the

Executive shall resume his duties within thirty (30) days after receipt of such a notice of termination and continue to perform such duties for four (4) consecutive weeks thereafter,

this Agreement shall continue in full force and effect, without any reduction in Base Salary and other benefits, and the notice of termination shall be considered null and void and of no effect. Upon termination of this Agreement under this Paragraph 7(a), the Company shall have no further obligations or liabilities under this Agreement, except to pay to the Executive's estate or the Executive, as the case may be, (i) the portion, if any, that remains unpaid of the Base Salary for the Year in which termination occurred, but in no event less than six (6) months' Base Salary; and (ii) the amount of any expenses reimbursable in accordance with Paragraph 4 above, and any automobile allowance due under Paragraph 5 above; and (iii) any amounts due under any Company benefit, welfare or pension plan. Except as otherwise provided by their terms, any stock options not vested at the time of the termination of this Agreement under this Paragraph 7(a) shall immediately become fully vested.

The term "Total Disability," as used herein, shall mean a mental or physical condition which in the reasonable opinion of an independent medical doctor selected by the Company renders the Executive unable or incompetent to carry out the material duties and responsibilities of the Executive under this Agreement at the time the disabling condition was incurred. In the event the Executive disagrees with such opinion, the Executive may, at his sole expense, select an independent medical doctor and, in the event that doctor disagrees with the opinion of the doctor selected by the Company, they shall select a third independent medical doctor, and the three doctors shall, by majority vote, determine whether the employee has suffered Total Disability. The expense of the third doctor shall be shared equally by the Company and the Executive. Notwithstanding the foregoing, if the Executive is covered under any policy of disability insurance under Paragraph 3(c) above, under no circumstances shall the definition of Total Disability be different from the definition of that term in such policy.

(b). Discharge for Cause. The Company may discharge the Executive for "Cause" upon notice and thereby immediately terminate his employment under this Agreement. For purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment if the Executive, in the reasonable judgment of the Company, (i) materially breaches any of his agreements, duties or obligations under this Agreement and has not cured such breach or commenced in good faith to correct such breach within thirty (30) days after notice; (ii) embezzles or converts to his own use any funds of the Company or any client or customer of the Company; (iii) converts to his own use or unreasonably destroys, intentionally, any property of the Company, without the Company's consent; (iv) is convicted of a crime; (v) is adjudicated an incompetent; or (vi) is habitually intoxicated or is diagnosed by an independent medical doctor to be addicted to a controlled substance (any disagreement of

Executive shall be resolved using the procedure provided in Paragraph 7(a) above).

(c). Termination by Executive. Executive may terminate this Agreement for the failure by the Company to comply with the material provisions of this Agreement which failure is not cured within thirty (30) days after notice ("Good Reason").

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(d). No Mitigation. The Executive shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, not shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by the Executive as the result of his employment by another employer.

8. Restrictive Covenant.

(a). Competition. As used herein "Company Business" shall mean any business which the Company is actively pursuing or actively considering while the executive was employed by the Company provided that upon termination or execution of this agreement the term "Company Business" shall refer to any arrangement or contract or relation of the Company or any subsidiary existing or actually pursued at the time of termination or expiration of the Agreement. The Executive undertakes and agrees that during the term of this Agreement and for a period of two years after the date of termination or expiration of this Agreement he will not compete, directly or indirectly, with respect to a Company Business or participate as a director, officer, employee, agent, consultant, representative or otherwise, or as a stockholder, partner or joint venturer, or have any direct or indirect financial interest, including, without limitation, the interest of a creditor, in any business competing with respect to a Company Business. Executive acknowledges that such prospects represent a corporate opportunity or are the property of the Company and Executive should have no rights with respect to such properties on projects. Executive further undertakes and agrees that during the term of the Agreement and for a period of one year after the date of termination or expiration of this Agreement he will not, directly or indirectly employ, cause to be employed, or solicit for employment any of Company's or its subsidiaries' employees. Notwithstanding the foregoing, the provisions of the paragraph 7 (a) shall not apply to termination by the Executive pursuant to Section 7(c) or by the Company without cause.

(b). Scope of Covenant. Should the duration, geographical area or range or proscribed activities contained in Paragraph 8(a) above be held unreasonable by any court of competent jurisdiction, then such duration, geographical area or range of proscribed activities shall be modified to such degree as to make it or them reasonable and enforceable.

(c). Non-Disclosure of Information.

(i). The Executive shall (i) never, directly or

indirectly, disclose to any person or entity for any reason, or use for his own personal benefit, any "Confidential Information" (as hereinafter defined) either during his employment with the Company or following termination of that employment for any reason (ii) at all times take all precautions necessary to protect from loss or disclosure by him of any and all documents or other information containing, referring or relating to such Confidential Information, and (iii) upon termination of his employment with the Company for any reason, the Executive shall promptly return to the Company any and all documents or other tangible property containing, referring or relating to such Confidential Information, whether prepared by him or others.

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(ii). Notwithstanding any provision to the contrary in this Paragraph 8(c), this paragraph shall not apply to information which the Executive is called upon by legal process regular on its face (including, without limitation, by subpoena or discovery requirement) to disclose or to information which has become part of the public domain or is otherwise publicly disclosed through no fault or action of the Executive.

(iii). For purposes of this Agreement, "Confidential Information" means any information relating in any way to the business of the Company disclosed to or known to the Executive as a consequence of, result of, or through the Executive's employment by the Company which consists of technical and nontechnical information about the Company's products, processes, computer programs, concepts, forms, business methods, data, any and all financial and accounting data, marketing, customers, customer lists, and services and information corresponding thereto acquired by the Executive during the term of the Executive's employment by the Company. Confidential Information shall not include any of such items which are published or are otherwise part of the public domain, or freely available from trade sources or otherwise.

(iv). Upon termination of this Agreement for any reason, the Executive shall turn over to the Company all tangible property then in the Executive's possession or custody which belongs or relates to the Company. The Executive shall not retain any copies or reproductions of computer programs, correspondence, memoranda, reports, notebooks, drawings, photographs, or other documents which constitute Confidential Information.

## 9. Arbitration.

(a). Any and all other disputes, controversies and claims arising out of or relating to this Agreement, or with respect to the interpretation of this Agreement, or the rights or obligations of the parties and their successors and permitted assigns, whether by operation of law or otherwise, shall be settled and determined by arbitration in New York City, New York pursuant to the then existing rules of the American Arbitration Association ("AAA") for commercial arbitration.

(b). In the event that the Executive disputes a determination that Cause exists for terminating his employment hereunder pursuant to paragraph 7(b), or the Company disputes the determination that Good Reason exists for the Executive's termination of this Agreement pursuant to paragraph 7(c), either party disputing this determination shall serve the other with written notice of such dispute ("Dispute Notice") within thirty (30) days after the date the Executive is terminated for Cause or the date the Executive terminates this Agreement for Good Reason. Within fifteen (15) days thereafter, the Executive or the Company, as the case may be, shall, in accordance with the Rules of the AAA, file a petition with the AAA for arbitration of the dispute, the costs thereof to be shared equally by the Executive and the Company unless an order of the AAA provides otherwise. If the Executive serves a Dispute Notice upon the Company, an amount equal to the portion of the Base Salary Executive would be entitled to receive hereunder shall be placed by the Company in an interest-bearing escrow account mutually agreeable to the parties or the Company shall deliver an irrevocable letter of credit for such amount plus interest containing terms mutually agreeable to the parties. If the AAA determines that Cause existed for the termination, the escrowed funds and accrued interest shall be paid to the Company. However, in the event the AAA determines that the

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Executive was terminated without Cause or that Executive resigned for Good Reason, the escrowed funds and accrued interest shall be paid to the Executive.

(c). Any proceeding referred to in paragraph 9(a) or (b) shall also determine Executive's entitlement to legal fees as well as all other disputes between the parties relating to Executive's employment.

(d). The parties covenant and agree that the decision of the AAA shall be final and binding and hereby waive their right to appeal therefrom.

10. Indemnity. The Company shall indemnify and hold executive harmless from all liability to the full extent permitted by the laws of its state of incorporation.

11. Miscellaneous.

(a). Notices. Any notice, demand or communication required or permitted under this Agreement shall be in writing and shall either be hand-delivered to the other party or mailed to the addresses set forth below by registered or certified mail, return receipt requested or sent by overnight express mail or courier or facsimile to such address, if a party has a facsimile machine. Notice shall be deemed to have been given and received when so hand-delivered or after three (3) business days when so deposited in the U.S. Mail, or when transmitted and received by facsimile or sent by express mail properly addressed to the other party. The addresses are:

To the Company:

Teltran International Group, Ltd.

One Penn Plaza  
Suite 4632  
New York, New York 10119  
Facsimile No.: (212) 643-1283

cc: Parker Duryee Rosoff & Haft, P.C.  
529 Fifth Avenue  
New York, New York 10017-4608  
Facsimile No.: (212) 972-9487

To the Executive: Byron R. Lerner  
10 Estate Drive  
Roslyn, New York 11576

The foregoing addresses may be changed at any time by notice given in the manner herein provided.

(b). Integration; Modification. This Agreement constitutes the entire understanding and agreement between the Company and the Executive regarding its subject matter and supersedes all prior negotiations and agreements, whether oral or written, between them with respect to its subject matter. This Agreement may not be modified except by a written agreement signed by the Executive and a duly authorized officer of the Company.

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(c). Enforceability. If any provision of this Agreement shall be invalid or unenforceable, in whole or in part, such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law as if such provision had been originally incorporated herein as so modified or restricted, or as if such provision had not been originally incorporated herein, as the case may be.

(d). Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties, including and their respective heirs, executors, successors and assigns, except that this Agreement may not be assigned by the Executive.

(e). Waiver of Breach. No waiver by either party of any condition or of the breach by the other of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one (1) or more instances shall be deemed or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition, or the breach of any other term or covenant set forth in this Agreement. Moreover, the failure of either party to exercise any right hereunder shall not bar the later exercise thereof with respect to other future breaches.

(f). Governing Law. This Agreement shall be governed by the

internal laws of the State of New York.

(g). Headings. The headings of the various sections and paragraphs have been included herein for convenience only and shall not be considered in interpreting this Agreement.

(h). Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(i). Due Authorization. The Company represents that all corporate action required to authorize the execution, delivery and performance of this Agreement has been duly taken.

IN WITNESS WHEREOF, this Agreement has been executed by the Executive and, on behalf of the Company, by its duly authorized officer on the day and year first above written.

-----  
Byron Lerner

TELTRAN INTERNATIONAL GROUP, INC.

By:

-----  
James Tubbs, Executive Vice President



## USA INTERCONNECTIVITY AND SUPPORT AGREEMENT

THIS AGREEMENT is made on October 12, 1998

BETWEEN OZEMAIL INTERLINE PTY LIMITED (ACN 078 742 891) of Level 1, OzEmail Center, 39 Herbert Street, St Leonards, New South Wales, Australia ("OZI").

AND TELTRAN INTERNATIONAL GROUP, LTD of One Penn Plaza, Suite 4632, New York, NY 10119 ("Teltran").

### BACKGROUND

- A. OZI has acquired the System.
- B. OZI is seeking service providers to operate a service using the System in other countries and to join with it in providing a worldwide service comprised of interconnected Systems.
- C. Teltran has applied to become a service provider in respect of the System and OZI has agreed to admit it on the terms of this Agreement.
- D. Under that System, a potential user in a particular region uses the VIN Hardware Teltran installed in the Territory to transmit data. Teltran notifies OZI of the intended destination of the data. OZI provides routing information sufficient to enable Teltran to route the data over IP Networks (including the Internet) to a Participant (as defined below) in the distant location who receives the data to be processed further and facilitates the data Termination.
- E. The Parties have entered into this Agreement to record their agreement in respect of operating a service using the System.
- F. Simultaneous herewith the parties will enter into the Licence Agreement to record their agreement in respect of the intellectual property in relation to the System.

### OPERATIVE PROVISIONS

#### 1. DEFINITIONS AND INTERPRETATION

##### 1.1 Unless the context otherwise requires:

Agreement means this Agreement, and all schedules attached to this Agreement, as amended from time to time;

Associate means, with reference to a specified Person, a Person who

directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, that Person;

Call means voice call data and/or fax transmitted and received by using the VIN Hardware and the Service;

A Closed Group exists where the Service has been supplied for private use by a Person and parties related to it. Guidelines will be issued by OZI from time to time, principally for the internal routing of Calls within the Closed Group and without allowing the public general access to such a system for use as a public routing service in the ordinary course of business;

Confidential Information means all information passing from one Party to the other Party relating to the business of the disclosing Party or any other Person who has contracted with OZI to terminate and/or originate Calls, including trade secrets, drawings, know-how, techniques, source and object code, business and marketing plans and projections, arrangements and Agreements with third parties, customer information and customer information proprietary to customers, formulae, suppliers, customer lists, concepts not reduced to material form, designs, plans, and models but excludes information:

- (a) which is in or becomes part of the public domain other than through breach of this Agreement;
- (b) which the receiving Party can prove by contemporaneous written documentation was already known to it at the time of disclosure by the disclosing Party or its representatives; or
- (c) which the receiving Party acquires from a third party entitled to disclose it free of obligations of confidentiality; or
- (d) which the receiving Party is obliged by law to disclose provided that reasonable prior

notice is given to the disclosing Party.

Control means, in relation to a body corporate, the power of a Person directly or indirectly, to secure:

- (a) by means of the holding of shares or the possession of voting power (either at director or shareholder level) in or in relation to that or any other body corporate;
- (b) by virtue of any powers conferred by the Articles of Association or other document regulating that or any

other body corporate,

that the affairs of the first mentioned body corporate are conducted in accordance with the wishes of that Person;

Control Node means the controlling hardware and software which provides information to the VIN Hardware through the Network for routing of Calls and, in some cases, billing information.

Customer means a Person who is provided with a personal identifier number by a Participant or who is otherwise authorised by a Participant to make Calls using the Service.

Dollar and \$ means a United States Dollar;

Documentation means all system manuals and user manuals to be provided by OZI under this Agreement. Documentation includes the Operations Manual;

Intefrnet means any combination of interconnected Systems, including

Internet, intranet or extranet, used by the OZI and Participants for the delivery of the Service including all existing protocols (such as ATM, frame relay, TCP/IP, voice over IP) and all new and/or modified protocols which may be developed and/or implemented during the Term;

Licence Agreement means the intellectual property licence agreement to be entered into between OZI and Teltran on the date of this Agreement substantially in the form attached as Schedule 4;

Licensed Rights means the licences and rights granted to Teltran pursuant to the Licence Agreement;

Network means any packet switched network, including the Internet and networks based on ATM or frame relay;

Operations Manual means the documents referred to in Schedule 1 as amended from time to time pursuant to Clause 10;

OZI Software means the software licensed to Teltran pursuant to the Licence Agreement as defined in that Agreement;

Reseller means any Person appointed by Teltran to promote the Service in the Territory in accordance with Clause 7 of this Agreement;

Participant means any of OZI, Teltran and other Persons who have contracted with OZI or an affiliate to terminate and originate Calls and the Participants means all those Participants;

Party means either Teltran or OZI and Parties means both of them;

Person includes an individual, company, corporation, partnership, government or government agency, authority or entity however designated or constituted;

Port means a fully functional port on a VIN available for use as part of the Service;

PSTN means public switched telephone network;

Service means the routing and carriage of Calls from origination to Termination across a Network as contemplated by this Agreement, or, as the context requires, that part of the Service for which OZI alone is responsible;

Service Fee is the fee defined in clause 6;

System means a combination of VIN Hardware and OZI Software to be provided by OZI to Teltran under this Agreement and/or the Licence Agreement, which, when used in concert with each other, will facilitate Calls to be originated, carried, routed and Terminated via Networks;

Term means the period from the date of this Agreement until its expiry or earlier termination;

Termination in relation to a Call means that part of the Service which involves attempting to secure a connection between the VIN Hardware to which the Call has been routed and the Call's ultimate destination (via a PSTN if applicable) and carrying that Call in its entirety between those two points once that connection is established. To Terminate a Call has a corresponding meaning. Termination Point, in relation to a Call, means the Call's ultimate dialled destination;

Termination Fee is defined in Clause 6.6;

Termination Tariff means the tariff for the Termination of Calls set from time to time in accordance with Clause 3 of Schedule 6, the current version of which is at Schedule 6;

Territory means the area set out in Schedule 2, as amended by written agreement of the Parties from time to time; and

VIN Hardware means all or any part of the hardware set out in the Operations Manual as necessary for the carriage or routing of Calls or of particular types of Calls between Participants known as VINs.

1.2 Reference to:

(a) one gender includes the other genders;

- (b) the singular includes the plural and vice versa;
- (c) a Party includes the Party's executors, administrators, successors and permitted assigns; and
- (d) a statute, regulation or provision of a statute or regulation ("Statutory Provision") includes:
  - (1) that Statutory Provision as amended or re-enacted from time to time; and
  - (2) a statute, regulation or provision enacted in replacement of that Statutory Provision.

1.3 Headings are for convenience only and do not affect the interpretation, or form part, of this Agreement.

1.4 "Including" and similar expressions are not words of limitation.

1.5 Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.

1.6 Schedule 3 sets out a broad overview of the operation of the Service. Schedule 3 is indicative only and does not impose any obligations on OZI.

## 2. THE SERVICE

2.1 OZI hereby appoints Teltran as a non-exclusive provider of the Service in the Territory subject to the terms of this Agreement.

2.2 Teltran must:

- (a) use all reasonable endeavours to rollout or cause a rollout of the System in the Territory with reasonable diligence so as to have and maintain the ability to Terminate and Originate Calls to and from all points within the Territory accessible via any PSTN within the Territory;
- (b) ensure that all VIN Hardware and OZI Software used by it in relation to the Service is operated in accordance with the Operations Manual;
- (c) use all reasonable endeavours to rollout or cause a rollout of the System in the Territory with reasonable diligence so as to have and maintain the ability to route and carry Calls from and to any VIN Hardware operated by Teltran within the Territory to the VIN Hardware operated by any Participant; including the activation of prioritisation (except in the case

of store and forward messages) to the extent technologically available, the establishment and maintenance of any internal systems and any connection to the Internet such that in all normal circumstances reasonable endeavours are taken to achieve the following targets:

- (i) propagation delay of the signal is less than 280 milliseconds, that being a round trip 'Ping' between any VIN POP within Teltran's network and the OZI Web site `www.ozemailphone.aust.com, which is geographically based in the USA;
  - (ii) variation in propagation delay of the signal is less than 50 milliseconds;
  - (iii) interruption in signal is less than 400 milliseconds; and
  - (iv) packet loss is less than 3%;
- (d) not operate any VIN Hardware outside the Territory;
  - (e) charge OZI not more than the Termination Tariff for the Termination of any Call;
  - (f) comply with the Operations Manual except in the case of manifest error in which case Teltran shall promptly notify OZI of the error;
  - (g) ensure that at least 50% of Ports (and corresponding bandwidth to necessitate operation) held by Teltran are available for Termination of Calls on an aggregate basis over a 24 hour period;
  - (h) maintain sufficient VIN Hardware to terminate Calls routed to it and to route Calls originated by it within the Territory under this Agreement such that a telephony grade of service of P.02 (the probability of VIN Hardware being unable to accept a Call during the busiest hour of a day being no greater than two per cent (2%)) is maintained;
  - (i) test VIN Hardware in accordance with any testing procedures set out in the Operations Manual;
  - (j) not use VIN Hardware unless and until it has satisfied the requirements set out in the Operations Manual;

- (k) ensure that VIN Hardware at all times complies with any specifications set out in the Operations Manual;
- (l) provide OZI with remote access to Teltran's systems sufficient for OZI to enable OZI to verify Teltran's compliance with the technical aspects of its obligations under this Agreement, and otherwise as set out in the Operations Manual;
- (m) maintain a help desk service adequate to provide a quality and timely service to assist in resolving problems that Customers in the Territory have in relation to their Calls, accessible 24 hours per day;
- (n) subject to any applicable laws, use all reasonable endeavours to obtain privacy, data protection and other consents and approvals from each Customer as necessary or desirable to facilitate exchange of Call-related and billing data as contemplated by this Agreement; and
- (o) keep a sufficient stock of spare parts and/or replacement VIN Hardware, to adequately service the System, or as reasonably specified in the Operations Manual (if greater) to ensure it operates in accordance with this Agreement (in particular Clause 2.2(f)).
- (p) Provided Teltran complies with Clause 2.2a through 2.2o, Teltran will not be required to give any other warranty with respect the availability of Call Termination in the Territory.

2.3 Teltran shall indemnify OZI and all other Participants against all claims, losses, liabilities and expenses arising from a failure to obtain all privacy, data protection and other consents and approvals from Customers necessary or desirable to facilitate exchange of Call-related and billing data as contemplated by this Agreement.

2.4 Teltran must maintain sufficient competent trained staff and otherwise commit such other resources as are reasonably required to meet its obligations under this Agreement.

2.5 Teltran will be responsible for obtaining, at its cost, all permits, licences and approvals in the Territory associated with the performance of its obligations under this Agreement.

2.6 Teltran agrees that it shall comply with the guidelines relating to the operation of Closed Groups, as may be amended by OZI from time to time, subject to OZI providing reasonable prior written notice to Teltran from time to time of any proposed amendments.

2.7 The Customer Sample Terms & Conditions, as contained in Schedule 8, are deemed to be sufficient for those terms required to be entered in to between Teltran and its customers for provision of the Service.

3. PURCHASE OF VIN HARDWARE FROM OZI

3.1 Orders for VIN Hardware may be placed with or through OZI. OZI may accept any order by notice to Teltran. If OZI cannot or will not fulfil HKTEL Canada's reasonable order for Node Hardware within forty two (42) days of acceptance of that order, HKTEL Canada's obligations under Clauses 2.2(a) and (c) shall be suspended until deliveries are made in accordance with that order.

3.2 OZI will deliver VIN Hardware ordered under this Agreement and accepted by OZI to a carrier nominated by Teltran. All risk passes to Teltran on delivery to that carrier. Ownership does not pass until payment is made in full.

3.3 Subject to the Licence Agreement, OZI shall not charge Teltran more than its costs for VIN Hardware and its provisioning (if relevant), as set out in Schedule 5.

3.4 OZI must not unreasonably refuse any orders for VIN Hardware made by Teltran from time to time.

3.5 Teltran must:

- (a) comply with all reasonable directions given by OZI from time to time in relation to any technical aspect of the Service or any VIN Hardware; and
- (b) not use the VIN Hardware except in conjunction with equipment meeting the specifications set out in the Operations Manual; and
- (c) not use any other device or devices in substitution for VIN Hardware, save with OZI's prior written consent.

4. OZI RESPONSIBILITIES

4.1 On notification of receipt of a Customer's Call by Teltran and nomination by a Customer of a specific Termination Point which OZI has advised is accessible using the Service, OZI must provide routing information to Teltran sufficient for the Call to be routed to that Participant. OZI does not warrant that Calls will be capable of successful Termination at any time or to any place.

4.2 OZI shall not enable Teltran to provide the Service commercially until Teltran has installed a minimum of 48 Ports in an operational manner which are to be installed as soon as possible after the date of this Agreement.



4.3 For the duration of the Term OZI must:

- (a) subject to Clause 4.2, provide the Service and the System as contemplated by this Agreement and in the manner set out in the Operations Manual;
- (b) during OZI's normal business hours, provide Teltran with reasonable assistance in installing and configuring VIN Hardware;
- (c) maintain an audit trail of Calls for a period of at least 1 year from the making and/or Termination of a Call and for at least 1 year after the expiry or earlier termination of this Agreement;
- (d) produce and provide to Teltran routing information for bill production;
- (e) co-operate with Teltran's technical staff in providing to Teltran support and assistance set out in the Operations Manual;
- (f) maintain its network operations center 24 hours every day;
- (g) make available technical support to Teltran 24 hours every day including an escalation procedure for technical support to be set out in any specifications published by OZI from time to time (whether or not as part of the Operations Manual) in relation to support;
- (h) provide reasonable access to the Web interface for the Service for Teltran to customise Teltran's portion of the interface and provide to Teltran instructions relating to such customisation as part of the Documentation;
- (i) calculate and notify Teltran of the payments required by Teltran under this Agreement;
- (j) promptly (but in any case no later than 7 days of the relevant event) notify Teltran of the appointment or termination of the appointment of any other Participant; and
- (k) commit all reasonably available resources required to remedy any event within OZI's control that adversely affect the System as a whole, which may include a work around.

4.4 OZI shall, at the request of Teltran, use all reasonable efforts to modify any billing reports to a form reasonably requested by Teltran on the basis that Teltran shall pay to OZI an amount equal to the direct cost plus 10 percent of carrying out such work.

- 4.5 OZI's support obligations do not include on-site technical assistance.
- 4.6 OZI may agree to provide service beyond that set out in the Operations Manual or this Agreement at a price to be agreed between the Parties.
- 4.7 OZI must provide reasonable assistance to Teltran in obtaining and maintaining pursuant to Clause 2.5 any permits and approvals necessary for performance by Teltran of this Agreement.
- 4.8 OZI will continue development practices in line with compliance of objectives designed to satisfy computing requirements for the Year 2000. OZI will conduct periodic testing to ensure these objectives are continually met.
- 4.9 Provide Teltran with a trial VIN network access period of 30 (thirty) days, during which time Teltran will be liable for all call termination costs. Teltran will provide OZI with a purchase order valued according to the price list in Schedule 5. OZI will invoice Teltran for the purchase order after the 30 day trial period or on signing this contract, whichever comes first. Further OZI will invoice Teltran for termination costs according to standard terms and conditions as describe herein. Following this trial period, Teltran will be liable for Service Fees according to standard terms and conditions as set out in Schedule 6 of this agreement.

## 5. MANAGEMENT

- 5.1 The Parties must each appoint a business manager and technical manager. Each pair of managers must conduct project meetings at mutually agreed times during the term of this Agreement. Those meetings may be by telephone.
- 5.2 The business and technical managers have authority to make binding decisions on the day to day business or technical aspects of the Agreement respectively. For the avoidance of doubt, no Agreement or decision will be binding until and unless it is reduced to writing and is signed by a business or technical manager of each Party.

## 6. FEES AND CHARGES

6.1 Under this Agreement:

- (a) the calculation of all billing information for charges incurred between OZI and Teltran may be carried out by OZI and/or Teltran;
- (b) OZI will charge Teltran in respect of Calls originating in the

Territory:

- (1) a fee calculated under clause 6.2; and
- (2) any amount to be remitted to another Participant for the Termination of Calls originating through Teltran.

- 6.2 The Service Fee for a period is the fee for provision of the Service and other support under this Agreement for a period and is the total of the aggregate of the fees payable for each Call originated in the Territory during that period calculated in accordance with clause 1 of Schedule 6 using, where appropriate, the time for each Call determined in accordance with clause 6.3.
- 6.3 The time for each Call for the purposes of clauses 6.2, 6.4 and Schedule 6 is the time of that Call (determined in minimum increments of six seconds rounded up) commencing from the time the cessation of ring-back from the Termination Point and concluding at the time that the Call originator hangs up.
- 6.4 Teltran acknowledges that it is in the interests of all Participants that termination costs be kept to a minimum and provided on a cost recovery basis only. If at any time OZI becomes able to arrange termination within the Territory for any Calls at a lower rate than the Termination Tariff charged by Teltran, then OZI may give notice to Teltran requiring Teltran to show cause to OZI within seven (7) days of that notice why termination should not be carried out by another person or means. Unless Teltran is able to demonstrate within that seven (7) day period that such alternative termination with its accompanying lower cost, is unlikely to be more attractive to callers, then OZI may commence utilisation of the alternative termination arrangements.
- 6.5 Notwithstanding Clause 6.4, Teltran acknowledges that it has no exclusivity in relation to the Termination of Calls in the Territory.
- 6.6 The Termination Fee for each Call is equal to the price for that Call (calculated in accordance with clause 6.3 and the Termination Tariff) charged to OZI by the party terminating the Call.
- 6.7 For each Call originating through VIN Hardware operated by Teltran and terminated through the use of the Service, Teltran must pay OZI the Termination Fee for that Call.
- 6.8 OZI may amend the Termination Tariff in respect of Calls from time to time by written notice to Teltran as reasonably necessary to reflect the costs of Termination to OZI and other Participants of such termination provided that OZI shall give at least 5 days prior notice of any such change.

6.9 OZI will be responsible for remittance of amounts due and payable by OZI to other Participants which arise out of Terminations by other Participants of traffic originated by Teltran's Customers.

## 7. RIGHT TO APPOINT RESELLERS

7.1 Teltran may appoint any entity in its sole and reasonable discretion as Resellers to assist in marketing the Service in the Territory, provided that:

- (a) the Reseller shall not promote or market the Service or the System outside the Territory;
- (b) the Reseller shall not market or promote the Service in the Territory other than in accordance with the Teltran marketing and promotion activities authorized under this Agreement; and
- (c) Teltran shall not directly benefit from the Reseller's market activities associated with a product or service that competes with the System or the Service. For purposes of this Section 7.1(c), examples of a product or service that does or does not compete with the Service or the System shall be established by the good faith negotiation and mutual agreement of the Parties.
- (d) Teltran will provide OZI with a copy of its standard Reseller Agreement, to be included in this contract as Schedule 7.

7.2 Teltran shall cause the appointment of any Reseller to be terminated promptly: after receipt of notice in writing from OZI where, in the reasonable opinion of OZI, Teltran has received a direct benefit as a result of the Reseller's promotion of a directly competitive system or service; or if Reseller fails to use all reasonable endeavours to market and promote the System or the Service or directly or indirectly disparages the System or the Service. Teltran shall notify OZI in advance of its intention to appoint any Reseller where the proposed Reseller or its Associates is providing or marketing a service that is competitive to the Service and shall take into account any reasonable comments of OZI in making such appointment.

7.3 Teltran agrees to appoint one or more Resellers in the Territory in accordance with Section 7.2 to ensure that the Service is promoted in respect of voice Calls to a minimum of 50,000 business users and/or 1,000,000 consumer users in the Territory within twelve (12) months of Commercial Launch.

7.4 Teltran shall be responsible for all acts and omissions of the Resellers in the performance of this Agreement as if those acts and omissions were its own.

8. GENERAL PROVISIONS RELATING TO PAYMENT OF FEES AND CHARGES

- 8.1 Any payments due pursuant to this Agreement, including but not only amounts payable under Clause 6 may be netted off (set off) by OZI. Invoices will be for gross charges (ie not netted) and expressed in US dollars.
- 8.2 OZI may invoice Teltran each calendar month in arrears. Invoices shall be transmitted to Teltran by electronic mail or fax and are deemed received at the time of transmission (unless a non-delivery message is received). Invoices will not include all Call information which will be posted to appropriate web pages so that it can be accessed by Teltran in accordance with the Operations Manual.
- 8.3 Teltran shall pay to OZI any amount payable under Schedule 6 within 14 days of the end of the month in which the payment or benefit was obtained by Teltran.
- 8.4 All payments must be made by direct wire transfer into an account nominated in writing with communication of payment.
- 8.5 All fees and other payments under this Agreement must be made in United States dollars. Fees based on sales in other currencies are converted to dollars at the official closing rate of exchange for that currency in the U.S. market, as published in the Wall Street Journal on the last day of the relevant month (or if not published on that day, on the last day in that month that the Wall Street Journal (Western Edition) published that rate).
- 8.6 All amounts payable under this Agreement are exclusive of all withholding tax, sales tax, value added tax, goods and services tax, consumption tax, use tax or other taxes, customs, duties and similar levies if any, payable in or to any jurisdiction or authority whatsoever (other than taxes on the net income of OZI). Where any payment would otherwise require deduction of any tax, custom, duty or levy Teltran must pay a grossed up amount such that, after any payment by Teltran in respect of those taxes, customs, duties or levies, OZI receives the amount calculated under this Agreement. Teltran shall then promptly pay all such withholdings and shall provide to OZI original receipts for such payment. OZI shall refund to Teltran any grossed up amount to the extent that it actually obtains relief, a benefit or credit including by offsetting the amount received against tax otherwise payable in respect of the withholdings paid by Teltran promptly after receipt of that relief, benefit or credit.
- 8.7 Overdue amounts accrue interest from the relevant due date until the date that payment is received at the rate which is the lesser of:

- (a) the LIBOR rate last quoted at the relevant due date plus 4 percent per year; and
- (b) the greatest percentage permitted by applicable law.

9. RECORDS

- 9.1 OZI's records and any invoices or statements of the total of the Calls in respect of any period are prima facie evidence of the information stated therein.
- 9.2 Each of the Parties in their principal place of business must keep, maintain and preserve during the term of this Agreement and for at least four (4) years following the expiration or earlier termination of this Agreement, complete and accurate records covering all transactions relating to this Agreement including transaction logs.
- 9.3 Those records must be available for inspection by the other Party from time to time for four (4) years following the expiration or earlier termination of the Agreement, during reasonable business hours and upon reasonable notice. Each Party may make copies of any part of the other Party's records and must ensure that the other Party is not hindered while inspecting or copying their records.
- 9.4 OZI may elect to conduct an audit of Teltran in relation to its compliance with this Agreement and the records it has kept in relation to it twice in any year and Teltran may elect to conduct an audit of OZI in relation to the payment of Termination Fees no more than twice in any year. The initiating Party must give the other Party at least 30 days' notice of any audit. For the purpose of conducting any audit, the requested Party must, at its own expense provide the initiating Party, or its independent auditors with:
  - (a) access to its premises and office space; and
  - (b) all information, facilities, services and accessories reasonably required by them.
- 9.5 If an audit indicates a material inaccuracy (being variation of the greater of 5 per cent (or more) of net amounts payable between the Parties during the period covered by the audit and \$50,000.00, the Party receiving the benefit of that inaccuracy must indemnify the other Party for the reasonable cost of the audit.
- 9.6 If an audit indicates an inaccuracy, the Party receiving the benefit of that inaccuracy must pay to the other Party any outstanding amount.
- 9.7 It is agreed that KPMG is deemed to be an acceptable auditor with respect the provisions contained in this Clause 9, provided KPMG operate within guidelines and practices considered acceptable to OZI. If otherwise OZI is at liberty to appoint another auditor.

## 10. DOCUMENTATION

- 10.1 OZI may amend any Documentation from time to time by written notice to Teltran. OZI undertakes to make reasonable efforts to consult with Teltran in relation to any proposed changes to the Operations Manual and to give at least 30 days notice of such changes provided that OZI may shorten this period if, in its opinion, amendments must be made urgently to maintain the reputation, goodwill and/or integrity of the Service. OZI undertakes to act reasonably in relation to changes to the Documentation.
- 10.2 OZI shall supply updates to the Documentation to reflect improvements and rectification of errors and otherwise as required to reflect the appointment of new Participants.
- 10.3 OZI shall provide Documentation either by physical delivery or by posting the same on Web pages which can be accessed by Teltran or other agreed form of electronic communication.
- 10.4 All Documentation will be provided in English. OZI is not required to prepare translations of the Documentation into any other language.
- 10.5 Teltran may prepare translations of Documentation or any part of it into any other language. Teltran must ensure that all copyright and other intellectual property rights in any translation it prepares is vested in OZI. Teltran indemnifies OZI against any loss suffered as a result of any Person's use of Teltran's erroneous translations where any such loss is suffered as a direct result of a mistake in such transaction.

## 11. WARRANTIES

- 11.1 OZI warrants, represents and agrees that:
- (a) all hardware and software media to be delivered to Teltran pursuant to this Agreement will be new, undamaged and unencumbered;
  - (b) title to any hardware purchased by Teltran under this Agreement will pass to it upon payment in full therefore;
  - (c) the VIN Hardware to be provided by it to Teltran under this Agreement and/or the Licence Agreement will materially and substantially comply with specifications set out in the Operations Manual (provided that Teltran acknowledges that its sole remedy for breach of this warranty will be to require repair or resupply of the non-conforming item);

- (d) it will use its best endeavours to ensure that the Documentation contains information sufficient that it will, by itself, be sufficiently comprehensive to enable relevant Teltran staff, suitably trained, to provide the Service in accordance with the Documentation;
- (e) all of OZI's employees and subcontractors providing services to Teltran under this Agreement will be suitably qualified, trained and experienced to do so; and
- (f) it will make spare parts for all VIN Hardware to be provided to Teltran pursuant to this Agreement, or comparable substitutes therefor for the Term, such spare parts to be provided on reasonable terms and conditions not materially different from the terms and conditions generally applying for the supply of spare parts to other Participants.

The warranties given in this Clause are collectively and individually referred to as the Performance Warranty.

11.2 Teltran must provide OZI with all access to Teltran's premises and VIN Hardware reasonably necessary to correct or diagnose any reported error(s).

11.3 The Performance Warranty provided in Clause 11.1 does not apply to errors which are a result of:

- (a) use of the Service outside the scope of this agreement;
- (b) changes in, or modifications to the Service, or VIN Hardware;
- (c) use of the Service by any Person outside the scope of the Operations Manual;
- (d) use of data or software of third parties or with hardware which is incompatible with the Service unless that data, software, or hardware was recommended or otherwise approved in writing by OZI;
- (e) any changes to any component of any VIN Hardware, unless they were recommended by OZI in writing;
- (f) changes made to the specifications or Documentation by Teltran without the prior written approval of OZI; or
- (g) accident, physical, electric or magnetic stress, unauthorised alterations, modifications, or changes; failure of electrical power, environmental controls; or causes other than



ordinary use provided that OZI shall use its best endeavours to minimise any errors or delays caused by the factors referred to in this subclause.

- 11.4 The Parties acknowledge that because of the nature of the technology and Networks, the Call quality of Calls transmitted over it may be less than that from the normal use of the PSTN.
- 11.5 Teltran acknowledges that OZI makes, has made, and, by the supply of the VIN Hardware will make, no representations in relation to the VIN Hardware's compliance with any local laws or regulatory requirements or that Teltran's use of that hardware will comply with any such requirements. Teltran will be responsible for obtaining homologation approvals at its own cost subject to the supply by OZI of test data and information available to it. OZI will, at the reasonable cost of Teltran, promptly provide such assistance which Teltran may reasonably request in order to obtain any necessary local approvals in connection with its use of the said hardware.
- 11.6 Teltran must not represent or warrant to any Person that the Service or any software program or related documentation:
- (a) will meet any performance criteria or any Participant's or any Customer's requirements except to the extent it is explicitly, or by necessary implication, stated to meet them within the Documentation;
  - (b) will be error free; or
  - (c) will not be interrupted by reason of defect in it, the general nature of Internet communications or by reason of fault on the part of any Participant.
- 11.7 To the greatest extent possible under applicable law, Teltran expressly waives all representations, warranties or conditions not specifically set out in this Agreement including but not limited to implied representations, warranties or conditions of merchantable quality or fitness for a particular purpose and those arising by statute or otherwise in law or from course of dealing or usage of trade.
- 11.8 Each Party is responsible for the actions and omissions of its employees and agents who cause damage to the other, whether through fraud or otherwise. Each Party indemnifies and holds the other Party harmless from any and all damages caused by such persons.
- 11.9 Each Party warrants that it has full power to enter into this Agreement, perform its obligations under it and that the person signing this Agreement on its behalf has been duly authorised and empowered to enter into it. Each Party acknowledges that it has not been induced to enter into this agreement by any representations or statements, oral or

written, not expressly contained in it or expressly incorporated by reference.

## 12. LIMITATION OF LIABILITY

12.1 The limitation of liability provisions of this Agreement:

- (a) reflect an informed voluntary allocation of the risks (known and unknown) that exist in connection with the provision of goods and services under this Agreement by the parties including the performance of the Service:
- (b) take precedence over and apply notwithstanding any other provisions of this Agreement; and
- (c) form a material part of the Agreement reached between the Parties.

12.2 To the extent permissible by law, OZI has no liability under or in respect of this Agreement except as set out in it. Neither Party shall be liable to the other for any consequential damages suffered by the other, whether foreseeable or not, in contract or tort, arising out of a breach of this Agreement.

12.3 No action, regardless of form, arising out of this Agreement may be brought by Teltran more than two (2) years after the facts giving rise to the cause of action have occurred, regardless of whether those facts by that time are known to, or reasonably ought to have been discovered by Teltran.

12.4 OZI's aggregate liability for all actions in relation to this Agreement and/or the Licence Agreement is equal to the amount earned by OZI personally (not including Termination Fees) under this Agreement and the Licence Agreement in the first 24 months of the Term.

12.5 Except as expressly provided herein, in no event shall either party be liable for any claim for damages for loss of profit, loss of expected savings or consequential damages.

## 13. TERM AND TERMINATION

13.1 This Agreement commences on the date of execution by the last of the Parties and continues in effect for a period of three (3) years unless otherwise terminated pursuant to the terms of this Agreement.

13.2 This Agreement may be terminated:

- (a) by Teltran, for a material breach of this Agreement by OZI, at

Teltran's option, upon written notice if OZI has not cured the breach within 30 days after receiving written notice;

- (b) by OZI, for a material breach of this Agreement by Teltran, at OZI's option, upon written notice if Teltran has not cured a material breach within 30 days of receiving written notice. For the purposes of this Agreement and for the purposes of example only, any breach of Clause 2 by Teltran is a material breach of this Agreement; and
- (c) by either Party, upon the other Party coming under any form of administration (or a like event) or relief relating to insolvency (or a like event).

13.3 In addition to its other remedies under this Agreement:

- (a) OZI may suspend its performance under this Agreement, and disconnect Teltran from the Service, if Teltran is in arrears of any payment owing under this Agreement for 30 days or longer, and OZI has given to Teltran at least 14 days notice of its intention to suspend; and
- (b) Teltran may direct OZI to suspend the provision of the Service from a Participant where that Participant is in default of its obligation without reasonable cause (in the opinion of OZI) to pay Termination Fees in respect of Calls originated by that Participant and terminated by Teltran where such default has continued for a period of 30 days or longer and OZI has given to Teltran at least 14 days notice of its intention to suspend. OZI shall suspend such Service until such payment is made.

13.4 On termination and without prejudice to any other rights which the Parties may have:

- (a) each Party must immediately deliver to the other Party, the other Party's Confidential Information then in its possession or control, if any, and must deliver a certificate of an officer of such Party attesting that all Confidential Information has been returned;
- (b) each Party must not make any further use of the other Party's Confidential Information; and
- (c) each Party must immediately pay all sums owing to the other under this Agreement or as they subsequently become due; and
- (d) Teltran must take all reasonable steps to transfer to OZI or its nominee the benefit of all approvals and permits acquired by it specifically in relation to the System and the Service..

13.5 Clauses 2.3, 9.3, 11, 12, 13, 14, 15, 16, 17 and 19 shall survive termination of this Agreement.

14. CONFIDENTIALITY

14.1 Each Party may use the Confidential Information of a disclosing Party only for the purposes of this Agreement and must keep confidential all Confidential Information of each disclosing Party except to the extent (if any) the recipient of any Confidential Information is required by law to disclose the Confidential Information.

14.2 Either Party may disclose Confidential Information of the other Party to those of its employees and agents who have a need to know the Confidential Information for the purposes of this Agreement but only if the employee or agent executes a confidentiality undertaking in a form approved by the other Party, such approval not to be unreasonably withheld.

14.3 This Clause survives the termination of this Agreement.

15. OWNERSHIP OF PROPRIETARY RIGHTS

15.1 Teltran does not acquire any rights in, title to or interest in the Service or related Documentation, except as explicitly set out in this Agreement or in the Licence Agreement.

16. INDEMNIFICATION

16.1 Teltran indemnifies OZI against any and all claims and liabilities, including reasonable legal fees, resulting from:

- (a) Teltran's modifications ( not approved in writing by OZI) to the Service;
- (b) any claim based upon Teltran's or the use through Teltran of the Service by a Customer of Teltran;
- (c) any breach by Teltran of this Agreement; and
- (d) a failure by Teltran to comply with any applicable law in the Territory, save where resulting from the gross or wilful negligence of OZI, its agents or employees.

16.2 OZI indemnifies Teltran against any and all claims and liabilities, including reasonable legal fees, resulting from any breach by OZI of this Agreement.

17. PUBLICITY

Teltran and OZI must cooperate regarding public relations activities, including public announcements, joint press releases, and other activities to be mutually agreed.

18. INTERDEPENDENCE WITH LICENCE AGREEMENT

- 18.1 This Agreement shall have no force and effect unless and until the Licence Agreement becomes binding between the Parties.
- 18.2 Any default under the Licence Agreement by Teltran shall constitute a default under this Agreement by Teltran and any default under the Licence Agreement by OZI shall be deemed to constitute a default under this Agreement by OZI.
- 18.3 Any circumstance justifying Teltran in terminating the Licence Agreement shall justify Teltran in terminating this Agreement and any circumstance justifying OZI in terminating the Licence Agreement shall justify OZI in terminating this Agreement.

19. GENERAL PROVISIONS

Co-operation

- 19.1 The Parties must co-operate with each other to fulfil the purpose of this Agreement. Each Party must provide all reasonable assistance to the other in relation to the conduct of any litigation related to this Agreement. The costs of that assistance must be borne by the Party receiving the benefit of that litigation.

Notices

- 19.2 Any notice required for or permitted for this Agreement must be delivered as follows with notice deemed given as indicated:
- (a) in writing by personal delivery when delivered personally;
  - (b) in writing by overnight courier upon written verification of receipt;
  - (c) by telecopy or fax transmission when confirmed by telecopier or fax transmission report;
  - (d) in writing by certified or registered mail, return receipt requested, upon verification of receipt; or
  - (e) by receipted electronic email to an email address of the other Party nominated for the receipt of notices under this Agreement.

Assignment

19.3 This Agreement is not assignable or transferable by Teltran except as expressly set out herein, without the prior written consent of OZI. Any attempt to assign this Agreement without that consent is void.

19.4 Teltran shall not suffer or allow a change in control of Teltran (without the prior written consent of OZI which must not be unreasonably withheld, conditioned or delayed) in any circumstance where an assignment of Teltran's interest in this Agreement to the Person acquiring control would not be permitted under this Agreement.

#### Subcontracting

19.5 OZI may subcontract any of its obligations under this Agreement without restriction. For the avoidance of doubt no subcontracting will relieve OZI of primary liability for any obligation it may have under this Agreement.

#### Agency

19.6 Neither Party is an employee or agent of the other Party. In particular, any work performed by OZI in connection with this Agreement is performed by OZI as an independent contractor, and not as an employee or agent of Teltran. Neither Party has the authority to, and neither Party shall, make any representation, prepare documents or statements on behalf of, or in the name of the other Party, give any warranties, accept any orders, enter into a contract on behalf of the other Party, or obligate the other Party in any manner, unless expressly authorised to so by this Agreement or in writing by the other Party.

#### Waivers And Amendments

19.7 No failure to exercise, and no delay in exercising, on the part of either Party, any privilege, any power or any rights under this Agreement will operate as a waiver of them, nor will any single or partial exercise of any right or power under this Agreement preclude further exercise of any other right under it. Any waivers or amendments are effective only if made in writing by non-pre-printed Agreements clearly understood by both Parties to be an amendment or waiver and signed by a representative of the respective Parties authorised to bind the Parties.

#### Severability

19.8 If any provision of this Agreement is held to be invalid or unenforceable, then the remaining provisions shall continue in full force and effect.

## Consequence of Breach of the Other Party

19.9 If a Party breaches a term of this Agreement then to the extent that such breach renders compliance with any obligation by the other Party impossible, impractical or futile, the other Party shall be relieved from compliance with that obligation unless and until the breach is rectified.

## Governing Law

19.10 This Agreement is governed by the laws in force in New South Wales, Australia, except with respect to the conflict of law provisions thereof. Each of the Parties agree that the courts of New South Wales have jurisdiction over the subject matter of this Agreement and constitute the most convenient forum for hearing any proceedings arising out of any dispute between the Parties.

19.11 Teltran hereby appoints [An Officer of the Company] of [Address] as its agent for the service of all documents, notices and legal proceedings and the service of all documents, notices and legal proceedings on [Officer of the Company] will be deemed to be served on Teltran.

19.12 The application of the United Nations Convention for the International Sale of Goods is expressly disclaimed.

19.13 The prevailing Party in any action to enforce this Agreement is entitled to recover costs and expenses including, without limitation, legal fees.

## Force Majeure

19.14 An obligation of a Party under this Agreement is suspended during any period in which it is unable to perform that obligation for any reason beyond the reasonable control that Party or its associates, including but not limited to, acts of God, earthquake, labour disputes and strikes, riots, war, governmental requirements and the actions or omissions of the other Party (force majeure event). If the force majeure event extends for more than 21 days and there is an actual or threatened material disadvantage to either Party, it may, at its option, terminate this Agreement.

## Entire Agreement

19.15 This Agreement including its Schedules constitutes the entire Agreement between the Parties with respect to its subject matter except as set out herein. This Agreement supersedes, and the terms of this Agreement govern any other prior or collateral Agreements with respect to its

subject matter with the exception of the Telecommunications Services Agreement (including Schedules a through d) executed between Teltran and OZI 12 December 97 and any other subsequent agreements which may be entered into regarding the current re-filing relationship between Teltran and OZI. Any amendments to this Agreement must be in writing and executed by an officer of the Parties.

19.16 This Agreement has precedence over the Documentation to the extent of any inconsistency.

19.17 To the extent that any applicable law prohibits any provision of this Agreement that provision is to be read down to the extent necessary to comply with that law. Teltran must keep OZI informed of any such laws and their effect.

Executed by the Parties:

Teltran

OZEMAIL INTERLINE PTY LIMITED  
(ACN 078 742 891)

By: /s/ Byron R. Lerner

By: /s/ J. B. Rousselot

Name: Byron R. Lerner

Name: J. B. Rousselot

Title: President and CEO

Title: Director and CEO

Date: 10/2/98

Date: 10/19/98

#### SCHEDULE 1

#### OPERATIONS MANUAL

Documents relating to the operation of the system are provided from the following web site:-

<https://www.ozemailphone.aust.com/voice/owa/login>

OZI will provide Teltran with appropriate login access.

These documents are provided as Microsoft Word 97 files [or earlier versions], which will be updated from time to time to reflect any changes, modifications or



provision of new features.

## USA INTELLECTUAL PROPERTY LICENCE AGREEMENT

THIS AGREEMENT is made on October 12, 1998

BETWEEN

1. OZEMAIL INTERLINE PTY LIMITED (ACN 078 742 891) of Level 1, OzEmail Center, 39 Herbert Street, St Leonards, New South Wales, Australia ("OZI").
2. TELTRAN INTERNATIONAL GROUP, LTD. of One Penn Plaza, Suite 4632, New York, NY 10119 ("Teltran")

BACKGROUND

- A. OZI has acquired the System.
- B. OZI is seeking service providers to operate a service using the System in other countries and to join with it in providing a worldwide service comprised of interconnected Systems.
- C. Teltran has applied to become a service provider in respect of the System and OZI has agreed to admit it on the terms of this Agreement.
- D. Under that System, a potential user in a particular region uses the Node Hardware installed on his site to transmit data. Teltran notifies OZI of the intended destination of the data. OZI provides routing information sufficient to enable Teltran to route the data over IP Networks (including the Internet) to a Participant (as defined below) in the distant location who receives the data to be processed further. The Participant facilitating the data termination may be Teltran (eg intra-Territory data transfer). Subject to the terms of this Agreement, Teltran must terminate data which is routed to it from Participants.
- E. The parties have entered into this Agreement to record their arrangement in relation to the intellectual Property of the System.
- F. Simultaneously herewith the parties will enter into the Interconnectivity and Support Agreement which records their arrangements in relation to the operation of a service using the System.

OPERATIVE PROVISIONS

1. DEFINITIONS AND INTERPRETATION
  - 1.1 Unless the context otherwise requires:

Agreement means this agreement and all schedules attached to this Agreement as amended from time to time;

Associate means, with reference to a specified Person, a Person who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, that Person;

Call means data transmitted and received by using the VIN Hardware and the service.

Closed Group means a group as defined in clause 1 of the Interconnectivity and Support Agreement;

Confidential Information means all information passing from one Party to the other Party relating to the business of the disclosing Party or any other Person who has contracted with OZI to terminate and originate Calls, including but not limited to trade secrets, technology, inventions (whether patentable or not), drawings, know-how, techniques, source and object code, business and marketing plans and projections, arrangements and agreements with third parties, customer information and customer information proprietary to customers, formulae, suppliers, customer lists, concepts not reduced to material form, designs, plans, and models but excludes information:

- (a) which is in or becomes part of the public domain other than through breach of this Agreement;
- (b) which the receiving Party can prove by contemporaneous written documentation was already rightfully known to it at the time of disclosure by the disclosing Party or its representatives;
- (c) which the receiving Party rightfully acquires from a third party entitled to disclose it free of obligations of confidentiality;
- (d) which the receiving Party is obliged by law to disclose provided that reasonable prior notice is given to the disclosing Party;

Customer means a Person who is provided with a personal identification number by a Participant, or who is otherwise authorised by a Participant to make Calls using the Service;

Dollar and \$ means a United States Dollar;

Documentation means all system manuals and user manuals provided by OZI under this Agreement.

Documentation includes the Operations Manual;

Intellectual Property means all intellectual property rights throughout the world including but not limited to patent and patentable rights (including the right to apply for patents), confidential information, trade secrets, trade marks, circuit layout rights, know how and approvals of any nature and copyright;

Interconnectivity and Support Agreement means the agreement of that name between the parties on the date of this Agreement;

Internet means any combination of interconnected Systems, including Internet, intranet or extranet, used by OZI and Participants for the delivery of the Service including all existing protocols (such as ATM, frame relay, TCP/IP, voice IP, fax IP) and all new and/or modified protocols which may be developed and/or implemented during the Term;

Licensed Rights means the licences and rights granted to Teltran pursuant to clause 2;

Network means any packet switched network, including the Internet and networks based on ATM or frame relay;

VIN Hardware means any hardware set out in the Operations Manual as necessary for the carriage or routing of Calls or of particular types of Calls between Participants and includes all or any part of the installations known as FINs and VINs;

Operations Manual means the documents referred to in Schedule 1 of the Interconnectivity and Support Agreement as amended from time to time pursuant to the terms of that agreement;

Origination Tariff means the tariff set from time to time in accordance with clause 11 and Schedule 3 Part B;

OZI Software means the software set out in Schedule 2 in object code format as modified by OZI from time to time and otherwise as set out in this Agreement;

Participant means any of OZI, Teltran and other Persons who have contracted with OZI or an affiliate to terminate and originate Calls (including Resellers appointed by other affiliates) and the Participants means all those Participants;

Party means either Teltran or OZI and Parties means both of them;

Person includes an individual, company, corporation, partnership, government or government agency, authority or entity however designated or constituted;

PSTN means public switched telephone network;

Reseller means a Reseller appointed pursuant to clause 7 of the

Interconnectivity and Support Agreement;

Service means the routing and carriage of Calls from origination to termination across a Network as contemplated by this agreement, or, as the context requires, that part of the Service for which OZI alone is responsible;

Sublicensee means a sublicensee of Teltran appointed in accordance with the terms of this Agreement;

System means a combination of specialised hardware and software modules to be provided by OZI to Teltran under this Agreement and/or the Interconnectivity and Support Agreement, which, when used in concert with each other, will facilitate Calls to be originated, carried, routed and Terminated via Networks;

Term means the period from the date of this Agreement until its expiry or other termination;

Termination in relation to a Call means that part of the Service which involves attempting to secure a connection between the Node Hardware to which the Call has been routed and the Call's ultimate destination (via a PSTN if applicable) and carrying that Call in its entirety between those two points once that connection is established. To Terminate a Call has a corresponding meaning.

Termination Point, in relation to a Call, means the Call's ultimate dialled destination; and

Territory means the area set out in Schedule 1, as amended by written agreement of the Parties from time to time

## 2. LICENCE

2.1 Subject to the terms and conditions of this Agreement and applicable laws, OZI grants Teltran the non-exclusive licence in the Territory and during the Term to:

- (a) Use OZI Software including copying the same in the manner permitted under this Agreement.
- (b) Use, and reproduce as may be reasonably necessary for training, archival, disaster recovery or other non-productive purposes, the Documentation;
- (c) Use, and reproduce any part of the Documentation as reasonably necessary to comply with its obligations under this Agreement;

- (d) Use the hardware configuration described in the Operations Manual, solely for the purpose of performing its obligations under this Agreement;
- (e) Use any advertising or promotional material provided by OZI, solely for the purposes of promoting the Service; and
- (f) Use the Intellectual Property comprised in any of the items referred to in paragraphs (a) to (e) as amended from time to time for those purposes.

2.2 Subject to the terms and conditions of this Agreement OZI also grants to Teltran non-exclusive licences during the Term but outside the Territory to:

- (a) Activate OZI Software located on VIN Hardware by other Participants solely in the course of routing Calls in the course of providing the Service in respect of Calls routed from VIN Hardware in the Territory; and
- (b) Use the Intellectual Property comprised in any of the items referred to in paragraph (a) as amended from time to time for those purposes.

2.3 Teltran expressly recognises that the Licensed Rights shall be subject to the retention by OZI of the right to exercise and license within the Territory and during the Term the rights to activate OZI Software located on VIN Hardware solely in the course of routing Calls in the course of providing the Service in respect of Calls routed from VIN Hardware.

2.4 Save as provided in this Agreement and the Interconnectivity and Support Agreement, Teltran has no rights to OZI Software, the VIN Hardware, the Documentation or any Intellectual Property of OZI relating to the same or the Service.

2.5 To the extent permitted by applicable law:

- (a) Teltran undertakes not to reverse engineer, disassemble, or decompile the object code version of OZI Software; and
- (b) Teltran must not make or permit any adaptations or derivative works based on OZI Software.

2.6 If and to the extent that Teltran develops any adaptations or derivative works (whether or not permitted under this Agreement), Teltran acknowledges and agrees that the whole of the Intellectual Property in any adaptations or derivative works based on OZI Software vest in OZI. Teltran undertakes to do all things necessary or desirable to assign or otherwise vest or evidence or record the assignment or vesting of those intellectual property rights in OZI. Teltran

undertakes to immediately advise OZI of the development of any such adaptation or derivative works and to provide full details thereof including source code to OZI.

### 3. SERVICE OBLIGATIONS

#### 3.1 Teltran must:

- (a) Ensure that all VIN Hardware and OZI Software used by it in relation to the Service is operated in accordance with the Operations Manual;
- (b) Not operate any VIN Hardware outside the Territory except as authorised by clauses 2 and 5 or clause 8 of the Interconnectivity and Support Agreement; and
- (c) Provide OZI with remote access to Teltran systems sufficient for OZI to update any OZI Software and to enable OZI to verify Teltran compliance with the technical aspects of its obligations under this Agreement, and otherwise as set out in the Operations Manual.

### 4. OZI RESPONSIBILITIES

- 4.1 OZI must calculate and notify Teltran of the payments required by Teltran under this Agreement.
- 4.2 OZI shall, at the request of Teltran, use all reasonable efforts to modify any billing reports to a form reasonably requested by Teltran on the basis that Teltran shall pay to OZI an amount equal to the direct cost plus 10 percent of carrying out such work.
- 4.3 OZI undertakes that it will retain rights to OZI Software and utilise the same in the provision of the Service.

### 5. RIGHT TO SUBLICENSE

- 5.1 Teltran shall not sell, transfer, sublicense or otherwise dispose of all or any of the Licensed Rights granted under this Agreement, without the prior written consent of OZI, which may be withheld by OZI at its absolute discretion.
- 5.2 Without limiting clause 5.1, Teltran may grant rights to Resellers appointed pursuant to and subject to the conditions of the Interconnectivity and Support Agreement, which involve limited use of the Licensed Rights on such terms as may be approved by OZI in writing in advance. Any attempt to grant such rights without the approval of OZI shall be void.

## 6. ROYALTY BASED ON TIME

### 6.1 Under this Agreement:

- (a) the calculation of all billing information for charges incurred between OZI and Teltran may be carried out by OZI and/or Teltran;
- (b) OZI will charge Teltran a royalty in respect of Calls originated in the Territory or from Closed Groups which Teltran has sublicensed calculated in accordance with clause 6.2.

### 6.2 The Royalty Fee for a period is the total of:

- (a) the aggregate of the fees payable for each Call originated in the Territory which Teltran has sublicensed during that period calculated in accordance with clause 1 of Schedule 3 using, where appropriate, the time for each Call determined in accordance with clause 6.3; and
- (b) any additional amounts payable under clause 7 or otherwise in accordance with the provisions of Schedule 3.

### 6.3 The time for each Call for the purposes of clause 6.2 is the time of that Call (determined in minimum increments of six seconds rounded down) commencing from the time the cessation of ringback from the Termination Point and concluding at the time that the Call originator hangs up.

## 7. ROYALTY NOT BASED ON TIME

### 7.1 Where and to the extent Teltran or any Reseller or any Associate of Teltran or a Reseller receives or is credited with a payment or other benefit arising out of or in respect of the use, licensing or provision of the Licensed Rights and this Agreement does not otherwise set out a percentage or amount payable by Teltran to OZI, Teltran shall pay to OZI each month a fee calculated in accordance with clause 2 of Schedule 3 and any guidelines determined thereunder.

### 7.2 Teltran shall pay all amounts payable in accordance with this clause 7 within fourteen (14) days of the end of the month in which the payment or benefit was obtained by Teltran.

### 7.3 Teltran shall promptly provide to OZI all information reasonably necessary for the purposes of determining entitlements under this clause 7.

## 8. GENERAL PROVISIONS RELATING TO PAYMENT OF ROYALTIES



- 8.1 Any payments due pursuant to this Agreement, including but not only royalties payable under clauses 6 and 7, may be netted off (set off) by OZI. Invoices will be for gross charges (i.e. not netted) and expressed in US dollars.
- 8.2 OZI may invoice Teltran each calendar month in arrears. Invoices shall be transmitted to Teltran by electronic mail or fax and are deemed received at the time of transmission (unless a nondelivery message is received). Invoices will not include all Call information which will be posted to appropriate web pages so that it can be accessed by Teltran in accordance with the Operations Manual.
- 8.3 Teltran must pay each invoice within fourteen (14) days of the date the invoice is received or deemed to be received under clause 8.2.
- 8.4 All payments must be made by direct wire transfer into an account nominated in writing with communication of payment.
- 8.5 All fees and other payments under this Agreement must be made in United States dollars. Fees based on sales in other currencies are converted to dollars at the official closing rate of exchange for that currency in the U.S. market, as published in the Wall Street Journal (Western Edition) on  
the last day of the calendar month to which the fee related (or, if not published on that day, the last day in that month that the Wall Street Journal published that rate).
- 8.6 All amounts payable under this Agreement are exclusive of all withholding tax, sales tax, value added tax, goods and services tax, consumption tax, use tax or other taxes, customs, duties and similar levies if any, payable in or to any jurisdiction or authority whatsoever (other than taxes on the net income of the relevant Party). Where any payment would otherwise require deduction of any tax, custom, duty or levy the paying Party must pay a grossed up amount such that, after any payment by the paying Party in respect of those taxes, customs, duties or levies, the Party being paid receives the amount calculated under this Agreement. The paying Party shall then promptly pay all such withholdings and shall provide to the Party being paid original receipts for such payment. The Party being paid shall refund to the paying Party any grossed up amount to the extent that it actually obtains relief, a benefit or credit including by offsetting the amount received against tax otherwise payable in respect of the withholdings paid by the paying Party promptly after receipt of that relief, benefit or credit.
- 8.7 Overdue amounts accrue interest from the relevant due date until the date that payment is received at the rate of the lesser of:
- (a) the LIBOR Rate last quoted at the relevant due date plus four percent (4%); and

(b) the greatest percentage permitted by applicable law.

9. RECORDS

- 9.1 Each of the Parties in their principal place of business must keep, maintain and preserve during the term of this Agreement and for at least four (4) years following the expiration of this Agreement, complete and accurate records covering all transactions relating to this Agreement including transaction logs.
- 9.2 Those records must be available for inspection by the other Party from time to time for four (4) years following the expiration of the agreement, during reasonable business hours and upon reasonable notice. Each Party may make copies of any part of the other Party's records and must ensure that the other Party is not hindered while inspecting or copying their records.
- 9.3 OZI may elect to conduct an audit of Teltran in relation to its compliance with this Agreement and the records it has kept in relation to it twice in any year. OZI may elect to conduct an audit of Teltran in relation to its compliance with the payment of Licence Fees under this Agreement. The auditing Party must give the other Party at least thirty (30) days' notice of any audit. For the purpose of conducting any audit, the audited Party must, at its own expense provide the auditing Party, or its independent auditors with: (a) access to its premises and office space; and (b) all information, facilities, services and accessories reasonably required by them.
- 9.4 If an audit indicates a material inaccuracy (being a variation of the greater of five percent (5%) of net amounts payable between the parties during the period covered by the audit and \$50,000.00), the party receiving the benefit of that inaccuracy must indemnify the other party for the cost of the audit.
- 9.5 If an audit indicates an inaccuracy, the Party receiving the benefit of that inaccuracy must pay to the other Party any outstanding amount
- 9.6 Without limiting the generality of clause 8.1 of the Interconnectivity and Support Agreement, Teltran shall ensure that it has the right to conduct an audit in similar terms to this clause in respect of any Reseller and shall carry out such an audit where reasonably requested by OZI on the basis that the costs of such audit shall be borne by OZI if no material inaccuracy in relation to that Reseller (being a variation of the greater of five percent (5%) or more of net amounts payable between the Reseller and Teltran during the period covered by the audit and \$50,000) is indicated.
- 9.7 Teltran shall co-operate in accessing and making available all information reasonably necessary from Resellers and Associates of Resellers and Teltran to establish compliance by Resellers with the

Required Terms and compliance by Teltran under this Agreement.

10. DOCUMENTATION

- 10.1 OZI may amend any Documentation from time to time by written notice to Teltran. OZI undertakes to make reasonable efforts to consult with OZI in relation to any proposed changes to the Operations Manual and to give at least thirty (30) days notice of such changes provided that OZI may shorten this period if, in its opinion, amendments must be made urgently to maintain the reputation, goodwill and/or integrity of the Service. OZI undertakes to act reasonably in relation to changes to the Operations Manual.
- 10.2 OZI shall supply updates to OZI Software and Documentation to reflect the appointment of new Participants and otherwise as required.
- 10.3 OZI shall provide OZI Software and Documentation either by physical delivery or by posting the same on Web pages which can be accessed by Teltran or other agreed electronic transmission.
- 10.4 OZI is not required to prepare translations of the Documentation or OZI Software into any language.
- 10.5 Teltran may prepare translations of Documentation or any part of it into any other language. Teltran must ensure that all copyright and other intellectual property rights in any translation it prepares is vested in OZI. Teltran indemnifies OZI against any loss OZI suffers as a result of any Person's use of Teltran translations.

11. TARIFFS

The Parties acknowledge that the Origination Tariff (and changes thereto) shall be calculated in accordance with Schedule 3.

12. WARRANTIES

- 12.1 Each Party warrants that it has full power to enter into this Agreement, perform its obligations under it and that the person signing this Agreement on its behalf has been duly authorised and empowered to enter into it. Each Party acknowledges that it has not been induced to enter into this Agreement by any representations or statements, oral or written, not expressly contained in it or expressly incorporated by reference.
- 12.2 Teltran and OZI must not represent or warrant to any Person that the Service or any software program or related documentation provided by or on behalf of either Party:
- (a) will meet any performance criteria or any Participant's or any Customer's requirements except to the extent it is explicitly,

or by necessary implication, stated to meet them within the Documentation;

(b) will be error free; or

(c) will not be interrupted by reason of defect in it, the general nature of Internet communications or by reason of fault on the part of any Participant.

12.3 The Parties acknowledge that because of the nature of the technology and Networks, the Call quality of Calls transmitted over it may be less than that from the normal use of the PSTN.

12.4 To the greatest extent possible under applicable law, each Party expressly waives all representations, warranties or conditions not specifically set out in this Agreement which may be available to the other Party, including but not limited to implied representations, warranties or conditions of merchantable quality or fitness for a particular purpose and those arising by statute or otherwise in law or from course of dealing or usage of trade.

12.5 Each party is responsible for the actions and omissions of its employees and agents who cause damage to the other, whether through fraud or otherwise. Each party indemnifies and holds the other party harmless from any and all damages caused by such persons.

### 13. LIMITATION OF LIABILITY

13.1 The limitation of liability provisions of this Agreement:

(a) reflect an informed voluntary allocation of the risks (known and unknown) that exist in connection with the provision of goods and services under this Agreement by OZI including the performance of the Service;

(b) take precedence over and apply notwithstanding any other provisions of this Agreement; and

(c) form a material part of the agreement reached between the Parties.

13.2 TO THE EXTENT PERMISSIBLE BY LAW, OZI HAS NO LIABILITY UNDER OR IN RESPECT OF THIS AGREEMENT EXCEPT AS SET OUT IN IT OR IN THE INTERCONNECTIVITY AND SUPPORT AGREEMENT.

### 14. TERM AND TERMINATION

14.1 This Agreement commences on the date of execution by the last of the Parties and continues in effect for a period of three (3) years from that date, unless otherwise terminated pursuant to the terms of this

Agreement.

14.3 This Agreement may be terminated:

- (a) by Teltran, for a material breach of this Agreement by OZI, at Teltran option, upon written notice if OZI has not cured the breach within thirty (30) days after receiving written notice;
- (b) by OZI, for a material breach of this Agreement by Teltran, at OZI's option, upon written notice if Teltran has not cured a material breach within thirty (30) days of receiving written notice; and
- (c) by either Party, upon the other Party coming under any form of administration or relief relating to insolvency.

14.4 On termination and without prejudice to any other rights which the Parties may have:

- (a) each Party must immediately deliver to the other Party, the other Party's Confidential Information then in its possession or control, if any, and must deliver a certificate of an officer of such Party attesting that all Confidential Information has been returned;
- (b) each Party must not make any further use of the other Party's Confidential Information;
- (c) each Party must immediately pay all sums owing to the other under this Agreement or as they subsequently become due hereunder; and

14.5 Clauses 2.4, 2.6, 9, 12, 13, 14, 15, 16, 17, 18 and 20 shall survive any termination or expiration of this Agreement.

14.6 Within thirty (30) days of any termination or expiration of this Agreement, Teltran must, at its cost, return to OZI or destroy all copies of OZI Software (other than Software embedded in hardware), and must not, and has no implied license to, in any way utilise OZI's Intellectual Property Rights, PROVIDED THAT if the Agreement is terminated as a result of a default of OZI, Teltran shall be allowed a period of two (2) months' grace to comply with this clause.

15. CONFIDENTIALITY

15.1 Each Party may use the Confidential Information of a disclosing Party only for the purposes of this Agreement and must keep confidential all Confidential Information of each disclosing Party except to the extent (if any) the recipient of any Confidential Information is required by law to disclose the Confidential Information.

15.2 Either Party may disclose Confidential Information of the other Party to those of its employees and agents who have a need to know the Confidential Information for the purposes of this Agreement but only if the employee or agent executes a confidentiality undertaking in a form approved by the other Party, such approval not to be unreasonably withheld.

15.3 This clause survives the termination of this Agreement.

## 16. OWNERSHIP OF PROPRIETARY RIGHTS

16.1 Teltran does not acquire any rights in, title to or interest in OZI Software or related Documentation, except as explicitly set out in this Agreement. Specifically, OZI does not grant Teltran rights to create any translations, adaptations or derivative works of OZI Software except as contained in this Agreement.

16.2 Teltran acknowledges that OZI may sell or otherwise dispose of all or part of the technology underlying the Service or its rights to that technology to a third party, and that nothing in this Agreement prevents or restricts OZI from so doing.

## 17. INDEMNIFICATION

17.1 Teltran indemnifies OZI against any and all claims and liabilities, including but not limited to reasonable legal fees, resulting from:

- (a) any claim that would otherwise have been unsuccessful but for Teltran modifications (not approved in writing by OZI) to the Service; and
- (b) any claim based upon Teltran or any Customer's use of the Service otherwise than in accordance with this Agreement.

## 18. PUBLICITY

Teltran and OZI must cooperate regarding public relations activities, including public announcements, joint press releases, and other activities to be mutually agreed.

## 19. INTERDEPENDENCE WITH INTERCONNECTIVITY AND SUPPORT AGREEMENT

19.1 This Agreement shall have no force and effect unless and until the Interconnectivity and Support Agreement becomes binding between the parties.

19.2 Any default under the Interconnectivity and Support Agreement by Teltran shall constitute a default under this Agreement by Teltran and any default under the Interconnectivity and Support Agreement by OZI shall be deemed to constitute a default under this Agreement by OZI.

19.3 Any circumstance justifying Teltran in terminating the Interconnectivity and Support Agreement shall justify Teltran in terminating this Agreement and any circumstance justifying OZI in terminating the Interconnectivity and Support Agreement shall justify OZI in terminating this Agreement.

20. GENERAL PROVISIONS

Co-operation

20.1 The Parties must co-operate with each other to fulfil the purpose of this Agreement. Each Party must provide all reasonable assistance to the other (except as between the Parties) in relation to the conduct of any litigation related to this Agreement. The costs of that assistance must be borne by the Party receiving the benefit of that litigation.

Notices

20.2 Any notice required for or permitted for this Agreement must be delivered as follows with notice deemed given as indicated:

- (a) in writing by personal delivery when delivered personally;
- (b) in writing by overnight courier upon written verification of receipt;
- (c) by telecopy or fax transmission when confirmed by telecopier or fax transmission report;
- (d) in writing by certified or registered mail, return receipt requested, upon verification of receipt; or
- (e) by receipted electronic email to an email address of the other Party nominated for the receipt of notices under this Agreement.

All notices must be sent to the Parties at the addresses described above or to any other address that the receiving Party notifies for the purpose of notice in accordance with this clause.

Assignment

20.3 This Agreement is not assignable or transferable by Teltran except as expressly set out herein, without the prior written consent of OZI, which consent shall not be unreasonably withheld or delayed. Any attempt to assign this Agreement without that consent is void. Teltran shall not suffer or allow a change in control (without the prior written consent of OZI, which consent shall not be unreasonably withheld or delayed in any circumstance where an assignment of Teltran interest in this Agreement to the Person acquiring control would not be

permitted under this Agreement.

#### Agency

- 20.4 Neither Party is an employee or agent of the other Party. In particular, any work performed by OZI in connection with this Agreement is performed by OZI as an independent contractor, and not as an employee or agent of Teltran. Nothing contained in this Agreement will be interpreted or construed as to characterise the relationship between OZI and Teltran as a joint venture, partnership or franchise for any purpose. Neither Party has the authority to, and neither Party shall, make any representation, prepare documents or statements on behalf of, or in the name of the other Party, give any warranties, accept any orders, enter into a contract on behalf of the other Party, or obligate the other Party in any manner, unless expressly authorised to so by this Agreement or in writing by the other Party.

#### Waivers And Amendments

- 20.5 No failure to exercise, and no delay in exercising, on the part of either Party, any privilege, any power or any rights under this Agreement will operate as a waiver of them, nor will any single or partial exercise of any right or power under this Agreement preclude further exercise of any other right under it. Any waivers or amendments are effective only if made in writing by non-pre-

printed agreements clearly understood by both Parties to be an amendment or waiver and signed by a representative of the respective Parties authorised to bind the Parties.

#### Severability

- 20.6 If any provision of this Agreement is held to be invalid or unenforceable, then the remaining provisions shall continue in full force and effect.

#### Consequence of Breach of the Other Party

- 20.7 If a Party breaches a term of this Agreement then to the extent that such breach renders compliance with any obligation by the other Party impossible, impractical or futile, the other Party shall be relieved from compliance with that obligation unless and until the breach is rectified.

#### Governing Law

- 20.8 This Agreement is governed by the laws in force in New South Wales. Each of the Parties agree that the courts of New South Wales have jurisdiction over the subject matter of this Agreement and constitute the most convenient forum for hearing any proceedings arising out of



any dispute between the Parties.

20.9 Teltran hereby appoints [An Officer of the Company] of [Address] as its agent for the service of all documents, notices and legal proceedings and the service of all documents, notices and legal proceedings on [Officer of the Company] will be deemed to be served on Teltran.

20.10 The application of the United Nations Convention for the International Sale of Goods is expressly disclaimed.

20.11 The prevailing Party in any action to enforce this Agreement is entitled to recover costs and expenses including, without limitation, legal fees.

#### Force Majeure

20.12 An obligation of a Party under this Agreement is suspended during any period in which it is unable to perform that obligation for any reason beyond the reasonable control that Party or its Associates, including but not limited to, acts of God, earthquake, labor disputes and strikes, riots, war, governmental requirements and the actions or omissions of the other Party (force majeure event). If the force majeure event extends for more than twenty one (21) days and there is an actual or threatened material disadvantage to either Party, it may, at its option, terminate this Agreement.

#### Entire agreement

20.13 This Agreement including its Schedules constitutes the entire agreement between the Parties with respect to its subject matter except as set out herein. This Agreement supersedes, and the terms of this Agreement govern any other prior or collateral agreements with respect to its subject matter with the exception of the Telecommunications Services Agreement (including Schedules a through d) executed between Teltran and OZI 12 December 97 and any other subsequent agreements which may be entered into regarding the current re-filing relationship between Teltran and OZI. Any amendments to this Agreement must be in writing and executed by an officer of the Parties.

20.14 This Agreement has precedence over the Documentation to the extent of any inconsistency.

20.15 To the extent that any applicable law prohibits any provision of this Agreement:

- (a) that provision is to be read down to the extent necessary to comply with that law; and
- (b) the parties shall negotiate in good faith to modify this Agreement in good faith in a manner reasonably appropriate to meet with the requirements of any applicable law.

Teltran must keep OZI informed of any such laws and their effect.

20.16 To the extent this Agreement is inconsistent with Interconnectivity and Support Agreement, the terms of the Interconnectivity and Support Agreement shall prevail.

Executed by the Parties:

Teltran

OZEMAIL INTERLINE PTY LIMITED  
(ACN 078 742 891)

By: /s/ Bryon R. Lerner

By: /s/ J.B. Rousselot

Name: Byron R. Lerner

Name: J. B. Rousselot

Title: President, and CEO

Title: Director and CEO

Date: 10/2/98

Date: 10/19/98

## Telecommunications Services Agreement

THIS AGREEMENT is made this 15th day of October, 1998

BETWEEN: TELTRAN INTERNATIONAL, INC. a Delaware Corporation with its principal offices at One Penn Plaza, Suite 4632, New York, NY 10119 ("Teltran").

AND: OZEMAIL INTERLINE PTY LIMITED (ACN 078 742 891) ("Customer") with its principal offices at OzEmail Centre, 39 Herbert Street, St Leonards NSW 2065.

### Introduction

Customer desires to purchase telecommunications services from Teltran and Teltran desires to sell such services to Customer.

### Agreement

#### 1. Services Provided

- 1.1 In accordance with the terms and conditions of this Agreement, Teltran shall provide carrier telecommunication services as set out in Schedule A (the "Services") to Customer.
- 1.2 Services to be provided shall be limited to those countries set out in Schedule B unless otherwise agreed. Teltran shall have the right to change the countries set out in Schedule B upon seven (7) days written notice to Customer ("Change of Country Notice".)

#### 2. Term

- 2.1 Subject to clause 6, this Agreement shall be deemed to have commenced on the date above which shall be the same as the commencement date for the USA Interconnectivity and Support Agreement and the USA Intellectual Property License Agreement signed between the Parties (the "Commencement Date") and continue for a period of twenty four (24) months. This Agreement shall be independent of the other Agreements mentioned in this section but all three will begin on the same date and run concurrently until such time that they are terminated in accordance with the provisions contained in each.
- 2.2 Subject to clause 6, this Agreement shall thereafter continue on the same terms and conditions, on a month to month basis unless either party notifies the other party in writing not less than sixty (60) days prior to the expiration date of its desire to terminate this Agreement.

3. Commitment
- 3.1 Customer agrees to use and accept the Services at the rates set out in Schedule B.
- 3.2 Teltran shall have the right to change the rates set out in Schedule B upon seven (7) days written notice to Customer ("Change of Rate Notice".)
- 3.3 This Agreement is not contingent on any minimum traffic volumes. Without limitation, Customer reserves the right, at its absolute discretion, to reduce or suspend traffic to any country or countries to which Teltran supplies the Services.

4. Technical Requirements

- 4.1 In order to utilise the Services, a connection between Customer's network and the Teltran network at the Teltran point of presence facility set out in Schedule A ("Teltran POP") has been established ("Service Interconnection"). Teltran shall maintain the Service Interconnection facilities set out in Schedule A, as modified by Customer from time to time subject to Teltran approval. Such approval shall not be withheld to the extent that the modification does not result in the facilities comprising equipment other than Voice Interface Nodes (VIN's) and/or DS-1 facilities.
- 4.2 To the extent that the Service Interconnection facilities referred to in clause 4.1 are housed at the Teltran POP, Teltran shall:
- (a) allow Customer or third parties authorised by Customer access to the Teltran POP for the purposes of maintaining, modifying or updating the Service Interconnection facilities; and
  - (b) use reasonable endeavours, being no less than the efforts used in respect of its equipment at the Teltran POP, to maintain a secure environment and appropriate conditions for the operation of the Service Interconnection (including the Service Interconnection facilities).
- 4.3 Save for the cost of provision and maintenance of the Service Interconnection facilities referred to in clause 4.1, the fees payable under clause 5.1 and Taxes payable under clause 10, Customer shall have no other liability to Teltran whatsoever (including the reimbursement of any costs or expenses incurred by Teltran) in relation to the provision of the Services. Without limitation, Teltran shall not incur any costs or expenses on Customer's behalf, nor enter into any third party agreements or arrangements which places obligations on Customer, without the prior written consent of Customer.

4.4 Teltran shall pay all applicable settlements with overseas correspondents and payments under any intercarrier arrangement related to the Services provided to Customer under this Agreement.

## 5. Billing

5.1 Customer shall pay Teltran for Services provided in accordance with the rates set out in Schedule B on the basis that billable calls will be rounded to the next higher six seconds with a minimum billing period of thirty seconds, except where rates are listed on Schedule B based upon one minute billing periods (as shown in that Schedule) in which case the length of the billable call will be rounded to the next higher one minute interval.

5.2 Teltran shall deliver via facsimile or email transmission to Customer a summary invoice and traffic report with Call Detail Records (CDR's) to the Customer for

each calendar week, which invoice and report shall set forth the actual amount and cost of services rendered to Customer during the immediately preceding week according to Teltran's records.

5.3 Such invoice may also contain any appropriate debits or credits to previous invoices rendered to Customer. Upon receipt of the invoice the Customer shall, within two (2) business days of the date of the invoice, deliver the invoice amount (to the extent that it is not disputed) without any deductions or offsets of any kind via wire transfer for deposit in Teltran's account.

5.4 Any billing discrepancies shall be presented to Teltran in reasonable detail in writing within 30 days of the date of the invoice in question. If Teltran fails to reply in writing regarding the billing discrepancy within 30 days, the disputed amount shall be deemed valid and accepted by Teltran. Both parties shall endeavour to resolve all disputes within 60 days.

5.5 Both parties agree to act in good faith to resolve billing disputes between each other. If within sixty (60) days a dispute is not resolved, both parties agree to immediately resolve disputes with binding arbitration with respect to any and all proceedings. Any such proceeding shall be pursuant to the rules of the American Arbitration Association as they are applicable to the immediate resolution of disputes brought forward. A single arbitrator, who must be knowledgeable in the telecommunications industry, will be utilised in any proceedings. The arbitrator shall be empowered to promptly adjudicate and determine each proceeding in law and/or in equity, and must determine who the prevailing Party is within ten (10) days after

the matter has been referred to arbitration under this clause. Judgment upon the reward will be final and may be entered in any Federal or State Court, in the State of New York, having jurisdiction over the relevant Party. Both Parties agree to immediately comply with the judgment having been entered and/or confirmed.

- 5.6 If Customer does not make payments due in respect of invoices rendered in accordance with this clause 5 by the due date on a regular basis (save where the amount rendered is in dispute),

Teltran may request Customer to provide a Letter of Credit for an amount not to exceed the average invoice amount during the previous month.

For the purposes of this clause, Customer shall be deemed not to have made payment on a regular basis where it is late in making payment of:

- (a) 3 consecutive invoices; or
- (b) 3 invoices in any eight week period.

- 5.7 Teltran may offset against the Letter of Credit any amounts due under this Agreement (save to the extent that they are in dispute) that are unpaid ten (10)

business days from the due date unless express agreement has been reached by the parties.

## 6. Termination

- 6.1 Either Party may terminate this Agreement and suspend the performance of any of its obligations hereunder if:

- (a) The other Party fails to perform or observe any material term, condition or agreement to be performed or observed by it hereunder and fails to cure the same within thirty (30) days after receipt of written notice hereof;
- (b) It has terminated either or both of the USA Interconnectivity and Support Agreement and the USA Intellectual Property License Agreement of even date;
- (c) The other Party ceases doing business as a going concern, makes an assignment for the benefit of creditors, admits in writing to its inability to pay its debts as they become due, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or an insolvent, files a petition seeking for itself any reorganisation, arrangement, composition, readjustment,

liquidation, dissolution or similar arrangement under any present or future statute, law or regulation or files an answer admitting the material allegations of a petition filed against it in any such proceeding, consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of it or of all or any substantial part of its assets or properties, or it or its shareholders shall take any action looking to its dissolution or liquidation; or

(d) A petition in bankruptcy is filed against the other Party and is not dismissed within sixty (60) days of being filed or, without the Party's consent or acquiescence, a trustee, receiver or liquidator of it or of all or any substantial part of its assets and properties is appointed and such appointment is not vacated within thirty (30) days thereafter.

6.2 Customer may terminate this Agreement by giving written notice to Teltran sixty (60) days prior to Customer's desired termination date.

6.3 Teltran may terminate this Agreement by giving written notice to Customer sixty (60) days prior to its intention to do so.

6.4 Upon termination:

(a) Customer will be billed for and shall pay within fourteen (14) days after such Termination the total outstanding charges due; and

(b) Teltran shall have the right to offset against the Letter of Credit (if any) any amount not paid under clause 6.4(a) (unless in dispute) and shall cancel the Letter of Credit and return it to Customer within 30 days of termination.

7. Representations of Parties

7.1 Each party shall comply at all times with all laws and regulations applicable to the sale and provision of Services to its users and end-users.

8. Disclaimer of Warranties

8.1 Save to the extent obligations are specifically imposed on it by this Agreement, Teltran (including its subsidiaries, affiliates, predecessors, successors and assigns) makes no warranties, express or implied, and specifically disclaims any warranty of merchantability or fitness for a particular purpose with respect to services or products provided pursuant to this Agreement.

- 8.2 In no event shall either Party be liable for consequential, special or indirect damages or lost profits sustained by reason of its performance of this Agreement, or for any failure, breakdown, or interruption of service, whatever shall be the cause, or however long it shall last, and regardless of whether any one has been advised of the possibility of such damages.
- 8.3 Regardless of the nature of any claim or the form of any action which may be brought against Teltran as a result of or arising out of any errors or omissions which Teltran may make or may result in providing the Services for Customer, Teltran's sole liability and obligation to Customer, except in the case of claims arising out of intentional and wrongful acts of Teltran, shall be to use commercially reasonable efforts to investigate and, to the extent reasonably practicable and within the reasonable control of Teltran, correct the circumstances that caused such errors. Teltran shall not be liable for any loss or damages sustained by reason of any failure or interruption of Services covered by this Agreement, nor shall Teltran provide Customer with any credits to be applied against future amounts due, whether such loss or damage arises because of breakdown of equipment or because of any other reason except where caused by intentional and wrongful acts of Teltran. Teltran's liability hereunder shall under no circumstances be greater than the amount of fees paid by Customer for the Services with respect to which the error or omission occurred.
- 8.4 Except as provided for herein, neither Party shall have liability for damages caused by the other Party's failure to perform its responsibilities under this Agreement.
- 8.5 The limitations of liability herein shall apply regardless of the form of action, whether in contract, tort, warranty, strict liability, or negligence. This Agreement does not create any claim or right of action, nor is it intended to confer any benefit on any third party, including but not limited to any user or end-user of Customer.
- 8.6 The limitations set forth in this clause 8 shall survive termination of this Agreement.

## 9. Indemnity

- 9.1 A Party (the indemnifying Party) shall indemnify and hold harmless the other Party (the indemnified Party), its officers, directors, employees and agents, against and from any liability, loss, damage, cost and expense (including attorneys' fees and costs of litigation) arising out of or in connection with any claim or action which any person or entity (other than the other Party) may file or threaten to file against either party or its officers, directors, employees or agents arising from the actions or agreements of such indemnifying party or from a



breach of this Agreement by the indemnifying Party. The indemnification provided herein shall survive the termination of this Agreement and the termination of any Service provided pursuant to this Agreement. Notwithstanding any other provision of this Agreement, the officers, directors, employees and agents of either Party shall have no liability to the other Party, or any affiliate of the other Party, under this Agreement or in connection with the Services to be provided hereunder. A Party shall have no obligation of indemnity in any particular circumstance if pursuant to the terms of the Agreement such Party has no direct liability or its liability is limited in such circumstances. For example, pursuant to Clause 8.3 (save to the extent stated in that clause), Teltran shall have no obligation to Customer for any interruption in Services and consequently has no indemnity obligation to Customer arising from such interruption.

## 10. Taxes

10.1 The rates set forth in Attachment B are exclusive of any applicable taxes assessed by any governmental entity arising as a result of the provision of Services by Teltran to Customer under this Agreement (collectively, the "Taxes") which shall be charged to Customer.

10.2 In addition to all other fees and amounts payable hereunder, Customer shall be solely responsible for the payment of any and all Taxes save to the extent it provides Teltran with appropriate tax exemption documentation or is otherwise exempt from the requirements to pay the Taxes.

10.3 Customer shall be responsible for the collection of all applicable taxes and fees from Customer's customers ("End Users") and for the remittance of such taxes and fees to the relevant governmental authority.

## 11. Interfacing and Communication with End-Users

11.1 Interfacing and communicating with end-users shall be the sole responsibility of Customer with respect to any use that Customer may make of the Services provided pursuant to this Agreement to in turn provide service to other persons or entities. Such interfacing and communicating shall include without limitation installation of service, termination of service, placing of orders, billing and billing inquiries, reporting of service outages and problems, collection of charges and handling and resolution of all disputes.

## 12. Customer's Use of Service

12.1 Customer may use the Services provided pursuant to this Agreement for any lawful purpose consistent with the transmission and switching

parameters of its telecommunications network, and may resell its use (or the use of any part thereof) to a third party in the normal course of the Customer's business, subject to the following:

- (a) Abuse - The abuse of the Services is prohibited. The following activities constitute abuse:
  - (1) Using the Services to make calls that might reasonably be expected to frighten, abuse, torment, or harass another, or
  - (2) Using Service in such a way that it interferes unreasonably with the use of Services or Teltran's network by others.
  
- (b) Fraudulent Use - The fraudulent use of, or the intended or attempted fraudulent use of, the Services is prohibited. The following activities constitute fraudulent use:
  - (1) Using Services to transmit any message or code, locate a person, or otherwise give or obtain information, without payment for Service, or
  - (2) Using or attempting to use Service with the intent to avoid the payment, either in whole or in part, of any charges by any means or device.

12.2 Where Teltran believes in good faith that there is fraudulent use of Services under clause 12.1(b), Teltran may, after written notice to the Customer and if such conduct is not rectified within a reasonable period after receipt of such notice, and without liability on the part of Teltran, restrict, suspend, or discontinue providing the relevant Service.

### 13. Confidentiality

13.1 Both parties shall mark as confidential all information provided by each party to the other, which is considered by the disclosing party to be confidential information. The party receiving such confidential information shall not

- (a) use any portion of such confidential information other than in connection with performance under this Agreement; or
- (b) disclose such confidential information to any third party, except to the extent required by law, to a government agency or department or to enforce its rights under this Agreement.

13.2 The obligations to protect confidential information under clause 13.1 shall remain in effect except to the extent that:

(a) such confidential information becomes generally available to the public; and

(b) such confidential information was developed by the receiving party independently of disclosure hereunder.

#### 14. Assignment

14.1 Neither party may assign this Agreement in whole or in part without the prior written consent of the other party which shall not be unreasonably withheld or delayed.

14.2 Clause 14.1 shall not restrict Customer's ability to resell the Services.

#### 15. Independent Parties

15.1 The relationship established by the Agreement shall in no way constitute either party (or its agents or employees) as a partner, agent or fiduciary of the other party. The provision of service described in this Agreement does not establish any joint undertaking, joint venture or fiduciary relationship between Teltran and Customer.

#### 16. Force Majeure

16.1 Neither party nor its affiliates, subsidiaries, subcontractors or agents shall be liable in any way for delay, failure in performance, loss or damage due to causes beyond its reasonable control including any of the following: fire, strike, embargo, explosion, power blackout, earthquake, volcanic action, flood, war, water, the elements, labour disputes, civil or military authority, act of God, or acts of the public enemy.

#### 17. Severability

17.1 If any proportion of this Agreement shall be found to be invalid or unenforceable, such portion shall be void and of no effect, but the remainder of the agreement shall continue in full force unless the Agreement fails in its essential purpose without the voided portion.

#### 18. Notices

18.1 All notice, identifications, formal requests or other formal communications required or desired to be given in connection with this agreement, shall be in writing and shall be effective when delivered in person, mailed by registered or certified post or sent by telex or facsimile ("fax") to the recipient party, unless the parties otherwise

agree in writing. Notice shall be addressed to the following

(a) If to Teltran:

Mr Peter Biagioli  
Teltran International, Inc.  
One Penn Plaza, Suite 4632

New York NY 10119

(b) If to Customer:

Mr Andrew Cowling  
OzEmail Interline Pty Limited  
Level 1, CSC House  
39 Herbert Street  
St Leonards NSW 2065

19. Compliance with Laws

19.1 Each party is responsible for its own compliance with all laws and regulations affecting its business, including but not limited to the collection and remittance of all taxes and other levies imposed by law.

20. Choice of Law

20.1 The domestic law of the State of New York, except its conflict-of-law rules, shall govern the construction, interpretation and performance of the Agreement.

21. Jurisdiction

21.1 Each party hereby irrevocably consents to the jurisdiction of the courts of the State of New York in connection with all disputes, controversies, claims and actions arising in connection with or relating to this Agreement and agrees that such courts shall be sole and exclusive jurisdiction of such disputes, controversies, claims and action. Each party hereby waives personal service of any summons, complaint or other process and agrees that the service thereof may be made by certified or registered mail directed to such party at the address for notice pursuant to Clause 18 above.

Executed as an Agreement

TELTRAN INTERNATIONAL, INC.

By: /s/ Byron R. Lerner  
-----

Byron R Lerner  
President & CEO

Date:10/15/98

OZEMAIL INTERLINE PTY LIMITED

By: /s/ J.B. Rousselot

-----  
J.B. Rousselot  
CEO

Date:10/19/98

Teltran International Group, Ltd.

SCHEDULE OF SUBSIDIARIES

Name -----	State of Incorporation -----	Percentage Ownership -----
Teltran International	Delaware	100%

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Teltran International Group, Ltd.

We hereby consent to the use of our certified financial statement and to all references to our firm included in or made part of this Form 10-SB.

/s/ Liebman Goldberg & Drogin, LLP  
-----  
Liebman Goldberg & Drogin, LLP

Garden City, NY

March 24, 1999

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This schedule contains summary financial information extracted from the Audited Consolidated Balance Sheet and Statement of Operations as of and for the year ended December 31, 1998 and is qualified in its entirety by reference to such financial statements.

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