

**This document is a sample Confidential Private Placement Offering Memorandum.
It is not to be used or construed to be a legally appropriate document. You must consult your attorney.**

**CONFIDENTIAL PRIVATE OFFERING MEMORANDUM
ACCREDITED INVESTORS ONLY**

GRF INFORMATION SYSTEMS, INC.

Up to 34 Units Each Consisting of 50,000 Shares of Series A Convertible Preferred Stock at a Price of \$30,000 per Unit.

GRF Information Systems, Inc., a Texas corporation (the "Company") is offering for sale to persons who qualify as "accredited investors" up to 34 units (the "Units"), each unit consisting of 50,000 Series A Preferred Stock (no par value) of the Company at a purchase price of \$30,000 per Unit.

THE SECURITIES OFFERED HEREBY ARE HIGHLY SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK AND SHOULD NOT BE PURCHASED BY ANYONE WHO CANNOT AFFORD THE LOSS OF HIS ENTIRE INVESTMENT. (SEE "RISK FACTORS") THE SHARES ARE BEING OFFERED WITHOUT REGISTRATION IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") AND REGULATION D PROMULGATED THEREUNDER. THIS MEMORANDUM HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE STATEMENTS IN THIS MEMORANDUM THAT MAY BE CONSIDERED FORWARD LOOKING ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED, INCLUDING UNCERTAINTIES IN THE MARKET, PRICING, COMPETITION AND OTHER RISKS DETAILED HEREIN.

THE SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE 1933 ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

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The Date of this Confidential Private Placement
Memorandum is November 13, 2002

THE SALE, TRANSFER OR OTHER DISPOSITION OF THE SECURITIES PURCHASED PURSUANT TO THIS MEMORANDUM IS RESTRICTED BY APPLICABLE FEDERAL AND STATE SECURITIES LAW.

THIS OFFERING IS MADE, AND SALES OF SHARES WILL BE MADE, ONLY TO PURCHASERS WHO QUALIFY AS "ACCREDITED INVESTORS" UNDER REGULATION D PROMULGATED UNDER THE ACT.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY OTHER THAN THE SECURITIES OFFERED HEREBY, NOR DOES IT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OF SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO.

THIS OFFERING IS SUBJECT TO WITHDRAWAL, CANCELLATION OR MODIFICATION BY THE COMPANY WITHOUT NOTICE. THE COMPANY RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART FOR ANY REASON OR TO ALLOT ANY SUBSCRIBER LESS THAN THE NUMBER OF SHARES DESCRIBED.

OFFICERS, DIRECTORS AND SHAREHOLDERS OF THE COMPANY AND THEIR AFFILIATES MAY PURCHASE SHARES PURSUANT TO THIS OFFERING.

THE PRICE OF THE SECURITIES OFFERED HEREBY HAS BEEN DETERMINED BY THE COMPANY AND DOES NOT NECESSARILY BEAR ANY RELATIONSHIP TO THE ASSETS, BOOK VALUE OR POTENTIAL PERFORMANCE OF THE COMPANY OR ANY OTHER RECOGNIZED CRITERIA OF VALUE.

THE INFORMATION CONTAINED IN THIS MEMORANDUM IS BEING FURNISHED TO PROSPECTIVE ACCREDITED INVESTORS SOLELY FOR SUCH INVESTORS' CONFIDENTIAL USE WITH THE EXPRESS UNDERSTANDING THAT, WITHOUT PRIOR EXPRESS PERMISSION OF THE COMPANY, SUCH PERSON WILL NOT RELEASE THIS DOCUMENT OR DISCUSS THE INFORMATION CONTAINED HEREIN OR MAKE REPRODUCTIONS OF OR USE THIS MEMORANDUM FOR ANY PURPOSE OTHER THAN AN EVALUATION OF A POTENTIAL INVESTMENT IN THE SHARES AND, IN THE EVENT SUCH PROSPECTIVE INVESTOR ELECTS NOT TO INVEST, SUCH PERSON WILL RETURN THIS MEMORANDUM TO THE COMPANY.

OFFEREEES MAY, IF THEY SO DESIRE, MAKE INQUIRIES OF THE COMPANY WITH RESPECT TO THE COMPANY'S BUSINESS OR ANY OTHER MATTERS RELATING TO THE COMPANY AND AN INVESTMENT IN THE SECURITIES OFFERED HEREBY, AND MAY OBTAIN ANY ADDITIONAL INFORMATION WHICH SUCH PERSONS DEEM TO BE NECESSARY IN CONNECTION WITH MAKING AN INVESTMENT DECISION IN ORDER TO VERIFY SUCH INFORMATION. IN CONNECTION WITH SUCH INQUIRY, ANY DOCUMENTS WHICH ANY OFFEREE WISHES TO REVIEW WILL BE MADE AVAILABLE FOR INSPECTION AND COPYING OR PROVIDED UPON REQUEST, SUBJECT TO OFFEREE'S AGREEMENT TO MAINTAIN SUCH INFORMATION IN CONFIDENCE AND TO RETURN THE SAME TO THE COMPANY IF THE RECIPIENT DOES NOT PURCHASE THE SECURITIES OFFERED HEREUNDER. ANY SUCH REQUESTS FOR ADDITIONAL INFORMATION OR DOCUMENTS SHOULD BE MADE IN WRITING TO THE COMPANY, ADDRESSED AS FOLLOWS: GRF INFORMATION SYSTEMS, INC., 1004 MOPAC CIRCLE, SUITE 200, AUSTIN, TX 78746.

NO PERSON, OTHER THAN AS PROVIDED FOR HEREIN, HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM IN CONNECTION WITH THE OFFER BEING MADE HEREBY, AND IF GIVEN OR

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MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY.

THE STATEMENTS CONTAINED HEREIN ARE BASED ON INFORMATION BELIEVED BY THE COMPANY TO BE RELIABLE. NO WARRANTY CAN BE MADE THAT CIRCUMSTANCES HAVE NOT CHANGED SINCE THE DATE SUCH INFORMATION WAS SUPPLIED. THIS MEMORANDUM CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF DOCUMENTS RELATING TO THE PURCHASE OF THE SHARES, AS WELL AS SUMMARIES OF VARIOUS PROVISIONS OF RELEVANT STATUTES AND REGULATIONS, WHICH ARE AVAILABLE UPON REQUEST.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, INVESTMENT OR TAX ADVICE. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR ADVISORS AS TO LEGAL, INVESTMENT, TAX AND RELATED MATTERS CONCERNING AN INVESTMENT BY SUCH PROSPECTIVE INVESTORS IN THE COMPANY.

JURISDICTIONAL ADVICE

For Residents of All States:

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WOULD BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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OFFERING SUMMARY

Securities Offered.....	34 Units, each Unit consisting of 50,000 shares of Series A Convertible Preferred Stock (no par value) of the Company at a unit purchase price of \$30,000. Each share of the Company's Series A Convertible Preferred Stock (no par value) is convertible under certain circumstances into 50,000 shares of the Common Stock (\$0.0001 par value) of the Company; however, the minimum purchase is one Unit. Partial Units may be sold at the discretion of the Company. The minimum number of Units that must be sold is 20 for the Private Placement to become effective. If all Units are sold, the gross proceeds from this offering will be \$1,020,000 and if only the minimum of 20 Units are sold, the proceeds will be \$600,000. The Company may offer up to an additional 500,000 shares (10 units) to cover over-subscriptions, if the additional units are sold, the proceeds will be \$1,320,000.
Risk Factors.....	The securities offered hereby are highly speculative and involve a high degree of risk and should not be purchased by anyone who cannot afford the loss of their entire investment. Prospective investors should carefully review and consider the factors set forth in the section of this memorandum titled RISK FACTORS, as well as the other information contained herein, before subscribing for any of the shares.
Registration Rights.....	The Company will include the Common Stock underlying the Series A Convertible Preferred in any registration statement filed by the Company under the Securities Act of 1933, as amended in connection with the initial public offering of the Company's Common Stock (\$0.0001 par value), if and when such initial public offering is made by the Company. Notwithstanding any such registration, each investor shall not sell or offer to sell any of the shares of the Series A Preferred Stock nor any of the Common Stock into which the Series A Preferred Stock is convertible for a period of six month following the completion of an initial public offering. (SEE EXHIBIT B ATTACHED TO THIS MEMORANDUM)
Securities Outstanding.....	Prior to this offering, the Company had 12,000,000 shares of Common Stock (\$0.0001 par value) issued and outstanding and an additional 3,000,000 shares of its Common Stock reserved for issuance under the Company's 2002 Long Term Incentive Plan. Upon completion of this offering, the Company will have outstanding 12,000,000 shares of Common Stock and 1,700,000 shares of Series A Convertible Preferred Stock (convertible into an equal number of shares of Common Stock) and 3,000,000 Common Shares authorized and reserved under the company's 2000 incentive stock option plan.
Use of Proceeds.....	The net proceeds to the Company from the sale of the Units will be approximately \$1,000,000 after the deduction of fees

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and expenses of this offering, if all 34 Units are sold. If the minimum of 20 Units are sold, the net proceeds to the Company will be approximately \$600,000. The Company intends to use all or a part of the net proceeds of this offering for the hiring of key technical staff, development and launch of GRF Information Systems, Inc.'s products and related technology, certain marketing expenses and the balance for working capital, organizational expenses and general corporate purposes. (SEE SECTION OF THIS MEMORANDUM TITLED USE OF PROCEEDS)

Offering Period..... The offering will commence on November 1, 2002 and conclude on December 15, 2002, unless extended at the discretion of the Company, or the offering is fully subscribed prior to that date.

Investor Sustainability..... Only investors who are accredited investors, as defined in Regulation D under the Securities Act, are permitted to subscribe to this Offering. Each investor must execute a Subscription Agreement in the form set forth in Exhibit A. (SEE SECTION OF THIS MEMORANDUM ENTITLED INVESTOR SUITABILITY)

Restriction on Disposition of Shares..... The disposition of shares covered by this Offering is significantly restricted under the Registration Rights Agreement and the terms of the offering. (SEE SECTION OF THIS MEMORANDUM ENTITLED RESTRICTIONS ON DISPOSITION OF SHARES)



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USE OF PROCEEDS

The net proceeds to the Company from the sale of the shares in this offering will be \$1,020,000. Certain legal, accounting, printing and filing fees incurred in connection with the preparation of the offering materials and making required filings with governmental agencies will be paid by the Company from the gross proceeds of this offering. The Company intends to use all or a part of the net proceeds of this offering for the hiring of key technical staff, development and launch of GRF Information Systems, Inc.'s products and related technology and for marketing expenses and the balance for working capital, organizational expenses and general corporate purposes. Furthermore, the Company may determine at any time that the use of the net proceeds of the offering would be more appropriately or strategically applied to other requirements of the Company.



COMPANY OVERVIEW

In this section, you should describe your company including a general overview of the company and products, the market, the market size, the market segments and the market growth. Additionally, you should include market research performed, pricing, an economic model, direct and indirect competitors, differentiation, customer pain and needs, value proposition, risk, partners, stage of development, financial overview (historical and projected) management and board of directors.



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ADDITIONAL INFORMATION

This section should include the Company address and contact information as well as legal counsel and contact information.



SUBSCRIPTION PROCEDURES

The minimum subscription is one Unit. The Company, in its sole discretion, may accept subscriptions for fractional Units. The Offering commences November 13, 2002 and expires December 15, 2002. The Company may offer up to an additional 500,000 shares to cover over-subscriptions if any.

All subscription funds will be deposited in an escrow account at Big Time Bank, Austin, Texas, until the earlier of the closing of the Offering, the rejection of the subscription or the termination of the Offering. No interest will be paid to any potential investors on funds deposited in the escrow account. Accordingly, subscribers may lose the use of their funds for the entire duration of the Offering Period.

Subject to the applicable state securities laws, subscriptions delivered to the Company are not subject to revocation by prospective investors, but may be rejected by the Company, in whole or in part, in its sole discretion, in which event the subscription funds and an execution copy of the Subscription Agreement submitted will be returned (by mail) to such subscribers without interest or deduction within fifteen (15) business days thereafter. As soon as possible after the receipt and acceptance by the Company of subscriptions for all shares offered and collection of the purchase price therefore, the Company will execute and deliver to purchasers the certificates for the shares subscribed together with their respective Subscription Agreements countersigned by the Company, and the funds representing such subscriptions will be released from the escrow agent to the Company.

Enclosed for prospective investors are certain documents for use in subscribing for the shares. In order to subscribe for the shares, a prospective investor must complete, execute and deliver to the Company, the following items:

A Subscription Agreement with the Accredited Investor certification and the Shareholders Agreement appropriately completed and signed;

One copy of the Registration Rights Agreement, with the signature page appropriately executed;

- a) A check made payable to Big Time Bank as Escrow Agent for GRF Information Systems, Inc. in the amount of \$30,000 multiplied by the number of Units subscribed for, or

Wire transfer in accordance with the following instructions:

Big Time Bank as Escrow Agent for GRF Information Systems, Inc.

Routing Number: _____

Account Number: _____

INVESTOR SUITABILITY STANDARDS

PURCHASE OF THE SHARES INVOLVES SIGNIFICANT RISKS (SEE “RISK FACTORS”) AND IS A SUITABLE INVESTMENT ONLY FOR CERTAIN TYPES OF POTENTIAL INVESTORS. SEE “RISK FACTORS.”

Shares will be sold only to prospective investors which are “accredited investors” under Regulation D promulgated under the Securities Act. “Accredited Investors” are persons who meet the suitability standards and make written representations that evidence they meet those suitability standards which are as follows:

- i) Any bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended; any insurance Company as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940, as amended, or a business development Company as defined in Section 2(a)(48) of that act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefits of its employees, if such plan has total assets in excess of \$5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which plan fiduciary is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- ii) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended;
- iii) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership not formed for the specific purpose of acquiring the shares offered, with total assets in excess of \$5,000,000;
- iv) Any director or executive officer of the Company;
- v) Any natural person whose individual net worth or joint net worth with that person’s spouse, at the time of investment in the shares, exceeds \$1,000,000;
- vi) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent calendar years or joint income with that person’s spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching that same income level in the current year;
- vii) Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the shares, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D and who has such knowledge and experiences in financial and business matters that he is capable of evaluating the risks and merits of an investment in the shares; or
- viii) Any entity in which all of the equity owners are accredited investors.

As used in this Memorandum the term “net worth” means the excess of total assets over total liabilities. In determining income, an investor should add to his or her adjusted gross income any amounts attributable to tax exempt income received, losses claimed as a limited partner in any limited partnership, deductions claimed for

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depletion, contributions to an IRA or Keogh retirement plan, alimony payments and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.

Prospective investors will be required to represent in writing that they meet the suitability standards set forth above, which represent minimum suitability requirements for prospective investors. Satisfaction of such standards by a prospective investor does not mean that the shares are a suitable investment for such investor. In addition, certain states impose additional or different suitability standards which may be more restrictive.

An investor must acquire the shares for his/her own account and not for the account of others, for investment purposes only, and not with a view to, or for, resale, distribution or fractionalization thereof.

The Company may make or cause to be made such further inquiry and obtain such additional information as it deems appropriate with regard to the suitability of prospective investors. The Company may reject subscriptions in whole or in part if, in its discretion, it deems such action to be in the best interests of the Company. If the Offering is oversubscribed, the Company will determine which subscriptions will be accepted.

If any information furnished or representations made by a prospective investor or others on its behalf mislead the Company as to the suitability or other circumstances of such investor, or if, because of any error or misunderstanding as to such circumstances, a copy of this Memorandum is delivered to any such prospective investor who does not meet the qualifications of an accredited investor or other minimum suitability standards for prospective investors, the delivery of this Memorandum to such prospective investor shall not be deemed to be an offer and this Memorandum must be returned to the Company immediately.

THE SUITABILITY STANDARDS DISCUSSED ABOVE REPRESENT MINIMUM SUITABILITY STANDARDS FOR PROSPECTIVE INVESTORS. EACH PROSPECTIVE INVESTOR TOGETHER WITH SUCH INVESTOR'S PURCHASER REPRESENTATIVE, IF ANY, SHOULD DETERMINE WHETHER THIS INVESTMENT IS APPROPRIATE FOR SUCH INVESTOR.

[REDACTED]

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RISK FACTORS

The securities offered hereby are highly speculative and involve a high degree of risk. Each prospective investor should carefully consider the following risk factors before making an investment decision.

This Memorandum contains forward looking statements and information that is based on management's belief as well as assumptions made by and information currently available to management. When used in this Memorandum, words such as "anticipate," "believe," "estimate," "expect" and depending on the context, "will," "intends" and similar expressions, are intended to identify forward looking statements. Such statements reflect the Company's current assumptions with respect to future events and are subject to certain risks, uncertainties and further assumptions, including the specific risk factors described herein. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected.

The Company is in its developmental stage and has no operating history.

The Company was incorporated in September 1999. The business plan of the Company provides for it to develop and provide products and services that enable business entities to use the Internet as a means by which those business entities can conduct business with their customers. The Company has no operating history upon which an evaluation of its business plan or its performance and prospects can be made. The Company has no significant revenues, has experienced losses and negative cash flow. The business and prospects of the Company must be considered in the light of the risks encountered by companies in their start-up stages of development, particularly companies in new and rapidly evolving markets such as electronic commerce. Some of these risks are related to the Company's ability to:

1. Develop functional and scalable products and services;
2. Attract customers seeking an external technology provider for outsourcing of their eBusiness needs;
3. Establish its brand name recognition and competitive advantages for its products and services;
4. Attract and retain strategic partners;
5. Respond to competitive developments from both direct and indirect sources;
6. Successfully develop and introduce new services and products;
7. Attract, retain and motivate qualified personnel, and
8. Implement, upgrade and enhance our technologies to accommodate large volumes of Internet traffic and expanded service offerings.

The Company provides its services pursuant to customer service agreements. Many of the initial customer service agreements have varied terms. Since the operations of the Company have just commenced, none of these customer service agreements have expired. Therefore, the Company has no operating history on the basis of which management can predict whether its customers will renew these service agreements when they reach expiration. This leaves management little basis on which to forecast future demand for the products and services from its existing customer base, much less new customers. If the forecasts for the Company prove incorrect, the business, operating results and financial condition of the Company will be materially and adversely affected.

There are no assurances that the Company can successfully address these challenges. If it is unsuccessful, the Company and its business, financial condition and operating results could be materially and adversely affected.

The current and future expense levels of the Company are based largely on estimates of planned operations and future revenues rather than experience. It is difficult, however, to accurately forecast future revenues because the business of the Company is new and its market has not been developed. The Company may be unable to adjust its spending in a timely manner to compensate for any revenue shortfall. As a result, any significant shortfall in revenues would immediately and adversely affect the business, financial condition and operating results of the Company.

The Company will be dependent on key personnel, consultants and contract service providers.

The success of the Company depends on its ability to identify, hire, train and retain highly qualified sales and marketing, managerial and technical personnel. In addition, as the Company introduces new services, it will need to hire additional personnel. Currently, competition for personnel with the required knowledge, skill and experiences is intense, and the Company may not be able to attract, assimilate or retain such personnel. The inability to attract and retain the necessary managerial, technical and sales and marketing personnel could have a material adverse effect on the business, results of operations and financial condition of the Company.

Additionally, the Company depends and will continue to depend upon the services and products of certain consultants, contractors and other service providers in order to successfully pursue the business plan of the Company. As part of our normal operations, we purchase, license or lease software, hardware and networking products from third party commercial vendors. We obtain most of our components from third parties on a purchase order basis. These products may not continue to be available on commercially reasonable terms, or at all. The loss of these products could result in delays in the sale of our services until equivalent technology, if available, is identified, procured and integrated, and these delays could result in lost revenues. Some of the key components of our services are available only from sole or limited sources. Further, to the extent that the vendors from whom we purchase these products increase their prices, the gross margins of the Company are likely to be negatively impacted. If the availability of those persons, consultants, contractors, service providers and their representative products and services cannot be maintained, the Company may be subject to material adverse effects on its business, results of operations and financial condition of the Company.

The Company must manage its growth and entry into new business areas.

If the initial response to the Company's internet products exceeds the Company's capacity to provide its services timely and efficiently, then the Company must expand its operations accordingly and swiftly. Management of the Company believes that establishing industry leadership requires the Company to:

1. Test, introduce and develop new services and products including enhancements to its Web site (SEE BELOW: Success of the Company is dependent upon its keeping pace with advances in technology);
2. Develop and expand the breadth of products and services offered (SEE BELOW: The Company will depend on continued improvements in its systems and in the Internet);
3. Develop and expand our market presence through relationships with third parties (SEE ABOVE: The Company will be dependent on key personnel, consultants and contract service providers); and
4. Generate satisfactory revenues from such expanded service or products to fund the foregoing requirements while obtaining and maintaining satisfactory profit margins.

To be able to expand its operations in a cost-effective or timely manner and increase the overall market acceptance of its products and services in this manner, the Company will need additional capital and technical and managerial human resources. These additional resources may not be available to the Company (SEE THE SECTION BELOW REGARDING ADDITIONAL CAPITAL NEEDS AND THE SECTION ABOVE REGARDING DEPENDENCY ON PERSONNEL). Failure of the Company to timely and efficiently expand its operations and successfully achieve the four requirements listed above could have a material adverse effect on the business, results of operations and financial condition of the Company.

Governmental Regulations and Legal Uncertainties.

Currently the Company is not subject to direct federal, state or local government regulation that is not applicable to businesses generally. The management of the Company believes that this condition is likely to change. As government adopts new laws and regulations, the Company will have to adapt to the changes they produce. These uncertainties pose risks to the Company that can result in unforeseen consequences that could materially and adversely affect the business, results of operations and financial condition of the Company.

Evolving government regulations affecting the use of the Internet may adversely affect the costs of doing business.

Currently, only a small body of law concerns access to and commerce over the Internet. Since the business of the Company is dependent on the Internet, as new local, state, national or international laws or regulations are adopted, growth in the usage or the acceptance of Internet based commerce may decrease, which could, in turn, decrease the demand for the services and increase the costs of the Company or otherwise have a material adverse effect on the business, results of operations and financial condition of the Company. Among the possible areas of regulation are privacy, libel, obscenity and the protection of the interests of minors.

Evolving government tax regulations may affect Internet based commerce that may reduce the future earnings of the Company.

Tax authorities in a number of states are currently reviewing the appropriate tax treatment of companies engaged in Internet based commerce. New state tax regulations may subject the Company to new or additional state sales, use, franchise, excise or similar privilege and income taxes.

Governmental regulation and the application of existing laws to the Internet may slow the Internet's growth, increase our costs of doing business and potentially create liabilities for the Company.

The application of existing laws and regulations to Internet services, related communications services and information technologies, and electronic commerce is also beginning to emerge and is unsettled. For example, it may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, telecommunications and taxation apply to the Internet and to related services such as those the Company seeks to provide to its customers. The uncertainty concerning the application of existing laws and regulations to the Internet could limit the ability of the Company to operate, expose the Company to compliance costs and substantial liability, and result in costly and time-consuming litigation.

Foreign governmental regulation could increase costs of doing business.

The international nature of the Internet and the possibility that we may be subject to conflicting laws of, or the exercise of jurisdiction by, different countries may make it difficult or impossible to comply with all the laws that may govern the activities of the Company. Furthermore, the laws and regulations relating to the liability of online service providers for information carried on or disseminated through their networks is currently unsettled and pose risks to the business of the Company.

Additional capital will be required.

Management anticipates that the existing capital resources of the Company, including the net proceeds from this offering, will be sufficient only to complete initial development and testing of the Company's internet systems and to allow the Company to commence operations on a very limited basis. In order to remain in operation, substantial additional capital will be necessary in order to design and conduct advertising campaigns, purchase the additional equipment required for expanded operation and provide sufficient working capital to operate on a full scale production basis. There is no assurance that the Company will be able to raise the additional capital that will be required. Furthermore, any equity or debt financings, if available at all, may be on terms which are not favorable to the Company (and therefore its shareholders) and, in the case of a new equity offering by the Company, existing shareholders will be diluted unless they purchase their proportionate part of the equity offering. If adequate capital is not available on economically viable terms and conditions, the Company's business, operating results and financial condition will be materially, adversely affected.

Restrictions on transferability of Preferred Stock of the Company make investment in the shares illiquid.

All subscribers of the shares must agree to the restrictions on transferability and the option of the Company to repurchase their shares if they dispose of them or seek to dispose of them in any manner. These restrictions on

transferability and option in favor of the Company render investment in the shares totally illiquid. There will be no market for the shares and a disposition of the shares may not be possible for a long period of time. Therefore, persons requiring liquidity should not subscribe. (SEE BELOW: Restrictions on Transferability)

The Company must depend on continued improvements in its systems and in the Internet.

An unexpectedly large increase in the volume or pace of traffic on a customer's systems may require the Company to provide expanded services and further upgrade its technology, transaction-support systems and network infrastructure. The Company may be unable to accurately project the rate or timing of increases, if any, in the use of the Company's systems or expand and upgrade its infrastructure in a timely manner to accommodate such increases.

If the Internet continues to experience a significant growth in the number of users and the level of use, the Internet infrastructure may not be able to continue to support the demands placed on it by such growth. The Internet may not prove to be a viable commercial medium because of inadequate development of the necessary infrastructure, timely development of complementary products such as high speed modems, delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity or increased governmental regulation.

If the Company is unable to timely and efficiently respond to increased demands on its systems and infrastructure, or if the Internet is unable to handle increases in the growth of its use that occur, the Company's business, operating results and financial condition will be materially, adversely affected.

The quarterly financial results of the Company are subject to significant fluctuations.

The quarterly operating results of the Company may fluctuate widely due to many factors. The projected levels of expense of the Company are based in part on management's expectations of future revenues which may vary significantly. Management has planned the business operations of the Company based on increased revenues and if the revenues of Company do not increase faster than its expenses, the business, results or operations and financial condition of the Company will be materially and adversely affected. Other factors that may adversely affect the quarterly operating results of the Company include:

1. The announcement or introduction of new or enhanced sites, services and products by the Company or its competitors;
2. General economic conditions and economic conditions specific to the Internet and Internet online commerce;
3. A decline in the use of Internet online services and consumer acceptance of the Internet and commercial online services for the purchase of business and consumer products and services such as those offered by the Company through its hosting facility;
4. The ability to upgrade and develop the systems and infrastructure of the Company and to attract new personnel in a timely and effective manner;
5. The level of traffic on the Web sites of the customers and other sites that refer traffic to the Web site of the customers;
6. Technical difficulties, and system downtime in either the systems or infrastructure of the Company or its services providers, and Internet brownouts;
7. The amount and timing of operating costs and capital expenditures relating to expansion of the business, operations and infrastructure of the Company;
8. Governmental regulations (present and future); and
9. Advertising, Sales and Marketing expenses.

Operating results likely to be affected by seasonal fluctuations.

Management expects the business of the Company to experience seasonal fluctuations especially as it matures. The retail e-commerce industry is a seasonal industry and GRF Information Systems, Inc. is directly affected by the sale of our customer's products over the Internet. We anticipate that retail transactions will typically increase during the fourth quarter when consumers shop for the holidays. Internet and commercial online service usage and the growth

rate of such usage typically decline during the summer. Advertising expenditures also are likely to cause fluctuations in the operating results of the Company and could have a material adverse effect on its business, operating results and financial condition.

Intense competition.

The market for the products and services of the Company is rapidly evolving and highly competitive. It will likely be characterized by an increasing number of market entrants and by industry consolidation.

The Company will compete against a variety of Internet hosting and service providers. We expect that we will face competition from both existing competitors and new market entrants in the future. Furthermore, since the Company offers businesses the ability to outsource their operations, the Company also will compete with the internal operations department of prospective customers. The market for Internet-based commercial application services is new, and competition among commercial service providers is expected to increase significantly in the future. The Internet is characterized by minimal barriers to entry, and new competitors can launch new Web sites at relatively low cost. To compete successfully as an Internet-based commercial entity, the Company must create and significantly increase awareness of its services and brand name (SEE BELOW: The Company must build strong brand loyalty.) Failure to achieve the competitive objectives of the Company would have a material adverse effect on the business, results of operations and financial condition of the Company.

Other companies with which the Company will compete include but are not limited to ABC, DEF, GHI and XYZ. Such companies may already maintain or may introduce products that compete or will compete with the Company's proposed service offerings. Management believes that the principal competitive factors in the online market are:

1. Brand name recognition (SEE BELOW: The Company must build strong brand loyalty.);
2. Speed and quality of results for users;
3. Variety of value-added services;
4. Ease of use; and
5. Technical expertise.

If the business model of the Company gains acceptance and attracts the attention of competitors, it may experience pressure to decrease the prices and fees for its products and services, which could adversely affect the revenues and gross margin of the Company. This pricing pressure may be exacerbated by decreases in the cost of the third-party hardware underlying our services, which may also make it more attractive for potential customers to deploy an in-house solution. If we are unable to successfully meet this price and competition, the business and financial condition of the Company could be materially and adversely affected.

The Company cannot assure that it can compete successfully against current or future competitors, many of which have substantially more capital, existing brand name recognition, greater technical resources and access to additional financing. In addition, competitive pressures may result in increased marketing costs, decreased Web site traffic or loss of market share or otherwise may materially and adversely affect the business, results of operations and financial condition of the Company.

The Company must build strong brand loyalty.

Management believes that brand name recognition is of great importance to the sustainability of the Company. As more companies engage in e-commerce initiatives, this importance will only increase. Development and awareness of the Company's brand name will depend largely on the ability of the Company to obtain a leadership position by making its services known to the Internet startup community. There is no assurance that the Company will be able to gain widespread acceptance among prospective customers for its product and service offerings. A failure by the Company to develop its brand name would have a material adverse effect on the business, results of operations and financial condition of the Company.

Success of the Company is dependent upon it keeping pace with the advances in technology.

The Internet and electronic commerce markets are characterized by rapid technological change, changes in user and customer requirements, frequent new service and product introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company's systems and technology obsolete. The performance of the Company will depend, in part, on its ability to continue to enhance its existing services, develop new technology that addresses the increasingly sophisticated and varied needs of the users of the company's systems, license leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost effective basis. The development of the Company's infrastructure and other proprietary technology entails significant technical as well as business risks. The Company may be unsuccessful in using new technologies effectively or adapting its systems or other proprietary technology to the requirements of Internet startups or to emerging industry standards. If the Company is unable to adapt to these changes, events and demands of its customers, its business, results of operations and financial condition could be materially and adversely affected.

The Company is vulnerable to interruptions of its communications systems.

Although the Company will plan on maintaining redundant local offsite backup servers, all of its primary servers are located in-house and will be vulnerable to interruption by damage from fire, earthquake, flood, power loss, telecommunications failure, break-ins and other events beyond the control of the Company. The Company anticipates that interruptions will occur in the future. In the event that the Company experiences significant system disruptions, the business, results of operations and financial condition of the Company would be materially and adversely affected.

The ability of the Company to provide its customers with hosting services depends upon the capacity, scalability, reliability and security of its network infrastructure. That network infrastructure is obtained from telecommunications network suppliers. If these telecommunications network suppliers sustain adverse business or operating conditions, the Company's systems may be unavailable for an indeterminable time resulting in the Company being required to replace the services and support of the Company's customers. In the event that such replacement becomes necessary, the Company will likely experience significant disruptions in its communications systems and the use of the hosting facility, resulting in the business, results of operations and financial condition being materially adversely affected.

The Company could face liability or disruption from security breaches and other electronic problems.

Our services involve the storage and transmission of business-critical, proprietary information. The Company's computer infrastructure is potentially vulnerable to both physical and electronic invasions, such as virus attacks and security breaches. The Company will be required to expend significant capital and other resources to defend against, and lessen or correct the adverse effects of, these invasions. Any such invasion could result in claims for significant monetary damages being asserted against the Company by one or more third parties and disrupt all or part of the operations of the Company. A person who is able to circumvent the security measures employed by the Company could misappropriate proprietary information of the Company's customers; could alter or destroy the information of the customers of the Company or of the Company itself; jeopardize the confidential nature of information transmitted over the Internet through the Company's systems; or cause interruptions of the operations of the Company. Concerns over the security of Internet transactions and the privacy of users could damage the reputation of the Company with its customers and potential customers and also inhibit the growth of the Internet in general, particularly as a means of conducting transactions of the type that the Company seeks to have conducted through its hosting center. To the extent that the activities of the Company or those of third party contractors involve the storage and transmission of proprietary information such as personal financial information, security breaches could expose the Company to risk of substantial financial losses, significant litigation costs and other claims. Any of these events or circumstances could have a material adverse effect on the business, results of operations and financial condition of the Company.

Misappropriation of the Intellectual property and proprietary rights of the Company could impair the competitive position of the Company.

The success of the Company will depend upon its proprietary systems and technology, including the proprietary technology developed by the Company. The legal protections available to the Company can afford only limited protection, and these means of protecting the intellectual property of the Company may be inadequate. The Company relies and will continue to rely on patent, trademark, trade secret and copyright laws, confidentiality agreements and technical measures to protect its intellectual property. The Company cannot assure that the steps taken by it will prevent misappropriation of its technology or that the agreements entered into for that purpose will be enforceable. Effective trademark, service mark, copyright and trade secret protection may not be available in every jurisdiction in which the Company's products and services are made available online. The intellectual property of the Company may be subject to even greater risk in foreign jurisdictions, as the laws of many countries do not protect intellectual property to the same extent as the laws of the United States. As part of its confidentiality procedures, the Company generally will enter into agreements with its employees and consultants and limit access to its trade secrets and technology. The Company cannot assure or assume, however, that former employees will not seek to start or enhance other competing products or services to the detriment of the Company, its business, results of operations and financial condition. Nevertheless, management believes that the technical and creative skills of its personnel, continued development of its proprietary systems and technology, brand name recognition and development of reliable Web site maintenance are more essential in establishing and maintaining a competitive market position.

Despite efforts to protect its proprietary rights, unauthorized persons may attempt to copy aspects of its products or services or to obtain and use information that the Company regards as proprietary. Policing unauthorized use of its proprietary rights is difficult and requires constant attention. We may be required to spend significant resources to monitor and police our intellectual property rights. We may not be able to detect infringement and may lose our competitive position in the market before we are able to ascertain any such infringement. In addition, competitors may design around our proprietary technology or develop competing technologies.

Intellectual property litigation has become prevalent in the Internet and software fields. Such litigation may be necessary in the future to enforce the intellectual property rights of the Company, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement by the Company. Other companies, including competitors, may obtain patents or other proprietary rights that would prevent, limit or interfere with the ability of the Company to make, use or sell its products and services. Any such litigation by or against the Company, whether the claims are valid or not, could result in the Company incurring substantial costs and diversion of resources, including the attention of senior management. If the Company is unsuccessful in such legal proceedings, the Company could be subjected to significant damages; be required to license technology that is critical to the operations of the Company, if a license is available at a cost which the Company can pay; or be required to develop replacement technologies at substantial cost to the Company in money and time. Any of these results could materially and adversely affect the business, results of operations and financial condition of the Company.

The Company has broad discretion in the use of the offering proceeds.

The Company has broad discretion with respect to the specific application of the net proceeds of this offering. Currently, the Company intends to apply the net proceeds of this offering toward development of its hosting systems and related technology and to marketing and brand name development. There can be no assurance that determinations ultimately made by the Company relating to the specific allocation of the net proceeds will permit the Company to achieve its business objective. (SEE THE SECTION OF THIS MEMORANDUM TITLED USE OF PROCEEDS).

The Internet infrastructure services market is new, and our business will suffer if the market does not develop as we expect.

The Internet infrastructure services market is new and may not grow or be sustainable. Potential customers may choose not to purchase operations services from a third-party provider due to concerns about security, reliability, cost or system availability. It is possible that our services may never achieve market acceptance. We have a limited number of customers and have deployed our services a limited number of times. In addition, we have not yet provided our services on the scale that will be necessary to become a sustainable business organization. We incur operating expenses based largely on anticipated revenue trends that are difficult to predict given the recent emergence of the Internet infrastructure services market. If this market does not develop, or develops more slowly than we expect, we may not achieve significant market acceptance for our services; the rate of our revenue growth, if any, may decline; and the business, results of operations and financial condition of the Company will be materially and adversely affected.

Our success depends on the continued growth in the usage of the Internet.

Rapid growth in the use of and interest in the Internet has occurred only recently. Acceptance and use may not continue to develop at historical rates and a sufficiently broad base of consumers and businesses may not adopt or continue to use the Internet and other online services as a medium of commerce. Factors that may affect Internet usage include:

- Actual or perceived lack of security of information;
- Congestion of internet traffic or other usage delays; and
- Reluctance to adopt new business methods.

If internet usage does not continue to increase, demand for our services may be limited and our business and results of operations could be harmed.

Our actual results could differ from forward-looking statements in this Memorandum.

This prospectus contains forward-looking statements based on current expectations which involve risks and uncertainties. The actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risk factors set forth above and elsewhere in the prospectus. The cautionary statements made in this prospectus should be read as being applicable to all forward-looking statements wherever they appear in this prospectus.

RESTRICTIONS ON DISPOSITION OF SHARES

The transfer or other disposition (both voluntarily and involuntarily) is heavily restricted.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RESIGTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATES AND ARE BEING OFFERED AND SOLD IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

In addition to the foregoing restrictions, as a further condition on transfer or other disposition of the Shares, each subscriber must agree to the terms and conditions of the Shareholders Agreement which is attached hereto as Exhibit C and made a part of this Memorandum. A copy of the Shareholders Agreement signed by the Subscriber and such Subscriber's spouse, if any, must be delivered to the Escrow Agent with Subscriber's Subscription Agreement. The Shareholders Agreement provides, among other terms and conditions, that a subscriber must offer this shares to the Company before transferring or otherwise disposing of such Share to a third person. The Company is not obligated to purchase offered Shares and the prices at which the Company has the option to pay for Shares offered to it is determined by reference to the price a willing third party has offered the Subscriber in writing or such other price on which the Company and the offering Subscriber may agree. REFERENCE TO THE SHAREHOLDERS AGREEMENT FORM ATTACHED AS EXHIBIT C SHOULD BE MADE FOR ITS FULL TERMS AND CONDITIONS AND THE RESTRICTIONS ON DISPOSITION OF SHARES.

Exhibit A SUBSCRIPTION AGREEMENT

SUBSCRIPTION AGREEMENT

GRF Information Systems, Inc.
1004 Mopac Circle, Suite 200
Austin, Texas 78746

Ladies and Gentlemen:

Pursuant to the terms of the offer made by GRF Information Systems, Inc., (the "Company") contained in the Confidential Private Offering Memorandum dated November 13, 2002 (said Memorandum, including the exhibits and attachments thereto, being hereinafter called the "Memorandum"), the undersigned hereby tenders this subscription and applies for the purchase of the number of Units set forth on the signature page of this agreement, each Unit consisting of fifty thousand (50,000) shares of Series A Convertible Preferred Stock of the Company (the "Shares") at a purchase price of \$30,000 per Unit. The minimum purchase is one Unit, provided, however, that partial Units may be purchased in the discretion of the Company. The Company may offer up to an additional 500,000 shares to cover over-subscriptions, if any. Together with this Subscription Agreement, the undersigned is delivering to the Company (a) a check payable to "Big Time Bank as Escrow Agent for GRF Information Systems, Inc." in the full amount of the purchase price for the Units which the undersigned is subscribing for pursuant hereto or funds by wire transfer as instructed by the Company.

The Units to be purchased by the undersigned are part of a private placement of securities (the "Private Placement") of up to 34 Units, being effected on a best-efforts basis by the Company. Accordingly, the minimum number of Units that must be sold is 20 for the Private Placement to become effective. If all the Units are sold, the Company will receive an aggregate of one million twenty thousand dollars (\$1,020,000) less the expenses of the Private Placement, which management estimates will be twenty thousand dollars (\$20,000). The offering will close December 15, 2000, unless the Company elects to extend the offering, which it reserves the right to do.

1. Representations and Warranties. In order to induce the Company to accept this subscription, the undersigned hereby represents and warrants to, and covenants with, the Company as follows:

- i) The undersigned has received and reviewed the Memorandum, and except for the Memorandum, the undersigned has not relied upon other materials or literature relating to the offer and sale of the Shares;
- ii) The undersigned has had a reasonable opportunity to ask questions of and receive answers from the Company concerning the Company and the offering, and all such questions, if any, have been answered to the full satisfaction of the undersigned;
- iii) The undersigned has such knowledge and expertise in financial and business matters that the undersigned is capable of evaluating the merits and risks involved in an investment in the Shares;
- iv) The information provided by the investor in this Subscription Agreement being delivered by the undersigned to the Company herewith is true, complete and correct in all material respects, and the undersigned understands that the Company has determined that the exemption from the registration provisions of the Securities Act of 1933, as amended (the "Act"), which is based upon non-public offerings is applicable to the offer and sale of the Shares, based, in part, upon the representations, warranties and agreements made by the undersigned herein;
- v) Except as set forth in the Memorandum, no representations or warranties have been made to the undersigned by the Company or by any agent, employee, or affiliate of the Company, and in entering into this transaction the undersigned is not relying upon any information, other than that contained in the Memorandum and the results of independent investigation by the undersigned;
- vi) The undersigned understands that: (A) the Shares have not been registered under the Act or the securities laws of any state, and are being offered by the Company based upon an exemption from

such registration requirements for non-public offerings pursuant to Regulation D under the Act; (B) the Shares are and will be “restricted securities,” as said term is defined in Rule 144 of the Rules and Regulations promulgated under the Act; (C) the shares may not be sold or otherwise transferred unless they have been first been registered under the Act and all applicable state securities laws, or unless exemptions from such registration provisions are available with respect to said resale or transfer; (D) the Company is under no obligation to register the Shares under the Act or any state securities laws, or to take any action to make any exemption from any such registration provisions available; (E) the certificates for all Shares will bear a legend to the effect that the transfer of the securities represented thereby is subject to the provisions of this Subscription Agreement and the Shareholders Agreement attached to the Memorandum as Exhibit B; and (F) stop transfer instructions will be placed with the Company’s transfer agent, if any, for the Shares;

- vii) The undersigned is acquiring the Shares solely for the account of the undersigned, for investment purposes only, and not with a view towards their resale or distribution;
- viii) The undersigned will not sell or otherwise transfer or otherwise dispose of any of the Shares except in accordance with the terms and conditions of the Shareholders Agreement and unless and until: (A) said Shares, shall have first been registered under the Act and all applicable state securities laws; or (B) the undersigned shall have first delivered to the Company a written opinion of counsel (which counsel and opinion (in form and substance) shall be reasonably satisfactory to the Company), to the effect that the proposed sale or transfer is exempt from the registration provisions of the Act and all applicable state securities laws;
- ix) The undersigned has full power and authority to execute and deliver this Subscription Agreement and to perform its obligations hereunder, and this Subscription Agreement is a legally binding obligation of the undersigned in accordance with its terms;
- x) The undersigned meets the requirements of at least one of the suitability standards for an “accredited investor,” as such term is defined in Regulation D of the Rules and Regulations promulgated under the Act and as set forth in this Subscription Agreement and contained in the Memorandum;
- xi) The undersigned has carefully reviewed the Risk Factors associated with an investment in the Shares outlined in the Memorandum and understands that the securities offered hereby are highly speculative and involve a high degree of risk and should not be purchased by anyone who cannot afford the loss of his entire investment;
- xii) The undersigned has carefully reviewed the jurisdictional notice listed below and agrees to abide by any restrictions contained therein applicable to the undersigned; and

JURISDICTIONAL NOTICE

Residents of all States:

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF CERTAIN STATES AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY. NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

- 2) The undersigned understands that this subscription is not binding upon the Company until the Company accepts it, which acceptance is at the sole discretion of the Company and is to be evidenced by the Company's execution of this Subscription Agreement where indicated. This Subscription Agreement shall be null and void if the Company does not accept it as aforesaid.
- 3) The undersigned understands that the Company may, in its sole discretion, reject this subscription and, in the event that the offering to which the Memorandum relates is oversubscribed, reduce this subscription in any amount and to any extent, whether or not pro rata reductions are made in any other investor's subscription.
- 4) The undersigned agrees to indemnify the Company and hold it harmless from and against any and all losses, damages, liabilities, costs and expenses which it may sustain or incur in connection with the breach by the undersigned of any representation, warranty or covenant made by the undersigned.
- 5) Neither this Subscription Agreement nor any of the rights of the undersigned hereunder may be transferred or assigned by the undersigned.
- 6) This Subscription Agreement: (i) may only be modified by a written instrument executed by the undersigned and the Company; (ii) sets forth the entire agreement of the undersigned and the Company with respect to the subject matter hereof; (iii) shall be governed by the laws of the State of Texas applicable to contracts made and to be wholly performed therein; and (iv) shall inure to the benefit of, and be binding upon the Company and the undersigned and its respective heirs, legal representatives, successors and assignees.
- 7) Unless the context otherwise requires, all personal pronouns used in this Subscription Agreement, whether in the masculine, feminine or neuter gender, shall include all other genders.
- 8) All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or mailed by certified or registered mail, return receipt requested, postage prepaid, as follows: if to the undersigned, to the address set forth on the signature page hereof; and if to the Company, to the address provided above or to such other address as the Company or the undersigned shall have designated to the other by like notice.

ACCREDITED INVESTOR CERTIFICATION

PURCHASE OF THE SHARES INVOLVES SIGNIFICANT RISKS AND IS A SUITABLE INVESTMENT ONLY FOR CERTAIN TYPES OF POTENTIAL INVESTORS. SEE "RISK FACTORS."

The purchase of Shares is suitable only for investors who have no need for liquidity in their investments and who have adequate means of providing for their current needs and contingencies even if the investment in the Shares results in a total loss. Shares will be sold only to prospective investors which are "accredited investors" under Regulation D promulgated under the Securities Act. "Accredited Investors" are those investors which make certain written representations that evidence the investor comes within one of the following categories:

(Initial the appropriate category)

- ___i) Any bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended; any insurance company as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940, as amended, or a business development company as defined in Section 2(a)(48) of that act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which plan fiduciary is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee

- benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;
- ___ ii) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended;
 - ___ iii) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Texas or similar business trust, or partnership not formed for the specific purpose of acquiring the Shares offered, with total assets in excess of \$5,000,000;
 - ___ iv) Any director or executive officer of the Company;
 - ___ v) Any natural person whose individual net worth or joint net worth with that person's spouse, at the time of investment in the Shares, exceeds \$1,000,000;
 - ___ vi) Any natural person who had an individual income in excess of \$200,000 in each of the two most recent calendar years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching that same income level in the current year;
 - ___ vii) Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Shares, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D and who has such knowledge and experience in financial and business matters that he is capable of evaluating the risks and merits of an investment in the Shares; or
 - ___ viii) Any entity in which all of the equity owners are accredited investors.

As used in this Memorandum the term "net worth" means the excess of total assets over total liabilities. In determining income, an investor should add to his or her adjusted gross income any amounts attributable to tax exempt income received, losses claimed as a limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA or Keogh retirement plan, alimony payments and any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income.

The Company may make or cause to be made such further inquiry and obtain such additional information as it deems appropriate with regard to the suitability of prospective investors. The Company may reject subscriptions in whole or in part if, in its discretion, it deems such action to be in the best interests of the Company. If the Offering is oversubscribed, the Company will determine which subscriptions will be accepted and in what amount.

If any information furnished or representations made by a prospective investor or others acting on its behalf mislead the Company as to the suitability or other circumstances of such investor, or if, because of any error or misunderstanding as to such circumstances, a copy of this Memorandum is delivered to any such prospective investor, the delivery of this Memorandum to such prospective investor shall not be deemed to be an offer and this Memorandum must be returned to the Company immediately.

**This document is a sample Confidential Private Placement Offering Memorandum.
It is not to be used or construed to be a legally appropriate document. You must consult your attorney.**

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement this ____ day of _____, 2002.

_____ X \$30,000 = _____
No. of Units (Unit Price) Subscription Price

Social Security Number of Individual

Address:

Print Name of Subscriber

Number and Street

Print Name of Spouse

City

State

Zip Code

Address for notices, if different:

Signature

Number and Street

Spouse's Signature

City

State

Zip Code

ACCEPTANCE OF AGREEMENT

The foregoing subscription is hereby accepted by GRF Information Systems, Inc. this ____ day of _____, 2002 for _____ Shares.

GRF Information Systems, Inc.

By: _____
I.M. (Buck) Naked, President

Exhibit B REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (the “Agreement”) is made by and among GRF Information Systems, Inc. (the “Company”), and the investors listed on Schedule I hereto (collectively, the “Investors” and each an “Investor”), each of whom has executed a signature page hereto.

RECITALS

- A. The Investors desires to purchase from the Company and the Company desires to issue and sell to the Investors Units of its securities, each consisting of 50,000 shares of Series A Convertible Preferred Stock of the Company (the “Series A Preferred Stock”), upon the terms set forth in the Company’s Confidential Private Placement Memorandum dated November 13, 2000 (the “Memorandum”).
- B. To induce Investors to purchase Units, the Company is willing under certain circumstances to register under the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the “Securities Act”), Common Stock underlying the Series A Preferred Stock contained in the Units to be purchased by the Investors.

NOW THEREFORE, intending to be legally bound, the parties hereto agree as follows:

1. Required Registrations.

- a) The Company will include the Registrable Securities (i) in a registration statement (the “IPO Registration Statement”) which the Company will prepare and file with the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Act”), relating to an initial public offering of the Company’s securities (the “IPO”) or (ii) in the event that the Registrable Securities are not eligible for inclusion in the IPO Registration Statement due to the requirements of the SEC, the Nasdaq Stock Market, Inc. or NASD Regulation, Inc., in a registration statement (the “Post-IPO Registration Statement”) which the Company will prepare and file with the SEC under the Act and use its best efforts to have declared effective by the SEC within 6 months following the date of the IPO Registration Statement is declared effective by the SEC (the “IPO Effective Date”) so as to permit the public trading of the Registrable Securities no later than 6 months following the IPO Effective Date.
- b) If the Company fails to have the registration statement which is ultimately used to register the Registrable Securities, whether it be the IPO Registration Statement or the Post-IPO Registration Statement (such registration statement being referred to herein as the “Automatic Registration Statement”), declared effective by the SEC within 6 months following the IPO Effective Date, then, the Company shall continue to use its best efforts to cause the SEC to promptly declare the effectiveness of the Automatic Registration Statement so as to permit the public trading of the Registrable Securities pursuant thereto.
- c) Once the Automatic Registration Statement is declared effective by the SEC, the Company will maintain the effectiveness of the Automatic Registration Statement until at least the earlier date to occur (the “Release Date”) of (i) the date that all of the Registrable Securities have been sold pursuant to the Automatic Registration Statement and (ii) the date that the holders of the Registrable Securities receive an opinion of counsel to the Company that they may sell their Registrable Securities (without limitation or restriction as to quantity or timing and without registration under the Act) pursuant to Rule 144(k) of the Act or otherwise. If the Company fails

to keep the Automatic Registration Statement continuously effective during such period, then the Company shall, promptly upon the request of the Investors holding at least 50% of the unsold Registrable Securities included therein, use its best efforts to update the Automatic Registration Statement or file a new registration statement covering the unsold Registrable Securities, subject to the terms and provisions thereof.

- d) The Registration Expenses shall be paid by the Company with respect to all registrations effective pursuant to this Section.
2. Restrictions on Transfer. Notwithstanding the registration of any Registrable Securities, each Investor shall not sell or offer to sell any Preferred Share Registrable Securities until after the date which is 6 months following the completion by the Company of the IPO.
3. Registration Procedures. In connection with any registration of Registrable Securities, the Company shall:
- a) Prepare and file with the Securities and Exchange Commission a registration statement on the appropriate form under the Securities Act, which form shall be available for the sale of such Registrable Securities in accordance with the intended method or methods of distribution thereof, and use its commercially reasonable efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company shall furnish to the counsel selected by the holders of a majority of the Registrable Securities covered by such registration statement copies of all such documents proposed to be filed, which documents shall be subject to the review and comment of such counsel).
 - b) Notify each holder of Registrable Securities of the effectiveness of the registration statement filed hereunder and prepare and file with the Securities and Exchange Commission such amendments, post-effective amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary or appropriate to keep such registration statement effective for the period required for sale of the Registrable Securities and cause such prospectus as so supplemented to be filed as required under the Securities Act, and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement or supplement to the prospectus.
 - c) Furnish to each seller of Registrable Securities such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Seller.
 - d) Use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions where such registration or qualification is required as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller (provided that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph (ii) subject itself to taxation in any such jurisdiction or (iii) consent to general service of process in any such jurisdiction).
 - e) Notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which the prospectus included in such registration statement as then in effect, contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and, at the request of any such seller, the Company shall prepare a supplement or amendment to such prospectus so that, thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact required to be stated therein or omit to state any fact necessary to make the statements therein not misleading.

- f) Cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed or traded, and, if not so listed or traded, to be listed on the NASD automated quotation system and, if listed on the NASD automated quotation system, use commercially reasonable efforts to secure NASDAQ authorization for such Registrable Securities and, without limiting the generality of the foregoing, to arrange for at least two market makers to register as such with respect to such Registrable Securities with the NASD.
- g) Cooperate with the selling holders of Registrable Securities and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names as the selling holders or the managing underwriters, if any, may request at least ten Business Days prior to any sale of Registrable Securities; provided a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement.
- h) Enter into such customary agreement (including, if there is an underwriter, underwriting agreements in customary form).
- i) Make available for inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement and any attorney, accountant or other agent retained by such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company that is customary, and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement.
- j) Cooperate and cause the Company's officers, directors, employees and independent accountants to cooperate with the selling holders of Registrable Securities and the managing underwriters, if any, in the sale of the Registrable Securities and take any actions necessary to promote, facilitate or effectuate such sale.
- k) Otherwise use its best efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission.
- l) In the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any common stock included in such registration statement for sale in any jurisdiction, the Company shall use its best efforts promptly to obtain the withdrawal of such order.

4. Registration Expenses.

- a) All expenses incident to the Company's performance of or compliance with this Agreement, including without limitation all registration and filing fees (including, if applicable, the fees and expenses of any "qualified independent underwriter" and its counsel as may be required under the rules and regulations of the NASD), fees and expenses of compliance with securities or blue sky laws (including fees and disbursements of counsel for the underwriters or selling holders in connection with the blue sky qualifications and determination of their eligibility for investment under applicable laws), printing expenses, messenger, telephone and delivery expenses, fees and disbursements of custodians, and fees and disbursements of counsel for the Company and all independent certified public accountants (including the expenses of any special audit and "cold comfort" letters required by or incident to such performance), underwriters (excluding underwriters' discounts and commissions) and other Persons retained by the Company (all such expenses being herein called "Registration Expenses"), shall be borne as provided in this Agreement, except that Company shall, in any event, pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance if such insurance coverage is obtained by the Company and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed or on the NASD automated quotation system.

- b) Each holder of securities included in any registration hereunder shall pay the registration and filing fees allocable to the Registrable Securities of the holder and the fees and expenses of such holder's counsel.

5. Indemnification and Contribution.

- a) The Company agrees to indemnify each holder of Registrable Securities which is included in a registration statement pursuant to Section I herein, its officers and directors and each Person who controls such holder (within the meaning of the Securities Act) against all losses, claims, damages, liabilities and expenses caused by any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same are caused by or contained in any information furnished in writing to the Company by such holder expressly for use therein or by such holder's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such holder with a sufficient number of copies of the same. In connection with an underwritten offering, the Company shall indemnify such underwriters, their officers and directors and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities.
- b) In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder shall furnish to the Company in writing such information and affidavits as the Company and any underwriter reasonably requests for use in connection with any such registration statement or prospectus and shall indemnify the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendments thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in any information or affidavit so furnished in writing by such holder.
- c) Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice shall not impair any Person's right to indemnification hereunder to the extent such failure has not materially prejudiced the indemnifying party) and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent shall not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.
- d) If the indemnification provided for in this Section 5 is unavailable to an indemnified party under paragraphs (a) or (b) hereof in respect to any losses, claims, damages, liabilities or expenses referred to therein, then an indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the Company and the holder of Registrable Securities in connection with the statements or omissions that resulted in such losses, claim, damages, liabilities or expenses. The relative fault of the Company and the holder of the Registrable Securities in connection with the statements that

resulted in such losses, claims, liabilities or expenses shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of material facts or the omission or alleged omission to state a material fact relates to information supplied by the Company or the holder of the Registrable Securities and the parties relative intent, knowledge, access to information and opportunity to correct such statement or omission.

- e) Notwithstanding any other provision of this Section, the liability of any holder of Registrable Securities for indemnification or contribution under this Section shall be individual to each holder and shall not exceed an amount equal to the number of shares sold by such holder of Registrable Securities multiplied by the net amount per share which he receives in such underwritten offering.
- f) The indemnification and contribution provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and shall survive the transfer of securities.

6. Definitions.

“Common Stock” means the Company’s Common Stock.

“NASD” means the National Association of Securities Dealers.

“Person” means any individual, corporation, partnership, limited liability company, trust, estate, association, cooperative, government or governmental entity (or any branch, subdivision or agency thereof) or any other entity.

“Registrable Securities” means any Common Stock issued or issuable upon conversion of the Series A Preferred Stock.

“Registrable Securities” means any of the Warrant Share Registrable Securities, the Note Share Registrable Securities or the Preferred Share Registrable Securities. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when they have been distributed to the public pursuant to an offering registered under the Securities Act or eligible to be sold to the public through a broker, dealer or market maker in compliance with Rule 144 under the Securities Act (or any such rule then in force). For purposes of this Agreement, a Person shall be deemed to be a holder of Registrable Securities whenever such Person has the right to acquire directly or indirectly such Registrable Securities (upon conversion or exercise in connection with a transfer of securities or otherwise, but disregarding any restrictions or limitations upon the exercise of such right), whether or not such acquisition has actually been effected.

“Securities Act” means the Securities Act of 1933, as amended.

7. Miscellaneous.

- a) No Inconsistent Agreements. The Company shall not hereafter enter into any agreement with respect to its securities which is inconsistent with or violates the rights granted to the holders of Registrable Securities in this Agreement.
- b) Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may be amended or waived only upon the prior written consent of the Company and holders of a majority of the Registrable Securities.
- c) Successors and Assigns. All covenants and agreements in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. In addition, whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of purchasers or holders of Registrable Securities are also for the benefit of, and enforceable by, any subsequent holder of Registrable Securities. A person is deemed to be a holder of Registrable Securities whenever such person is the registered holder of Registrable Securities. Upon the transfer of any Registrable

- Securities, the transferring holder of Registrable Securities shall cause the transferee to execute and deliver to the Company a counterpart of this Agreement.
- d) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.
 - e) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same Agreement.
 - f) Descriptive Heading. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.
 - g) Governing Law. The corporate law of Texas shall govern all issues and questions concerning the relative rights of the Company and its shareholders. All issues and questions concerning the construction, validity, interpretation and enforcement of this Agreement shall be governed by, and construed in accordance with, the laws of Texas, without giving effect to any choice of law or conflict of law rules or provisions (whether of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than Texas.
 - h) Consent to Jurisdiction: Service of Process. Company and Investor hereby irrevocably consent to the jurisdiction of the Courts of Texas and any and all actions and proceedings in connection with this Agreement, and irrevocably consent, in addition to any methods of service of process permissible under applicable law, to service of process by certified mail, return receipt requested to the address of Company and Investor as set forth herein. Nothing in this Section shall affect or limit the right of any Investor to serve legal process in any other manner permitted by law. Company and Investor agree that in any action or proceeding brought by them in connection with this Agreement or the transactions contemplated hereby, exclusive jurisdiction shall be in the courts of the State of Texas.



This document is a sample Confidential Private Placement Offering Memorandum.
It is not to be used or construed to be a legally appropriate document. You must consult your attorney.

SIGNATURE PAGE

IN WITNESS WHEREOF, the Undersigned has executed this Registration Rights Agreement this _____ day of _____, 2002.

If the Investor is a PARTNERSHIP,
CORPORATION OR TRUST

If the Investor is an INDIVIDUAL:

Signature

Signature(s)

Print Name of Subscriber Organization

Print Name of Subscriber

Print Name and Title of Person Signing

Print Name of Subscriber

Address:

Address:

Number and Street

Number and Street

City

State

Zip Code

City

State

Zip Code

ACCEPTED AND AGREED to this _____ day of _____, 2002

GRF INFORMATION SYSTEMS, INC.

By: _____

Name: I.M. ("Buck") Naked

Title: President

Exhibit C

**CERTIFICATE OF DESIGNATIONS, RIGHTS AND PREFERENCES OF
SERIES A CONVERTIBLE PREFERRED STOCK**

**DESIGNATIONS,
RIGHTS AND PREFERENCES OF
SERIES A CONVERTIBLE PREFERRED STOCK
OF
GRF Information Systems, Inc.**

1,700,000 Shares of Series A Convertible Preferred Stock

RESOVLED, that pursuant to the authority expressly granted to the Board of Directors (the "Board of Directors") of GRF Information Systems, Inc. (the "Corporation"), hereby creates a series of preferred stock, no par value, and determines the designation and number of shares which constitute such series and the voting rights, preferences, limitations and special rights, if any, of such series as follows:

1. Designation and Number of Shares. The series of Preferred Stock shall be designated as "Series A Convertible Preferred Stock" (hereinafter called "Series A Preferred Stock") and shall consist of a total of 1,700,000 shares, no par value.

2. Dividends. No dividends are payable on the Series A Convertible Preferred Stock.

3. Liquidation.

a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after all creditors of the Corporation shall have been paid in full, the holders of the outstanding shares of Series A Preferred Stock shall be entitled to receive out of the assets of the Company, before any distribution of assets shall be made to the holders of any Common Stock, an amount equal to (x) \$.60 per share for each share of Series A Preferred Stock then outstanding (subject to appropriate adjustments in the event of any stock dividend, subdivision, combination or reclassification affecting such shares). If, upon any dissolution, liquidation or winding up of the Corporation, the net assets of the Corporation shall be insufficient to pay the holders of all outstanding shares of Series A Preferred Stock and stock which ranks on a parity with the Series A Preferred Stock in dissolution, liquidation or winding up of the Corporation ("Parity Stock") the full amounts to which they respectively shall be entitled, the holders of each such stock shall share ratably in any distribution of assets according to the respective amounts which would be payable in respect of such stock option upon such distribution if all amounts payable on or with respect to all stock were paid in full.

b) Neither the merger or consolidation of the Corporation with any corporation or other entity, nor the sale of all or part of the Corporation's assets for cash, securities or other property, nor the purchase or redemption by the Corporation of any class of stock permitted by the Articles of Incorporation or any amendment thereof, shall be deemed a liquidation, dissolution or winding up of the Corporation.

c) Holders of the Series A Preferred Stock shall not be entitled, upon the liquidation, dissolution or winding up of the Corporation, to receive any amounts with respect to such stock other than the amounts referred to in this paragraph 3. Nothing contained herein shall be deemed to prevent the purchase of the Series A Preferred Stock or the conversion of the Series A Preferred Stock pursuant to paragraph 5 herein prior to liquidation, dissolution or winding up.

- d) Whenever the distribution provided for in this Section 3 shall be payable in securities or property other than cash, the value of such distribution shall be the fair market value of such securities or other property as determined in good faith by the Board of Directors.
4. Redemption. The shares of Series A Preferred Stock shall not be redeemable by either the Corporation or the holder thereof, except that nothing contained herein shall be deemed to prevent the Corporation from purchasing the Series A Preferred Stock from the holder thereof.
5. Conversion.
- a) Each share of the Series A Preferred Stock shall, upon the completion by the Corporation of the sale of Common Stock in an underwritten initial public offering pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission (the "IPO"), be mandatorily and automatically convertible at the office of the Corporation or, if the Corporation has a transfer agent for the Series A Preferred Stock, at the office of such transfer agent, into fully paid and non-assessable shares of Common Stock at the rate of one share of Common Stock for each share of Series A Preferred Stock converted, all such figures to be subject to appropriate adjustment pursuant to Section 5(c) hereof to the extent that the conversion rights of the Series A Preferred Stock are adjusted pursuant to Section 5(c) hereof.
- b) Each conversion of a share or shares of Series A Preferred Stock shall be effected by surrender of the certificate or certificates representing the shares to be converted, duly endorsed to the Corporation or in blank (and if requested by the Corporation or transfer agent, with all signatures guaranteed), at the principal office of the Corporation or transfer agent (or such other office or agency of the Corporation as the Corporation may designate by notice in writing to the holders of the Series A Preferred Stock) at any time during its usual business hours. The Corporation shall, as soon as practicable thereafter, issue and deliver by registered or certified mail, addressed to the person for whose account surrender of the share or shares of Series A Preferred Stock was made at such person's last known address according to the records of the Corporation, or to his nominee or nominees, certificates for the number of whole shares of Common Stock to which he shall be entitled, together with a cash payment in respect of any fraction of a share, in an amount determined in good faith by the Board of Directors, if not convertible into a number of whole shares. Conversion shall be deemed to have been made as of the date of the exercise by the Corporation of the election set forth in Section 5(a), and the person or persons entitled to receive the Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock on such date.
- c) The number of shares of Common Stock into which the shares of Series A Preferred Stock shall be convertible shall be subject to adjustment as follows:
- i) In case the Corporation shall (A) declare a dividend on its Common Stock payable in shares of its capital stock, (B) subdivide its outstanding shares of Common Stock, (C) combine its outstanding shares of Common Stock into a smaller number of shares, or (D) issue, by reclassification of its shares of Common Stock (including any such reclassification in connection with a merger or consolidation in which the Corporation is the continuing corporation), any shares of stock of the Corporation, the conversion rate in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification shall be proportionately adjusted so that the holder of any Series A Preferred Stock surrendered for conversion after such date shall be entitled to receive upon the conversion of such shares, the number and kind of shares which he would have owned or have been entitled to receive after the happening of any of the events described herein had such Series A Preferred Stock been converted immediately prior to such date. Such adjustment shall be made successively whenever any event listed above shall occur.
- ii) The Corporation shall at all times reserve and keep available out of its authorized but unissued Common Stock, solely for the purpose of effecting the conversion of the shares of

Series A Preferred Stock, the full number of shares of Common Stock deliverable upon conversion of all shares of the Series A Preferred Stock from time to time outstanding. The Corporation shall from time to time, in accordance with the laws of the State of Texas, increase the authorized number of shares of its Common Stock if at any time the number of shares of Common Stock remaining unissued shall not be sufficient to permit the conversion of all the then outstanding Series A Preferred Stock.

iii) Whenever the number of shares of Common Stock deliverable upon the conversion of each share of Series A Preferred Stock shall be adjusted pursuant to the provisions of this subparagraph (c), the Corporation shall promptly (A) make available at the principal office of the Corporation or transfer agent a statement, signed by the Chairman of the Board of Directors or the President or a Vice-President of the Corporation, setting forth, in reasonable detail, the adjustment and the method of calculation and the facts requiring such adjustment, and (B) mail to all holders of shares of Series A Preferred Stock, at their last addresses as they shall appear upon the books of the Corporation, a notice of such adjustment which sets forth the adjusted number of shares of Common Stock deliverable upon the conversion of each share of Series A Preferred Stock.

d) In the event the Corporation shall propose to take any action of the types described in this Section 5(c), the Corporation shall give notice to each holder of shares of Series A Preferred Stock, which notice shall specify the record date, if any, with respect to any such action and the date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the conversion rate in effect at the time, and the number, kind or series of shares or other securities or property which shall be deliverable or purchasable upon the occurrence of such action or deliverable upon conversion of shares of Series A Preferred Stock. In the case of any action which would require the fixing of a record date, such notice shall be given at least twenty (20) days prior to the date so fixed, and in case of all other action, such notice shall be given at least thirty (30) days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

6. Voting Rights.

a) Except as otherwise expressly provided herein, in addition to any rights provided by applicable law, the holders of the Series A Preferred Stock shall be entitled to vote on all matters as to which holders of Common Stock shall be entitled to vote, in the same manner and with the same effect as such holders of Common Stock, voting together with the holders of the Common Stock as a single class. When voting with the holders of Common Stock as a single class, a holder of Series A Preferred Stock shall be entitled to such number of votes as shall equal the aggregate number of shares of Common Stock which such holder would receive upon the deemed conversion of all shares of Series A Preferred Stock held by such holder; provided that voting rights shall not extend to a fractional share resulting from the deemed conversion of all shares of Series A Preferred Stock held by such holder of Series A Preferred Stock.

7. Reissuance of Shares. Shares of Series A Preferred Stock which have been purchased, or which have been converted into shares of Common Stock or shares of stock of any other class or classes, shall have the status of authorized and unissued shares of preferred stock and may be reissued as part of the series of which they were originally a part or may be reissued as part of a new series of the preferred stock to be created by resolution or resolutions of the Board of Directors or as part of any other series of preferred stock, all subject to the conditions or restrictions on issuance set forth in any resolution or resolutions adopted by the Board of Directors providing for the issue of any series of preferred stock.