

GERRY, FRIEND & SAPRONOV, LLP

ATTORNEYS AT LAW

SUITE 1450

THREE RAVINIA DRIVE

ATLANTA, GEORGIA 30346-2131

(770) 399-9500

FACSIMILE (770) 395-0000

EMAIL: gflaw@gflaw.com

January 19, 1999

VIA OVERNIGHT MAIL

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

990084-71

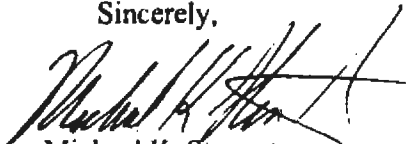
Re: Joint Application of Cherry Communications Incorporated, WAXS, Inc., Maxxis Group, Inc. and Maxxis Communications, Inc. for Approval of Acquisition of Assets and for Assignment of Authorization ("Joint Application")

Dear Sir or Madam:

Enclosed are the original and one (1) copy of the Joint Application. Please file the Application in your usual fashion and return one (1) stamped copy to us in the enclosed envelope. This Application is provided as notification to the Florida Public Service Commission of the transaction described therein.

If you have any questions or comments, please call the undersigned.

Sincerely,



Michael W. Stewart

Enc.

cc: Maxxis Group, Inc.
(with enclosure)
Charles A. Hudak, Esq.
(without enclosure)

Exhibits A, B, and F placed
in confidential storage - see
paragraph 13 of application.

14

DOCUMENT NUMBER DATE

00003 JAN 22 99

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In the Matter of:)
)
JOINT APPLICATION OF CHERRY)
COMMUNICATIONS INCORPORATED,)
WAXS INC., MAXXIS GROUP, INC. AND)
MAXXIS COMMUNICATIONS, INC. FOR)
APPROVAL OF ACQUISITION OF)
ASSETS AND FOR ASSIGNMENT OF)
AUTHORIZATION)

DOCKET NO. 990084-TI

**JOINT APPLICATION FOR ACQUISITION OF ASSETS
AND ASSIGNMENT OF AUTHORIZATION**

COMES NOW WAXS INC. ("WAXS), Cherry Communications Incorporated ("CCI"), Maxxis Group, Inc. ("Maxxis") and Maxxis Communications, Inc. ("Maxxis Communications") (collectively the "Applicants" or the "Parties"), pursuant to Section 25-24.473 of the Florida Administrative Code and hereby respectfully request approval for the acquisition of assets and for the assignment, authority, consent and approval of the sale and transfer of the authorization to provide intrastate, long distance telecommunications services within the State of Florida, as described herein. The Parties respectfully request that the Commission act upon this Joint Application expeditiously inasmuch as the approval sought herein concerns a non-controversial transaction between competitive, non-dominant telecommunications companies. In support of this Joint Application, the Parties hereby state as follows.

I. DESCRIPTION OF THE PARTIES

1.

Cherry Communications Incorporated ("CCI") is an Illinois corporation which is headquartered in Lombard, Illinois. CCI, currently operating under the protection of Chapter

11 of the United States Bankruptcy Code, is a facilities-based provider of network access. The Commission has previously granted authority to CCI for interexchange carrier service to the public statewide in Florida. In addition, CCI is authorized, by virtue of certification, registration or tariff requirements, or on an unregulated basis, to provide resold intrastate telecommunications services in over 35 states.¹

2.

WAXS is a Delaware corporation headquartered at 945 East Paces Ferry Road, Suite 2240, Atlanta, Georgia 30326. WAXS, a publicly-traded company (NASDAQ: "WAXS"), provides telecommunications systems, products and services to companies competing in the global telecommunications marketplace. Specifically, WAXS develops, manufactures and markets wireline and wireless switching, transport and access services to companies in the United States, in the Caribbean basin, and in Latin America. WAXS also provides design, engineering, manufacturing, testing, installation, repair and other value-added services to companies in the telecommunications industry. Neither WAXS or its affiliates, however, provide or are authorized to provide intrastate telecommunications services within the State of Florida.²

3.

Maxxis, a Georgia corporation headquartered at 1901 Montreal Road, Suite 108, Tucker, Georgia 30084, was incorporated in January, 1997. Maxxis, through its subsidiaries, markets communications and other consumer products and services in the United States through a multi-

¹In Florida, Docket No. 920732-TI approving Non-dominant Interexchange Carrier Certificate No. 3134 effective November 12, 1992.

²Additional information regarding WAXS and CCI is attached hereto at Exhibit "A" which is the previously filed Joint Application of CCI/WAXS Transfer of Control.

level marketing system of "independent associates" ("IAs"). Maxxis Communications (f/k/a Maxxis Telecom, Inc.), a wholly-owned subsidiary of Maxxis, provides independent contractor marketing services in connection with the sale of long distance telecommunications services by certificated interexchange carriers.³ These long distance services include direct dial ("1 +") long distance services, toll-free "800" and "888" long distance services, and prepaid calling card services.

II. DESCRIPTION OF TRANSACTION

4.

On September 29, 1998, CCI, WAXS and Maxxis entered into an Asset Purchase Agreement which provided, inter alia, for the acquisition of certain telecommunications equipment, and authorizations to provide intrastate, long distance telecommunications services which is attached herein and incorporated by reference as Exhibit "B".

III. MAXXIS' AND MAXXIS COMMUNICATIONS' QUALIFICATIONS

5.

Maxxis and its wholly-owned subsidiary, Maxxis Communications, possess all financial, managerial and technical qualifications necessary to acquire and to operate the assets of CCI. Specifically, Maxxis' and Maxxis Communications' qualification are described as follows.

6.

A. Corporate Information. Maxxis' correct name and address are:

Maxxis Group, Inc.
1901 Montreal Road, Suite 108
Tucker, Georgia 30084
770-696-6343

³In February, 1997, Maxxis Communications contracted with Colorado River Communications Corp. ("CRC") to market and sell CRC's long distance services.

The correct name and address of Maxxis Communications are:

**Maxxis Communications, Inc.
1901 Montreal Road, Suite 108
Tucker, Georgia 30084
770-696-6343**

Maxxis Communications, a Georgia corporation, will file an application for qualification to transact business in the State of Florida. Copies of Maxxis Communications' Application for a Certificate to the Florida Secretary of State, (to be supplied), Certificate of Incorporation and Articles of Incorporation are attached hereto at Exhibit "C".

7.

B. Description of Proposed Services. Maxxis Communications proposes to utilize the acquired assets to resell switched, intrastate, long distance (interLATA and intraLATA toll) voice communications services of certificated common carriers (*e.g.*, AT&T Corp., MCI Telecommunications Corp. and Sprint Communications Company, L.P.) for the purpose of providing direct dial ("1+") services, measured toll service, toll-free "800" and "888" services and prepaid calling card services within the entire State of Florida. Maxxis Communications will not own, lease, control or install any transmission facilities (except for a telecommunications switch located in Chicago, Illinois), but instead will utilize the existing equipment and facilities of one or more of the above-described carriers.

8.

Maxxis Communications intends to market the proposed telecommunications services exclusively through Maxxis' network of IAs. The IAs will market Maxxis Communications' services to persons with whom the IAs have an ongoing relationship, such as family members, friends and business associates. Notably, Maxxis' IAs will not be required to purchase inventory and will not be subject to sales quotas or account collection matters.

9.

Maxxis Communications intends to bill its customers directly for long distance telecommunications resale services. The charges, based upon the rates which will be set forth in Maxxis Communications' tariff, Maxxis Communications' name, and its toll free telephone number for customer assistance will all appear on monthly customer statements. In addition, customers may contact Maxxis Communications' customer service representatives regarding a broad range of service matters, including: (i) the types of services offered by Maxxis Communications and the rates associated with such services; (ii) monthly billing statements; and (iii) problems or concerns pertaining to the customer's current service. Maxxis Communications' customer service representatives will be available to assist customers twenty-four (24) hours per day, seven (7) days per week.

10.

C. Technical And Managerial Capability. Both Maxxis and Maxxis Communications are led by highly qualified teams of management personnel who have the requisite technical, financial and managerial experience to provide long distance telecommunications resale services in Florida. Brief biographical statements concerning each of Maxxis' and Maxxis Communications' management personnel are attached hereto at Exhibit "D" and Exhibit "E".

11.

D. Financial Capability. As a wholly-owned subsidiary of Maxxis, Maxxis Communications has the assurance of its parent that it will be provided the financial resources necessary to operate its telecommunications resale business in a continuous manner. For the period of January 24, 1997 to June 30, 1997 and the fiscal year ended June 30, 1998, Maxxis

generated aggregate revenues of approximately \$2,691,000 and \$6,991,000, respectively.⁴

12.

E. Compliance With Laws. Maxxis Communications has not been denied authority to provide intrastate telecommunications services in any state and has not been subject to any regulatory penalties for violation of state or federal telecommunications statutes, rules or regulations (*e.g.*, slamming). Copies of Maxxis Communications' internal guidelines to prevent slamming and proposed letter of authorization are attached hereto at Exhibit "F". By submitting to the Commission's jurisdiction for approval to acquire the assets and to assign the authorization discussed herein, Maxxis Communications hereby asserts its willingness and ability to comply with all rules and regulations that the Commission may impose subject to Florida laws as now or hereafter enacted.

IV. CONFIDENTIALITY

13.

Exhibits "A", "B" and "F" contain commercial information which is proprietary due to the highly competitive nature of the telecommunications marketplace. The Parties deem these exhibits to be proprietary. Accordingly, these exhibits are being submitted to the Commission subject to confidential treatment.

V. PUBLIC INTEREST, CONVENIENCE AND NECESSITY

14.

Commission approval of Maxxis acquisition of CCI's and WAXS' assets, and of Maxxis' subsequent transfer of certain assets to Maxxis Communications, is in the public interest. The

⁴A copy of Maxxis' Securities and Exchange Commission Form 10-K is attached hereto at Exhibit "E".

infusion of CCI's and WAXS' assets into Maxxis' and Maxxis Communications' existing operations will allow Maxxis Communications to compete in the Florida market for long distance telecommunications services. Florida consumers will benefit from the availability of increased long distance telecommunications products and service options.

VI. REGULATORY LEGAL COMMUNICATIONS AND CORRESPONDENCE

15.

Maxxis and Maxxis Communications:

Charles A. Hudak, Esq.
Gerry, Friend & Sapronov, LLP
Three Ravinia Drive, Suite 1450
Atlanta, Georgia 30346-2131
Tel: 770-399-9500
Fax: 770-395-0000

WAXS:

Robert C. Huggle, Esq.
Rogers & Hardin, LLP
2700 International Tower
229 Peachtree Street, N.E.
Atlanta, Georgia 30303
Tel: 404-522-4700
Fax: 404-525-2224

CCI:

Richard Heidecke, Esq., L.C.E.
One of Cherry Communications Incorporated's Attorneys
Cherry Communications Incorporated
1919 South Highland Avenue, Suite 129-D
Lombard, Illinois 60148
Tel: 630-268-6620
Fax: 630-268-6898

VII. CONCLUSION

16.

WHEREFORE, the Parties respectfully request that this Commission:

(1) Issue an order approving this application in all respects, including without limitation the acquisition of CCI's and WAXS' assets by Maxxis and Maxxis Communications,


as described herein or in the exhibits attached hereto;

(2) Issue an order approving the assignment, authority, consent and approval of the sale and transfer of CCI's existing authorization to Maxxis, and subsequently, to Maxxis Communications; and


(3) Grant any other and additional relief that the Commission may deem just and proper.

Respectfully submitted this ____ day of _____ 1998.

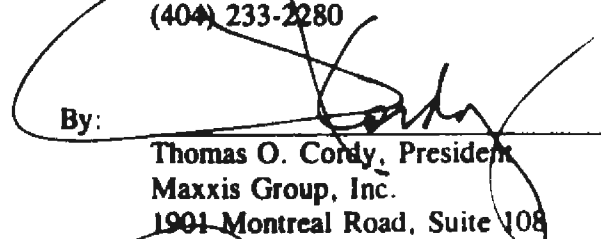
By:


Steven A. Odom, Chief Executive Officer
WAXS Inc.
945 East Paces Ferry Road, Suite 2240
Atlanta, Georgia 30326
(404) 231-2025

By:


W. Todd Chmar, Executive Vice President
Cherry Communications Incorporated
945 East Paces Ferry Road, Suite 2210
Atlanta, Georgia 30326
(404) 233-2280

By:


Thomas O. Cordy, President
Maxxis Group, Inc.
1901 Montreal Road, Suite 108
Atlanta, Georgia 30084
(770) 696-6343

By:

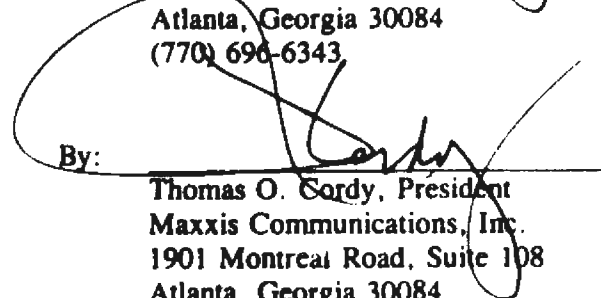

Thomas O. Cordy, President
Maxxis Communications, Inc.
1901 Montreal Road, Suite 108
Atlanta, Georgia 30084
(770) 696-6343

EXHIBIT "C"

**MAXXIS COMMUNICATIONS, INC.'S APPLICATION FOR A CERTIFICATE OF
AUTHORITY TO TRANSACT BUSINESS IN THE STATE OF FLORIDA,
CERTIFICATE OF INCORPORATION (WITH CERTIFICATE OF NAME CHANGE)
AND ARTICLES OF INCORPORATION**

[APPLICATIONS FOR AUTHORITY TO BE SUPPLIED]

Secretary of State
Corporations Division
Suite 315, West Tower
2 Martin Luther King Jr. Dr.
Atlanta, Georgia 30334-1530

DOCKET NUMBER : 982680538
CONTROL NUMBER: 9705835
EFFECTIVE DATE: 09/25/1998
REFERENCE : 0077
PRINT DATE : 09/25/1998
FORM NUMBER : 611

NELSON MULLINS RILEY & SCARBOROUGH
ESTER MORENO-BAILEY
999 PEACHTREE ST., STE. 1400
ATLANTA, GA 30309

CERTIFICATE OF NAME CHANGE AMENDMENT

I, Lewis A. Massey, the Secretary of State and the Corporation Commissioner of the State of Georgia, do hereby certify under the seal of my office that

MAXXIS TELECOM, INC.
A DOMESTIC PROFIT CORPORATION

has filed articles of amendment in the office of the Secretary of State changing its name to

MAXXIS COMMUNICATIONS, INC.

and has paid the required fees as provided by Title 14 of the Official Code of Georgia Annotated. Attached hereto is a true and correct copy of said articles of amendment.

WITNESS my hand and official seal in the City of Atlanta and the State of Georgia on the date set forth above.



Lewis A. Massey
Lewis A. Massey
Secretary of State

Lewis A. Massey
Lewis A. Massey
Secretary of State

**ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
MAXXIS TELECOM, INC.**

I.

The name of the corporation is "MAXXIS TELECOM, INC." (the "Corporation").

II.

Effective the date hereof, Article One of the Articles of Incorporation of the Corporation is amended by deleting Article One in its entirety and substituting therefor the following:

"The name of the corporation is Maxxis Communications, Inc."

III.

The amendment contained herein was duly adopted by unanimous written consent of the Board of Directors of the Corporation dated as of September 24, 1998. Pursuant to Section 14-2-1002 of the Georgia Business Corporation Code, shareholder action with respect to the amendment was not required.

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be executed by its duly authorized officer this 24 day of September, 1998.

MAXXIS TELECOM, INC.

By: _____

Its: Secretary


SECRETARY OF STATE

REC. 11 51 1 57 SEP 25

**CERTIFICATE REGARDING
REQUEST FOR PUBLICATION OF
NOTICE OF CHANGE OF CORPORATE NAME**

The undersigned officer of MAXXIS TELECOM, INC. (the "Corporation"), a Georgia corporation, does hereby verify that a request for publication of a notice of intent to file articles of amendment to change the name of the Corporation and payment therefor has been made as required by Section 14-2-1006.1 of the Official Code of Georgia Annotated.

IN WITNESS WHEREOF, the undersigned does hereby set his hand this 24 day of September, 1998.

By: 
Its: Secretary

PUBLIC NOTICES

Continued from last page

Notice of Sale for filing in accordance with the Georgia Business Corporation Code...

LAST OFFICE: SHAN E. TOBB, P.C. 5654 ROCKHILL ROAD...

NOTICE OF INCORPORATION: Notice is given that articles of incorporation which will incorporate...

NOTICE OF INCORPORATION: Notice is given that articles of incorporation which will incorporate...

NOTICE OF INTENT TO INCORPORATE: Notice is given that articles of incorporation which will incorporate...

NOTICE OF INTENT TO INCORPORATE: Notice is given that articles of incorporation which will incorporate...

NOTICE OF INCORPORATION: Notice is given that articles of incorporation which will incorporate...

Fulton County Georgia 2000 and its annual registered agent at such address as Florida Secretary...

NOTICE OF INCORPORATION: Notice is given that articles of incorporation which will incorporate...

NOTICE OF INCORPORATION: Notice is given that articles of incorporation which will incorporate...

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Articles of Amendment: Notice is given that articles of amendment which will amend...

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Articles of Merger: Notice is given that articles of merger which will merge...

NOTICE OF MERGER: Notice is given that articles of merger which will merge...

Articles of Dissolution: Notice is given that articles of dissolution which will dissolve...

NOTICE OF INTENT TO VOLUNTARILY DISSOLVE A CORPORATION: Notice is given that articles of dissolution which will dissolve...

NOTICE OF INTENT TO VOLUNTARILY DISSOLVE A CORPORATION: Notice is given that articles of dissolution which will dissolve...

NOTICE OF INTENT TO VOLUNTARILY DISSOLVE A CORPORATION: Notice is given that articles of dissolution which will dissolve...

Name Change: NOTICE OF PETITION TO CHANGE NAME: PLEASE TAKE NOTICE that on the...

NOTICE OF SUPERVISORIAL ELECTION: NOTICE OF SUPERVISORIAL ELECTION: NOTICE OF SUPERVISORIAL ELECTION...

Continued to next page

Secretary of State
Business Information and Services
Suite 315, West Tower
2 Martin Luther King Jr. Dr.
Atlanta, Georgia 30334-1530

CONTROL NUMBER: 9705835
EFFECTIVE DATE: 02/17/1997
COUNTY : FULTON
REFERENCE : 0091
PRINT DATE : 02/17/1997
FORM NUMBER : 0311

NELSON MULLINS RILEY & SCARBOROUGH
PETER C. QUITMEYER, ESQ.
1201 PEACHTREE STREET, STE 2200
ATLANTA, GA 30361

CERTIFICATE OF INCORPORATION

I, the Secretary of State and the Corporation
Commissioner of the State of Georgia, do hereby certify under the
seal of my office that

MAXXIS TELECOM, INC.
A DOMESTIC PROFIT CORPORATION

has been duly incorporated under the laws of the State of Georgia
on the effective date stated above by the filing of articles of
incorporation in the office of the Secretary of State and by the
paying of fees as provided by Title 14 of the Official Code of
Georgia Annotated.

WITNESS my hand and official seal in the City of Atlanta and the
State of Georgia on the date set forth above.



Lewis A. Massey
Secretary of State

Lewis A. Massey
Secretary of State

COPY

ARTICLES OF INCORPORATION

OF

MAXXIS TELECOM, INC.

ARTICLE I

The name of the corporation is "Maxxis Telecom, Inc."

ARTICLE II

The corporation shall have authority to issue not more than 1,000,000 shares of capital stock.

ARTICLE III

The street address and county of the initial registered office of the corporation is 1201 Peachtree Street, Suite 2200, Atlanta, Georgia 30361; the registered office is in Fulton County. The initial registered agent of the corporation at such address is Peter C. Quittmeyer.

ARTICLE IV

The name and address of the incorporator is:

Peter C. Quittmeyer
Nelson, Mullins, Riley & Scarborough
400 Colony Square, Suite 2200
1201 Peachtree Street
Atlanta, Georgia 30361

ARTICLE V

The mailing address of the initial principal office of the corporation is:

11205 Alpharetta Highway
Suite G 3
Roswell, Georgia 30076

ARTICLE VI

The initial Board of Directors shall consist of Three (3) members.

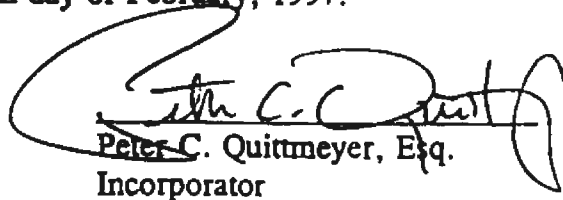
ARTICLE VII

Pursuant to Section 14-2-704 of the Georgia Business Corporation Code, any action required by the Georgia Business Corporation Code to be taken at a meeting of the shareholders and any action which may be taken at a meeting of the shareholders may be taken without a meeting if written consent, setting forth the action so taken, shall be signed by persons who would be entitled to vote at a meeting those shares having voting power to cast not less than the minimum number (or numbers, in the case of voting by classes entitled to separate vote) of votes that would be necessary to authorize or take such action at a meeting of shareholders at which all shares entitled to vote were present and voted, subject to the limitations and notice requirements of Section 14-2-704.

ARTICLE VIII

No director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for breach of the director's duty of care or other duty as a director, provided, that this provision shall eliminate or limit the liability of a director only to the extent permitted from time to time by the Georgia Business Corporation Code as amended from time to time, or any law governing such matters which replaces the Georgia Business Corporation Code.

IN WITNESS WHEREOF, the undersigned has executed these Articles of Incorporation as of the 17th day of February, 1997.


Peter C. Quittmeyer, Esq.
Incorporator

SECRETARY OF STATE
FEB 17 3 40 PM '97
BSK (1)

Secretary of State
Business Information and Services
Suite 315, West Tower
2 Martin Luther King Jr. Dr.
Atlanta, Georgia 30334-1530

RESERVATION NUMBER: 970410411
EFFECTIVE DATE : 02/10/1997
EXPIRATION DATE : 05/11/1997
LICENSE NUMBER : N/A
CONSENT ON FILE : N/A
PRINT DATE : 02/11/1997
FORM NUMBER : 506

KYLE FRISCH
1201 P'TREE ST
STE 2200
ATLANTA GA 30361

NAME RESERVATION CERTIFICATE

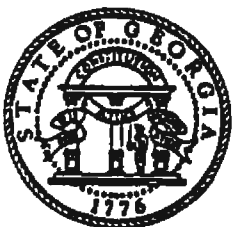
I, the Secretary of State of the State of Georgia, do hereby certify under the seal of my office that the records of the Secretary of State have been reviewed and the name

MAXXIS TELECOM, INC.

is not identical to, and appears to be distinguishable from, the name of any other existing entity on file pursuant to Title 14 of the Official Code of Georgia Annotated.

This certificate shall be valid for a nonrenewable period of ninety days from the date of this certificate. Please submit this original certificate with any subsequent formation filing.

Name reservations are not renewable after expiration of the statutory reservation period stated above.



Lewis A. Massey
LEWIS A. MASSEY
SECRETARY OF STATE

LAW OFFICES
NELSON MULLINS RILEY & SCARBOROUGH, L.L.P.
A REGISTERED LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

KYLE M. FRISCH
LEGAL ASSISTANT
(404) 817-6187

400 COLONY SQUARE
SUITE 2200
1201 PEACHTREE STREET, N.E.
ATLANTA, GEORGIA 30361
TELEPHONE (404) 817-6000
TELECOPIER (404) 817-6050

OTHER OFFICES:
Charleston, South Carolina
Charlotte, North Carolina
Columbia, South Carolina
Florence, South Carolina
Greenville, South Carolina
Myrtle Beach, South Carolina

February 17, 1997

VIA U.S. MAIL

Fulton County Daily Report
Business Office
190 Pryor Street, SW
Atlanta, Georgia 30303

Re: Maxxis Telecom, Inc.

Dear Sir or Madam:

You are requested to publish once a week for two consecutive weeks, commencing within ten days of receipt of this letter, a notice in the following form:

"NOTICE OF INTENT TO INCORPORATE

Notice is given that articles of incorporation which incorporate Maxxis Telecom, Inc. will be delivered to the Secretary of State in accordance with the Georgia Business Corporation Code. The initial registered office of the corporation will be located at 1201 Peachtree St., Ste. 2200, Fulton County, Atlanta, Georgia 30361 and the initial registered agent at such address is: Peter C. Quittmeyer."

Enclosed is a check in the amount of \$40.00 in payment of the cost of publication.

Very truly yours,



Kyle M. Frisch

Encl.

cc: Andrew L. Howell

Secretary of State
Corporations Division
Suite 315, West Tower
2 Martin Luther King Jr. Dr.
Atlanta, Georgia 30334-1530

DOCKET NUMBER : 981200417
CONTROL NUMBER: 9705136
EFFECTIVE DATE: 04/21/1998
REFERENCE : 0033
PRINT DATE : 04/30/1998
FORM NUMBER : 115

ESTHER MORENO-BAILEY
NELSON MULLINS RILEY & SCARBORGH, LLP
999 PEACHTREE STREET STE. 1400
ATLANTA GA 30309

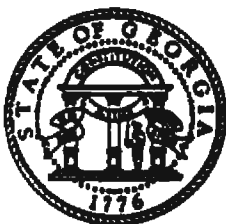
CERTIFICATE OF RESTATED ARTICLES OF INCORPORATION

I, Lewis A. Massey, the Secretary of State and the Corporation Commissioner of the State of Georgia, do hereby certify under the seal of my office that the articles of incorporation of

MAXXIS GROUP, INC.
A DOMESTIC PROFIT CORPORATION

have been duly restated and amended by the filing of articles of restatement in the office of the Secretary of State and by the paying of fees as provided by Title 14 of the Official Code of Georgia Annotated. Attached hereto is a true and correct copy of said articles of restatement.

WITNESS my hand and official seal in the City of Atlanta and the State of Georgia on the date set forth above.



Lewis A. Massey
LEWIS A. MASSEY
SECRETARY OF STATE

AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
MAXXIS GROUP, INC.

ARTICLE I

The name of the corporation is "Maxxis Group, Inc." The principal executive office of the corporation is 1901 Montreal Road, Suite 108, Tucker, Georgia 30084.

ARTICLE II

The corporation shall have authority to issue not more than 30,000,000 shares of capital stock which shall consist of:

(i) 20,000,000 shares of Common Stock, no par value per share (the "Common Stock"); and

(ii) 10,000,000 shares of preferred stock, no par value per share (the "Preferred Stock").

A. Common Stock.

Subject to all of the rights of the Preferred Stock as expressly provided herein, by law or by the Board of Directors pursuant to this Article II, the Common Stock shall possess all such rights and privileges as are afforded to capital stock by applicable law in the absence of any express grant of rights or privileges in the Amended and Restated Articles of Incorporation, including, but not limited to, the following rights and privileges:

(i) dividends may be declared and paid or set apart for payment upon the Common Stock out of any assets or funds of the corporation legally available for the payment of dividends;

(ii) the holders of Common Stock shall have the right to vote for the election of directors and on all other matters requiring shareholder action, each share being entitled to one vote; and

(iii) upon the voluntary or involuntary liquidation, dissolution or winding-up of the corporation, the net assets of the corporation available for distribution shall be distributed pro rata to the holders of the Common Stock in accordance with their respective rights and interests.

B. Preferred Stock.

In addition to the Common Stock, the corporation shall have the authority, exercisable by its Board of Directors, to issue up to 10,000,000 shares of Preferred Stock, any part or all

of which shares of Preferred Stock may be established and designated from time to time by the Board of Directors by filing an amendment to these Amended and Restated Articles of Incorporation, which shall be effective without shareholder action, in accordance with the appropriate provisions of the Georgia Business Corporation Act (the "Act") and any amendment or supplement thereto (a "Preferred Stock Designation"), in such series and with such preferences, limitations and relative rights as may be determined by the Board of Directors. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of a majority of the votes of the Common Stock, without a vote of the holders of the shares of Preferred Stock, or of any series thereof, unless a vote of any such holders is required by law or pursuant to the Preferred Stock Designation or Preferred Stock Designations establishing the series of Preferred Stock.

100,000 shares of the corporation's Preferred Stock shall be designated "Series A Convertible Preferred Stock." The Series A Preferred Stock shall have the rights, preferences, privileges, restrictions, and other matters as follows:

1. Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up of the corporation, either voluntary or involuntary, the holders of the Series A Convertible Preferred Stock (the "Series A Holders") shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the corporation to the holders of the Common Stock by reason of their ownership thereof, the amount of \$5.50 per share (as adjusted for any combinations, consolidations, stock distributions or stock dividends with respect to such shares) plus all declared or accumulated but unpaid dividends on such share for each share of Series A Convertible Preferred Stock then held by them and no more. If upon the occurrence of such event, the assets and funds thus distributed among the Series A Holders shall be insufficient to permit the payment to such holders of the full aforesaid preferential amount, then the entire assets and funds of the corporation legally available for distribution shall be distributed among the Series A Holders in proportion to the shares of Series A Convertible Preferred Stock then held by them.

(b) In the event of any liquidation, dissolution or winding up of the corporation, either voluntary or involuntary, and subject to the payment in full of the liquidation preferences with respect to the Series A Convertible Preferred Stock as provided in subparagraph (a) of this Section 1, the holders of the Common Stock shall be entitled to receive, prior and in preference to any further distribution of any of the assets or surplus funds of the corporation to the Series A Holders by reason of their ownership thereof, an amount equal to the per share book value for each share of Common Stock then held by them and no more. Subject to the payment in full of the liquidation preferences with respect to the Series A Convertible Preferred Stock as provided in subparagraph (a) of this Section 1, if upon the occurrence of such event, the assets and funds thus distributed among the holders of the Common Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amount, then the entire remaining assets and funds of the corporation legally available for distribution shall be distributed among the holders of the Common Stock in proportion to the shares of Common Stock then held by them. After payment to the Series A Holders and the holders of Common Stock of the amounts set forth in subparagraph (a) above and this subparagraph (b), the entire

remaining assets and funds of the corporation legally available for distribution, if any, shall be distributed among the holders of the Common Stock and the Series A Convertible Preferred Stock in proportion to the shares of Common Stock then held by them and the shares of Common Stock which the Series A Holders have the right to acquire upon conversion of their shares.

(c) A consolidation or merger of the corporation with or into any other corporation or corporations, or a sale of all or substantially all of the assets of the corporation, shall not be deemed to be a liquidation, dissolution or winding up within the meaning of this Section 1, but shall be subject to the provisions of Section 4 hereof.

2. Voting Rights. Except as otherwise expressly provided herein or as required by law, the Series A Holders shall have no voting rights on account of the ownership of Series A Convertible Preferred Stock and shall not be entitled to notice of any shareholders meeting.

3. Conversion. The Series A Holders shall have conversion rights as follows (the "Conversion Rights"):

(a) Right to Convert. Each share of Series A Convertible Preferred Stock shall be convertible, at the option of the holder thereof, at any time at least 14 months after the date of issuance of such share, at the office of the corporation or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing \$5.50 plus all declared or accumulated but unpaid dividends on each share of Series A Convertible Preferred Stock by the then applicable Conversion Price, determined as hereinafter provided (the "Conversion Price"), in effect on the date the certificate is surrendered for conversion. The initial Conversion Price shall be \$5.50. Such initial Conversion Price shall be adjusted as hereinafter provided.

(b) Automatic Conversion. Each share of Series A Convertible Preferred Stock that has been outstanding for at least 14 months shall automatically be converted into shares of Common Stock at the then effective Conversion Price immediately upon the closing of a public offering that occurs at least 14 months following the date of issuance and that provides gross proceeds to the corporation of at least \$7,500,000.

(c) Mechanics of Conversion. Before any Series A Holder shall be entitled to convert his shares of Series A Convertible Preferred Stock into shares of Common Stock, he shall surrender the certificate or certificates thereof, duly endorsed, at the office of the corporation or of any transfer agent for such stock, and shall give written notice to the corporation at such office that he elects to convert the same and shall state therein the name or names in which he wishes the certificate or certificates for shares of Common Stock to be issued. The corporation shall, as soon as practicable thereafter, issue and deliver at such office to such Series A Holder, a certificate or certificates for the number of shares of Common Stock to which he shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of surrender of the shares of Series A Convertible Preferred Stock to be converted, and the person or persons entitled to receive the

shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

(d) Adjustments to Conversion Price.

(i) Special Definitions. For purposes of this Section 3, the following definitions apply:

"Original Issue Date" shall mean the date on which a share of Series A Convertible Preferred Stock was first issued.

"Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the corporation after the Original Issue Date, other than shares of Common Stock issued or issuable:

(A) upon conversion of shares of Series A Convertible Preferred Stock;

(B) to officers, directors or employees of, or consultants to, the corporation, on terms approved by the Board of Directors; or

(C) as a dividend or distribution on Series A Convertible Preferred Stock.

(ii) Adjustments for Combinations or Subdivisions. No adjustment in the Conversion Price of a particular share of Series A Convertible Preferred Stock shall be made unless this corporation at any time or from time to time after the Original Issue Date shall declare or pay any dividend on the Common Stock payable in Common Stock or in any right to acquire Common Stock, or shall effect a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock (by stock split, reclassification or otherwise), or in the event the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, then the Conversion Price in effect immediately prior to such event shall, concurrently with the effectiveness of such event, be proportionately decreased or increased, as appropriate.

(e) Other Distributions. In the event the corporation shall at any time or from time to time make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the corporation or any of its subsidiaries other than Additional Shares of Common Stock, then in each such event provision shall be made so that the Series A Holders shall receive the securities of the corporation which they would have received had their stock been converted into Common Stock on the date of such event.

(f) No Impairment. The corporation will not, by amendment of its Amended and Restated Articles of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the corporation, but will at all times in good faith assist in the carrying out of all

the provisions of this Section 3 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the Series A Holders against impairment.

(g) Notices of Record Date. In the event of any taking by the corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend (other than a cash dividend) or other distribution of: (i) any security or right convertible into or entitling the holder thereof to receive Additional Shares of Common Stock; (ii) any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property; or (iii) any other similar right, the corporation shall mail to each Series A Holder at least 20 days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution, security or right, and the amount and character of such dividend, distribution, security or right.

(h) Issue Taxes. The corporation shall pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of Series A Convertible Preferred Stock.

(i) Reservation of Stock Issuable Upon Conversion. The corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series A Convertible Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series A Convertible Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series A Convertible Preferred Stock, the corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to these Articles.

(j) Fractional Shares. No fractional share shall be issued upon the conversion of any shares of Series A Convertible Preferred Stock. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Series A Convertible Preferred Stock by a Series A Holder shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share of Common Stock. In lieu of any fractional share of Common Stock to which a Series A Holder would otherwise be entitled, the corporation shall make a cash payment equal to the fair market value of such fractional share of Common Stock, as determined in good faith by the Board of Directors.

(k) Adjustments. In case of any reorganization or any reclassification of the capital stock of the corporation, any consolidation or merger of the corporation with or into another corporation or corporations, or the conveyance of all or substantially all of the assets of the corporation to another corporation, each share of Series A Convertible Preferred Stock shall thereafter be convertible into the number of shares of stock or other securities or property (including cash) to which a holder of the number of shares of Common Stock deliverable upon

conversion of such share of Series A Convertible Preferred Stock would have been entitled upon the record date of (or date of, if no record date is fixed) such reorganization, reclassification, consolidation, merger or conveyance; and, in any case, appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the Series A Holders, to the end that the provisions set forth herein shall thereafter be applicable, as nearly as equivalent as is practicable, in relation to any shares of stock or the securities or property (including cash) thereafter deliverable upon the conversion of the shares of such Series A Convertible Preferred Stock.

4. Merger, Consolidation.

(a) At any time, in the event of:

- (i) a consolidation or merger of the corporation with or into any other corporation, or any other entity or person, other than a wholly-owned subsidiary;
- (ii) any corporate reorganization in which the corporation shall not be the continuing or surviving entity of such reorganization;
- (iii) a sale of all or substantially all of the assets of the corporation; or
- (iv) any transaction approved by the corporation in which more than 50% of the outstanding stock of the corporation (on an as-converted basis) is exchanged in any three month period;

the Series A Holders shall be paid (unless such payment is waived by the holders of a majority of the outstanding shares of Series A Convertible Preferred Stock) in cash or in securities received from the acquiring corporation or in a combination thereof, at the closing of any such transaction, an amount equal to the amount per share which would be payable to such holders pursuant to Section 1 if all consideration received by the corporation and its shareholders in connection with such event were being distributed in a liquidation of the corporation.

(b) Any securities to be delivered to the Series A Holders pursuant to Section 4(a) above shall be valued as follows:

- (i) Securities not subject to investment letter or other similar restrictions on free marketability:
 - (A) If traded on a securities exchange, the value shall be deemed to be the average of the security's closing prices on such exchange over the 30-day period ending three (3) days prior to the closing;
 - (B) If actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the 30-day period ending three (3) days prior to the closing; and

(C) If there is no active public market, the value shall be the fair market value thereof (as determined in good faith by the Board of Directors of the corporation).

(ii) The method of valuation of securities subject to investment letter or other restrictions on free marketability shall be to make an appropriate discount from the market value determined as above in (b)(1)(a), (b)(1)(b) or (b)(1)(c) to reflect the approximate fair market value thereof (as determined in good faith by the Board of Directors of the corporation).

(c) The corporation shall give each Series A Holder written notice of such impending transaction not later than 30 days prior to the shareholders' meeting called to approve such transaction or 30 days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of said notices shall describe the material terms and conditions of the contemplated transaction as well as the terms and conditions of this Section 4, and the corporation shall thereafter give such holders prompt notice of any material changes. The transaction shall in no event take place sooner than 30 days after the mailing by the corporation of the first notice provided for herein or sooner than 20 days after the mailing by the corporation of any notice of material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of not less than 50% of the then outstanding Series A Convertible Preferred Stock.

5. Amendment. Any term relating to the Series A Convertible Preferred Stock may be amended and the observance of any term relating to the Series A Convertible Preferred Stock may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the vote or written consent of holders of more than 50% of all Series A Convertible Preferred Stock then outstanding and the corporation. Any amendment or waiver so effected shall be binding upon the corporation and any Series A Holder.

6. Restrictions and Limitations. So long as any shares of Series A Convertible Preferred Stock remain outstanding, the corporation shall not, without the vote or written consent by the holders of more than 50% of the then outstanding shares of Series A Convertible Preferred Stock:

(a) Effect any reclassification, recapitalization or other change with respect to any outstanding shares of stock or create any new class or series of capital stock which results in the issuance of shares of stock having any preference or priority as to dividend or redemption rights, liquidation preferences, conversion rights, or otherwise, superior to (but not on a parity with) any such preference or priority of the Series A Convertible Preferred Stock;

(b) Increase or decrease (other than by redemption or conversion) the total number of authorized shares of Series A Convertible Preferred Stock; or

(c) Declare or pay any cash dividends on the corporation's Common Stock unless the Series A Holders receive dividends of like amount on an as-if-converted to Common Stock basis.

7. No Reissuance of Series A Convertible Preferred Stock. No share or shares of Series A Convertible Preferred Stock acquired by the corporation by reason of redemption, purchase, conversion or otherwise shall be reissued, and all such shares shall be returned to the status of undesignated shares of Preferred Stock.

ARTICLE III

The corporation shall have not more than fifteen directors, and the number of directors shall be set by the Board of Directors as set forth in the corporation's Amended and Restated Bylaws. The Board of Directors shall be divided into three classes to be known as Class I, Class II, and Class III, which shall be as nearly equal in number as possible. Except in case of death, resignation, disqualification or removal for cause, each director shall serve for a term ending on the date of the third annual meeting of shareholders following the annual meeting at which the director was elected; provided, however, that each initial director in Class I shall hold office until the first annual meeting of shareholders after his election; each initial director in Class II shall hold office until the second annual meeting of shareholders after his election; and each initial director in Class III shall hold office until the third annual meeting of shareholders after his election. Despite the expiration of a director's term, he shall continue to serve until his successor, if there is to be any, has been elected and qualified. In the event of any increase or decrease in the authorized number of directors, the newly created or eliminated directorships resulting from such an increase or decrease shall be apportioned among the three classes of directors so that the three classes remain as nearly equal in size as possible; provided, however, that there shall be no classification of additional directors elected by the Board of Directors until the next meeting of shareholders called for the purpose of electing directors, at which meeting the terms of all such additional directors shall expire, and such additional directors positions, if they are to be continued, shall be apportioned among the classes of directors and nominees therefor shall be submitted to the shareholders for their vote. Any vacancy occurring on the Board of Directors, including a vacancy resulting from an increase in the number of directors, may only be filled by the affirmative vote of the remaining directors even if the remaining directors constitute less than a quorum of the Board of Directors. Any director or the entire Board of Directors may be removed with or without cause by a majority vote of the holders of Common Stock then entitled to vote thereon.

ARTICLE IV

No director of the corporation shall be personally liable for monetary damages to the corporation or its shareholders for breach of the duty of care or any other duty as a director, except that such liability shall not be eliminated for:

- (i) any appropriation, in violation of the director's duties, of any business opportunity of the corporation;
- (ii) acts or omissions which involve intentional misconduct or a knowing violation of law;
- (iii) liability under Section 14-2-832 (or any successor provision or redesignation thereof) of the Act; and

(iv) any transaction from which the director received an improper personal benefit.

If at any time the Act shall have been amended to authorize the further elimination or limitation of the liability of a director, then the liability of each director of the corporation shall be eliminated or limited to the fullest extent permitted by the Act, as so amended, without further action by the shareholders, unless the provisions of the Act, as amended, require further action by the shareholders. Any repeal or modification of the foregoing provisions of this Article IV shall not adversely affect the elimination or limitation of liability or alleged liability pursuant hereto of any director of the corporation for or with respect to any alleged act or omission of the director occurring prior to such repeal or modification.

ARTICLE V

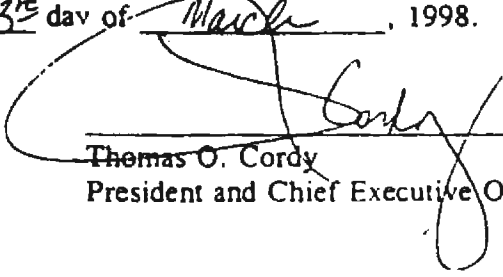
All actions by the shareholders shall be taken at a meeting, with prior notice which complies with the notice provisions of the corporation's Amended and Restated Bylaws, and with a vote of the holders of the outstanding stock of each voting group entitled to vote thereon.

ARTICLE VI

In discharging the duties of their respective positions and in determining what is believed to be in the best interests of the corporation, the Board of Directors, committees of the Board of Directors and individual directors, in addition to considering the effects of any action on the corporation or its shareholders, may consider the interests of the employees, customers, suppliers and creditors of the corporation and its subsidiaries, the communities in which offices or other establishments of the corporation and its subsidiaries are located and all other factors such directors consider pertinent; provided, however, that any such provision shall be deemed solely to grant discretionary authority to directors and shall not be deemed to provide to any constituency any right to be considered.

These Amended and Restated Articles of Incorporation were duly adopted by the Board of Directors of Maxxis Group, Inc. pursuant to a written consent dated March ^{23rd}, 1998. Shareholder action was not required.

IN WITNESS WHEREOF, the undersigned has executed these Amended and Restated Articles of Incorporation as of the 23rd day of March, 1998.



Thomas O. Cordy
President and Chief Executive Officer

APR 21 4 06 PM '98

RECORDED & INDEXED



FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

December 1, 1998

CSC
ATTN: DEBORAH SCHRODER

Qualification documents for MAXXIS COMMUNICATIONS, INC. were filed on November 30, 1998 and assigned document number F98000006506. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3576 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (850) 487-6091, the Foreign Qualification/Tax Lien Section.

Lee Rivers
Document Specialist
Division of Corporations

Letter Number: 798A00056833

Account number: 072100000082

Account charged: 70.00

APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. MAXXIS COMMUNICATIONS, INC.
(Name of corporation: must include the word "INCORPORATED", "COMPANY", "CORPORATION" or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. Georgia 3. 58-2302296
(State or country under the law of which it is incorporated) (FEI number, if applicable)

4. February 17, 1997 5. Perpetual
(Date of Incorporation) (Duration: Year corp. will cease to exist or "perpetual")

6. Upon Qualification
(Date first transacted business in Florida. (SEE SECTIONS 607.1501, 607.1502, AND 817.155, F.S.))

7. Suite 108, 1901 MONTREAL ROAD
TUCKER, GA 30084

(Current mailing address)
8. TELECOMMUNICATION SERVICES To engage in any act or activity for which corporations may be organized.

9. (Purpose(s) of corporation authorized in home state or country to be carried out in the state of Florida)

9. Name and street address of Florida registered agent: (P.O. Box or Mail Drop acceptable)

Name: Corporation Service Company

Office Address: 1201 Hays Street

Tallahassee, Florida, 32301
(Zip Code)

10. Registered agent's acceptance:

Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.

Karen B. Rorer Asst. Sec.
Corporation Service Company
(Registered agent's signature)

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

98 NOV 30 AM 10:05
FILED
SECRETARY OF STATE
TALLAHASSEE FLORIDA

12. Names and addresses of officers and/or directors: (Street address ONLY- P. O. Box NOT acceptable)

A. DIRECTORS (Street address only- P. O. Box NOT acceptable)

Chairman: See attached officers/directors rider

Address: _____

Vice Chairman: _____

Address: _____

Director: _____

Address: _____

Director: _____

Address: _____

B. OFFICERS (Street address only- P. O. Box NOT acceptable)

President: See attached officers/directors rider

Address: _____

Vice President: _____

Address: _____

Secretary: _____

Address: _____

Treasurer: _____

Address: _____

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13. 
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. DANIEL MCDONOUGH, Secretary
(Typed or printed name and capacity of person signing application)

OFFICERS/DIRECTORS RIDER
MAXXIS COMMUNICATIONS, INC.

Name: Thomas O. Cordy
Title: President/CEO/Director
Bus. Addr.: 1901 Montreal Road, Suite 108, Tucker, GA 30084
Res. Addr.: 3770 Village Drive, SW, Atlanta, GA 30331
SSN: 256-57-6397

Name: Patrick J. Lentz
Title: Executive V. President/Director
Bus. Addr.: 1901 Montreal Road, Suite 108, Tucker, GA 30084
Res. Addr.: 1818 North Chestnut Grove Drive, Marietta, GA 30066
SSN: 259-39-7478

Name: Daniel McDonough
Title: Secretary/CFO/Director
Bus. Addr.: 1901 Montreal Road, Suite 108, Tucker, GA 30084
Res. Addr.: 6320 Blackberry Hill, Norcross, GA 30092
SSN: 070-40-0789

Name: Alvin Curry
Title: Director
Bus. Addr.: 1901 Montreal Road, Suite 108, Tucker, GA 30084
Res. Addr.: 5231 E. Memorial Dr., #226, Stone Mountain, GA 30083
SSN: 410-94-3805

Name: Larry W. Gates, II
Title: Director
Bus. Addr.: 1901 Montreal Road, Suite 108, Tucker, GA 30084
Res. Addr.: 875 Lawrenceville-Suwanee Rd., Ste. 310-121
Lawrenceville, GA 30043
SSN: 436-33-8695

EXHIBIT 'D'

**BIOGRAPHICAL STATEMENTS FOR DIRECTORS AND OFFICERS OF MAXXIS
GROUP, INC. AND MAXXIS COMMUNICATIONS, INC.**

DIRECTORS OF MAXXIS GROUP, INC.

Ivey J. Stokes	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Thomas O. Cordy	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
James W. Brown	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Larry W. Gates, II	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Charles P. Bernstein	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Alvin Curry	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Robert J. Glover, Jr.	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Terry Harris	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Philip E. Lundquist	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766

OFFICERS OF MAXXIS GROUP, INC.

THOMAS O. CORDY
Chief Executive Officer and President

190i Montreal Road, Suite 108
Tucker, Georgia 30084
(770) 552 - 4766

Thomas O. Cordy has served as Chief Executive Officer, President and Director of Maxxis Group, Inc. since May 1997. Prior to that time, he has served as President and Chief Executive Officer of CI Cascade Corp., and has served as a Director of Southern Bell, Kimberly Clark and First Union Bank. Mr. Cordy currently serves as Vice Chairman of the Board of Trustees for Clark Atlanta University, Chairman of the Board of Renaissance Capital Corporation and a Director of Cox Enterprises. Mr. Cordy has a bachelor's degree from Morehouse College and a master's degree from Atlanta University, and he has attended the Stanford Executive Program at the Stanford School of Business and the University of Oklahoma National Lending School.

DANIEL MCDONOUGH
Chief Financial Officer

1901 Montreal Road, Suite 108
Tucker, Georgia 30084
(770) 552 - 4766

Daniel McDonough has served as Chief Financial Officer of Maxxis Group, Inc. since October 1997. Prior to his employment with Maxxis Group, Inc., Mr. McDonough provided financial consulting services to a number of start up companies at Creative Benefits, Inc. In addition, from 1992 to 1994, Mr. McDonough was the controller of Jostens Learning Corporation, a \$75 million technology company specializing in educational software. Prior to his employment with Jostens, Mr. McDonough served as assistant controller to Alumax, Inc., a \$2.5 billion integrated aluminum company with more than 100 manufacturing operations throughout the United States. From 1973 to 1980, Mr. McDonough was employed by Price Waterhouse & Co. Mr. McDonough is a licensed CPA and also holds a master of business administration degree from the University of Buffalo.

JAMES W. BROWN
Executive Vice President and Secretary

1901 Montreal Road, Suite 108
Tucker, Georgia 30084
(770) 552 - 4766

James W. Brown currently serves as Executive Vice President and Secretary of Maxxis Group, Inc. and has been a Director of the company since May 1997. He served as President and Chief Executive Officer of Maxxis Group from its inception until April 1997. He has also served as Chief Executive Officer, President and a Director of Maxxis 2000, a wholly-owned subsidiary of Maxxis Group, Inc., since its inception. From 1995 to 1997, Mr. Brown served as a manager of NetWorld Communications, LLC. Since 1979, Mr. Brown has also served as President and Chief Executive Officer of Marketing Ideas, Ltd. Mr. Brown has a bachelor's degree from the University of Georgia. He also attended the John Marshall School of Law and the American Mutual Institute of Management.

OFFICERS OF MAXXIS GROUP, INC. (Cont.)

LARRY W. GATES, II
Vice President of Human Resources

1901 Montreal Road, Suite 108
Tucker, Georgia 30084
(770) 552 - 4766

Larry W. Gates, II has served as Vice President of Human Resources since Maxxis Group, Inc.'s inception and as a Director of the Company since May 1997. Mr. Gates became a part-time independent insurance agent for A.L. Williams in 1989 while serving in the U.S. Army. In 1993, he left the financial services industry and became a full-time independent marketer of telecommunications services through his own marketing firm, Classic Enterprises. Mr. Gates has an associate's degree from Pierre College.

DIRECTORS OF MAXXIS COMMUNICATIONS, INC.

Thomas O. Cordy	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Terrell Chambers	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Pat Kelly	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Shawn J. Dinwiddie	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Naomi Kirkman Bey	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Richard Willis	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766
Paul Seagraves	1901 Montreal Road, Suite 108 Tucker, Georgia 30084 (770) 552 - 4766

OFFICERS OF MAXXIS COMMUNICATIONS, INC.

THOMAS O. CORDY
Chief Executive Officer and President

1901 Montreal Road, Suite 108
Tucker, Georgia 30084
(770) 552 - 4766

Thomas O. Cordy has served as Chief Executive Officer, President and Director of Maxxis Communications, Inc. since its inception, and has served as Chief Executive Officer, President and Director of Maxxis Group, Inc. since May 1997. Prior to that time, he has served as President and Chief Executive Officer of CI Cascade Corp., and has served as a Director of Southern Bell, Kimberly Clark and First Union Bank. Mr. Cordy currently serves as Vice Chairman of the Board of Trustees for Clark Atlanta University, Chairman of the Board of Renaissance Capital Corporation and a Director of Cox Enterprises. Mr. Cordy has a bachelor's degree from Morehouse College and a master's degree from Atlanta University, and he has attended the Stanford Executive Program at the Stanford School of Business and the University of Oklahoma National Lending School.

PATRICK J. LENTZ
Executive Vice President

1901 Montreal Road, Suite 108
Tucker, Georgia 30084
(770) 552 - 4766

Patrick J. Lentz joins Maxxis Communications, Inc. after fifteen years' experience in the technical aspects of the telecommunications and computing industry. During his employment with BellSouth and LDDS Communications (now WorldCom), Mr. Lentz was instrumental in designing and implementing network applications to process long distance, cellular and satellite telephony, to perform billing and customer care functions and to assist in administrative recordkeeping. Mr. Lentz is also experienced in Internet applications, having designed customer-registration software for BellSouth.Net. He holds a masters in Mathematical Sciences from Clemson University and a bachelors in Mathematics and Computer Science from Georgia Southern College.

DANIEL MCDONOUGH
Chief Financial Officer

1901 Montreal Road, Suite 108
Tucker, Georgia 30084
(770) 552 - 4766

Daniel McDonough serves as Chief Financial Officer of both Maxxis Communications, Inc. and Maxxis Group, Inc. Prior to his employment with Maxxis Group, Inc., Mr. McDonough provided financial consulting services to a number of start up companies at Creative Benefits, Inc. In addition, from 1992 to 1994, Mr. McDonough was the controller of Jostens Learning Corporation, a \$75 million technology company specializing in educational software. Prior to his employment with Jostens, Mr. McDonough served as assistant controller to Alumax, Inc., a \$2.5 billion integrated aluminum company with more than 100 manufacturing operations throughout the United States. From 1973 to 1980, Mr. McDonough was employed by Price Waterhouse & Co. Mr. McDonough is a licensed CPA and also holds a master of business administration degree from the University of Buffalo.

OFFICERS OF MAXXIS COMMUNICATIONS, INC. (Cont.)

ALBERT F. BOGHOLZ
Network Engineer

1901 Montreal Road, Suite 108
Tucker, Georgia 30084
(770) 552 - 4766

Albert F. Bogholz serves as Network Engineer for Maxxis Communications, Inc., bringing to the company over thirty years' experience in the telecommunications and cellular communications industry. He began his career in 1966 at Western Union Telegraph Company, and, since 1983, Mr. Bogholz has served as network engineer and transmissions director for several major telecommunications providers, including LDDS/Metromedia, Resurgens Communications Group, Continental Telecom and ATC. Mr. Bogholz has a bachelor's degree in physics from the City College of New York and an associate degree in Engineering from Bronx Community College

EXHIBIT "E"

**MAXXIS GROUP, INC.'S SECURITIES AND EXCHANGE
COMMISSION FORM 10-K (DATED JUNE 30, 1998)**

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

MAXXIS GROUP, INC.

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE

ACT OF 1934 for the Fiscal Year Ended June 30, 1998.

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____

to _____

COMMISSION FILE NUMBER: 333-38623

MAXXIS GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

GEORGIA

**(State or Other Jurisdiction of
Incorporation or Organization)**

58-22-78241

(I.R.S. Employer Identification No.)

1901 MONTREAL ROAD, SUITE 108, TUCKER, GEORGIA

(Address of Principal Executive Offices)

30084

(Zip Code)

Registrant's telephone number, including area code: (770) 696-6343

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the Common Stock held by affiliates of the Registrant as of September 25, 1998 was \$5,429,985. This calculation is based upon the proposed sales price of \$5.50 per share in the Company's current public offering; however, no shares of Common Stock have yet been sold in the Company's current public offering. There is no active trading market for the Common Stock, and the \$5.50 per share price is not necessarily indicative of present value. There were 1,571,187 shares of Common Stock issued and outstanding as of September 25, 1998.

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PART I

ITEM 1. BUSINESS

This Report contains statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. These statements appear in a number of places in this Report and include all statements that are not historical statements of fact regarding the intent, belief or current

expectations of the Company or its directors or officers with respect to, among other things: (i) the Company's financing plans; (ii) trends affecting the Company's financial condition or results of operations; (iii) the Company's growth strategy and operating strategy; and (iv) the Company's anticipated capital needs. When used in this Report, the words "expects," "intends," "believes," "anticipates," "estimates," "may," "could," "should," "would," "will," "plans" and similar expressions and variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond the Company's ability to control, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors discussed herein and those factors discussed in detail in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" section of the Company's Registration Statement on Form S-1 (Registration Number 333-38623).

Maxxis Group, Inc., a Georgia corporation ("Maxxis" or the "Company"), markets communications and Internet services and nutritional and health enhancement products in the United States through its multi-level network marketing system of "independent associates," or "IAs." The Company operates through its subsidiaries: Maxxis 2000, Inc. ("Maxxis 2000"), which conducts network marketing operations; Maxxis Communications, Inc. (formerly known as Maxxis Telecom, Inc., "Maxxis Communications"), which provides long distance and Internet-related services; and Maxxis Nutritionals, Inc. (formerly known as Maxxis Nutritional, Inc., "Maxxis Nutritionals"), which provides private label nutritional and health enhancement products. The Company currently markets 1-Plus long distance service and other communications services, such as Internet access and prepaid phone cards, and nutritional and health enhancement products. The Company was incorporated in January 1997 and began accepting IAs and marketing communications services in March 1997. For the period of January 24, 1997 to June 30, 1997 (the "Inception Period") and the fiscal year ended June 30, 1998, the Company generated aggregate revenues of approximately \$2,691,000 and \$6,991,000, respectively.

The Company has built a customer base without committing capital or management resources to construct its own communications network and transmission facilities. In February 1997, Maxxis Communications contracted with Colorado River Communications Corp. ("CRC") to obtain switching and network services and to allow CRC's communications services to be sold by the Company's IAs. In the future, the Company may contract with other providers of long distance services and intends to analyze the feasibility of developing its own long distance network. In November 1997, the Company began marketing several private label dietary supplements to its customers and IAs. Recently, the Company began marketing additional nutritional and health enhancement products. The Company's nutritional and health enhancement products are manufactured by various suppliers. In September 1998, the Company began

providing Internet access and Web-page development and hosting services. Internet access is provided through InteReach Internet Services, LLC ("InteReach"), and Web-page development and hosting services are provided by the Company.

The Company conducts its marketing activities exclusively through its network of IAs. The Company believes that IAs are generally attracted to the Company's multi-level network marketing system because of the potential for supplemental income and because the IAs are not required to purchase any inventory, have no monthly sales quotas or account collection issues, have minimal required paperwork and have a flexible work schedule. The Company encourages IAs to market services and products to persons with whom the IAs have an ongoing relationship, such as family members, friends, business associates and neighbors. The Company also sponsors meetings at which current IAs are encouraged to bring in others for an introduction to the Company's marketing system. The Company's multi-level network marketing system and the Company's reliance upon IAs are intended to reduce marketing costs, customer acquisition costs and customer attrition. The Company believes that its multi-level network marketing system will continue to build a base of potential customers for additional services and products.

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STRATEGY

The Company's goal is to develop a national distribution system through which large volumes of products and services may be sold. The Company intends to achieve its goal by:

- Growing and Developing its Network of IAs by enhancing the sponsoring and training services offered to IAs, continuing to support the marketing efforts of IAs and introducing new income opportunities for IAs.
- Maintaining and Expanding the Number of Customers by offering high quality, competitively-priced products and services through a highly motivated network of IAs.
- Offering Additional Communications Products by entering into agreements for the marketing of additional products that meet the needs of customers, which may include, among others, paging, conference calling, wireless cable, cellular and local phone service.
- Improving and Expanding its Product and Service Lines by continuing to evaluate and offer products and services that are attractive to its IAs and customers. The Company recently began

providing Internet access and Web-page development and hosting services. In addition to communications products and services, the Company markets a line of private label nutritional and health enhancement products to its customers and IAs.

- Obtaining Competitive Prices on products and services through the purchasing power of the Company's nationwide network.

MARKETING

The Company markets products and services exclusively through its network of IAs. Currently, the Company has five IA positions in its marketing system: associate; senior associate; director; regional director; and executive director. IAs pay an annual non-refundable fee in order to maintain their status as IAs. IAs are paid on a commission basis and do not receive any salary from the Company. To become an associate, individuals (other than individuals in North Dakota) must complete an application and purchase a distributor kit for \$99. The distributor kit is a package of basic materials which assists an associate in beginning his or her business. The Company designates a portion of its gross commissions as "commission value," or "CV," and allocates the CV among eligible participants in its marketing system. Associates may gather long distance customers and receive a portion of the CV generated by such customers. Associates are also entitled to purchase products from the Company at discounted prices for retail sales. An associate becomes a senior associate when the associate purchases or sells \$100 of bonus-eligible products. Senior associates continue to receive a percentage of CV with regard to all long distance customers personally gathered and are also entitled to purchase products from the Company at discounted prices for retail sales.

To become a director, a senior associate must sponsor two additional senior associate positions. A director increases the size of the director's sales organization by sponsoring additional persons to become senior associates. These senior associates, and all senior associates that they, in turn, sponsor, become part of the sales organization of the director who sponsored them. Senior associates, through the growth of their sales organizations, may become directors, regional directors or executive directors and thereby increase the size of the sales organization of the person who was their original sponsor. The organization that grows below each director through this process is called a "downline." Directors are eligible to receive the same commissions as senior associates and, if they directly gather and maintain a minimum of four active 1-Plus long distance customers, are eligible to receive a percentage of the CV produced by each IA that is within 15 levels below them in their downline. In order to encourage the growth of the Company's marketing system, the Company also pays eligible directors a bonus amount, which is designated as "bonus value," or "BV," for each sale or purchase of bonus-eligible products or services. The Company primarily designates retail

priced phone cards, nutritional paks and Web-page development and hosting services as

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bonus-eligible. Directors become regional directors and executive directors upon the achievement of certain IA sales goals. Regional directors and executive directors are also eligible to receive the same commissions as directors. Regional directors and executive directors are also eligible to serve on the Maxxis 2000 Advisory Board, which advises management on issues regarding field leadership.

The maximum aggregate long distance usage commissions the Company may be required to pay to IAs with respect to a single customer's long distance usage are approximately 40% of the gross commissions payable to the Company with respect to such usage, but the Company anticipates that the actual amounts paid will be less than 40% as the usage increases. The difference between actual commission payments and the maximum payment is expected to occur because certain IAs fail to maintain active status necessary to receive commissions from sales made by persons in their downline.

RELATIONSHIP WITH IAS

The Company seeks to contractually limit the statements that IAs make about the Company's business. Each IA also must agree to policies and procedures to be followed in order to maintain the IA's status in the organization. IAs are expressly forbidden from making any representation as to the possible earnings of any IA from the Company or from making any representation with regard to the Company's public offering of its Common Stock (the "Securities Offering"). IAs are also prohibited from creating any marketing literature that has not been pre-approved by the Company. While the Company has these policies and procedures in place governing the conduct of the IAs, it is difficult to enforce such policies and procedures. Because the IAs are classified as independent contractors, the Company is unable to provide them the same level of direction and oversight as Company employees. Violations of the Company's policies and procedures may reflect negatively on the Company and could have a material adverse effect on the Company's business, financial condition and results of operations.

TRAINING AND MARKETING SUPPORT

The Company offers its IAs a number of support services. The Company currently provides to each IA without charge one printed report describing such

IA's downline and provides additional reports for a fee. In addition, the Company offers training, information and motivational support to the IA network through its training program and regional meetings.

The Company provides all IAs with the opportunity to receive training through the Company's training program. The training program is conducted by the Company's national training directors and includes a detailed explanation of the Company's products, the IA compensation plan and the use of the various marketing tools available to IAs. In addition, the Company encourages senior associates, directors and regional directors to become managing directors ("MDs"). MDs provide personal training to IAs. To become a MD, a senior associate, director or regional director must attend a Company approved training school. The fee to attend the training school is currently \$99, and MDs must attend continuing education training schools each year which also are subject to a fee. National training directors that are selected by the Company are paid a fee by the Company for training MDs. The Company does not receive any fees from IAs for the training provided by MDs.

The Company's second annual convention was held in September 1998, and the Company intends to continue to hold additional annual conventions for IAs. This event provides recognition to the top performers, direct access to senior management and a chance for IAs to share experiences and develop support systems. The Company intends to organize additional conventions throughout the country that current IAs and potential new IAs can attend to learn more about the Company. The Company also intends to publish a newsletter for the IAs containing informative and motivational articles and recognizing IA achievements.

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PRODUCTS AND SERVICES

Following is a summary of the various products and services the Company currently offers to its IAs and customers.

Communications Services and Products. The Company's IAs market a variety of long distance and other communications services and products, which currently include 1-Plus long distance service, prepaid phone cards and Internet-related services.

- **1-Plus Long Distance.** The Company's 1-Plus long distance service serves as a replacement for a customer's former long distance service (such as the long distance services provided

by AT&T Corporation ("AT&T"), MCI WorldCom, Inc. ("MCI WorldCom") and Sprint Corporation ("Sprint"). The 1-Plus services marketed by the Company are billed on a flat rate basis, where the cost of a call does not vary depending upon the distance of a call or the time of day or day of week when the call is originated or terminated. Residential 1-Plus services marketed by the Company are billed based on one minute increments, and business 1-Plus service is billed based on 6-second increments with a 30-second minimum.

- **Prepaid Phone Cards.** The Company offers prepaid phone cards in domestic time increments of 1 hour, 30 minutes and 10 minutes. These cards may be used for domestic and international calls. The Company also offers international prepaid phone cards that are denominated in dollar amounts. Charges are deducted from these cards based upon the rates applicable to the calls placed by cardholders.
- **MAXXCONNECT.** In September 1998, the Company began providing Internet access through InteReach and also began providing Web-page development and hosting services for IAs.

The Company may add and remove services and products from its communications services and product lines from time to time.

Nutritional and Health Enhancement Products. The Company markets a line of private label nutritional and health enhancement products to its IAs and customers. Representative products include:

- **40/30/30 Maxxis Bar** is an energy bar intended as a meal replacement which contains approximately 40% carbohydrates, 30% protein, 30% dietary fat and various vitamins and minerals.
- **Maxx-A-Chol** is a dietary supplement which is a specialized combination of six herbs.
- **MAXXIS MSM** is a dietary supplement consisting of methylsulfonylmethane, vitamin C, citrus bioflavonoid complex and ginseng.
- **MAXXIS Multivitamin** is a multivitamin nutritional supplement which is delivered by means of a spray.
- **MAXXIS 02** is a nutritional supplement that contains electrolytes, oxygen, trace elements, enzymes and amino

acids.

- **BetaShield is a nutritional product containing an extract from the cell walls of baker's yeast.**
- **Maxx-Life is a dietary supplement containing amino acids and other ingredients, including lysine, arginine, GABA, glutamine and ornithine.**

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- **Weight-Ideal is a dietary supplement in capsule and spray forms which contains a blend of nutrients, including chromium picolinate, magnesium acetate and niacin.**
- **Maxxis Skin Care System consists of the following health and beauty products: shampoo; conditioner; body wash; hand and body conditioner; face wash; skin toner; and moisturizer.**

Certain nutritional products are sold as a nutritional pak, and the skin care products are sold as a complete system or individually. The Company anticipates adding products to and may remove products from its nutritional and health enhancement product lines from time to time.

Promotional Materials. The Company also derives revenues from the sale of various educational and promotional materials designed to aid its IAs in maintaining and building their businesses. Such materials include various sales aids, informational videotapes and cassette recordings and product and marketing brochures.

IA SUPPORT AND INFORMATION SYSTEMS

The Company operates a call center where advisors answer IA questions and provide information to IAs. The call center maintains a system that includes a current database of all IAs, their downlines and their long distance customers. The Company believes that maintaining sophisticated and reliable transaction processing systems is essential for multi-level network marketing companies. The Company uses a commission processing software system that incorporates the provisions of the Company's marketing program for purposes of processing detailed and customized IA commission payments, monitoring and analyzing financial and operating trends and tracking each IA's downline. The Company also maintains transaction processing systems that facilitate the shipment of IA training and marketing materials. In addition, the Company's

order processing system tracks the receipt, storage, shipment and sale of the Company's sales aid products.

SUPPLIERS

The Company does not own a long distance network. As a result, Maxxis Communications has entered into an agreement (the "1-Plus Agreement") with CRC to obtain switching and network services. The Company depends primarily on CRC for the transmission of subscriber phone calls and the activation of prepaid phone cards. Long distance customers are customers on CRC's network, and CRC provides customer support for the Company. Customers have the right to change their service at any time. The Company's 1-Plus Agreement with CRC, which expires on February 20, 2000, provides that the Company will have certain rights with respect to the customer base developed under the agreement upon achieving certain minimum levels of monthly revenues on CRC's network. The Company recently reached these minimum levels, and, therefore, the Company has the right to market other carriers to the customer base. In the event the Company contracts with such carriers, minimum monthly revenues may be more difficult to maintain, and the Company could be subject to additional minimum commitments including, but not limited to, minimum monthly revenues or minimum monthly minutes of usage, with such new carriers. The accurate and prompt billing of the Company's customers is also dependent upon CRC. The failure of CRC to accurately and promptly bill customers could lead to a loss of customers and could have a material adverse effect on the Company's business, financial condition and results of operations. The Company would be required to use another carrier if the 1-Plus Agreement were terminated, the usage or number of customers originated by the Company's IAs exceeded the capacity of CRC, CRC failed to provide quality service or became unable to provide service at all or CRC experienced financial difficulties. If the 1-Plus Agreement is terminated, there can be no assurance that the Company could enter into new contracts with other providers on terms favorable to the Company or at all. The termination of the 1-Plus Agreement could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company began marketing a line of private label nutritional products in November 1997. The Company recently began marketing new health enhancement products and additional nutritional products, including a weight management program and skin care system. All of the nutritional and health enhancement products offered and distributed by the Company are developed and manufactured by third-party suppliers. Certain of the nutritional

and health enhancement products offered by the Company are proprietary to such suppliers. The Company does not have any written contracts with or commitments from any of its suppliers or manufacturers to continue to sell nutritional and health enhancement products to the Company. The Company believes that its relationships with suppliers are satisfactory; however, there can be no assurance that any or all of these suppliers will continue to be reliable suppliers to the Company. Accordingly, there is a risk that any or all of the Company's suppliers or manufacturers, including suppliers which provide proprietary products to the Company, could discontinue selling their nutritional and health enhancement products to the Company. In the event any of the third-party manufacturers become unable or unwilling to continue to provide the nutritional and health enhancement products in required volumes, the Company would be required to identify and obtain acceptable replacement sources, and no assurance can be given that any alternative manufacturing sources would become available to the Company on a timely basis.

In September 1998, the Company began providing Internet access and Web-page development and hosting services. The Company provides Internet access through its agreement with InteReach. InteReach is a third-party reseller of Internet access. InteReach provides all billing and customer support for the Company's customers. The failure of InteReach to accurately and promptly bill customers, to effectively provide customer support or to provide acceptable service could lead to a loss of subscribers and could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, if InteReach were to default on its contract with, or have its contract terminated by, its Internet service provider (an "ISP"), or if the Company's contract with InteReach is terminated, the Company would be required to contract with another ISP. There can be no assurance that the Company could enter into a new contract with another ISP on terms favorable to the Company or at all.

CUSTOMER SUPPORT

CRC is responsible for the billing of long distance customers and for providing customer service. Certain communications services, including 1-Plus long distance and prepaid phone cards, are provided under CRC's state, national and international tariffs. The Company has been informed that CRC possesses all tariffs necessary to offer such services. The Company provides its Internet access services through InteReach, which is responsible for billing the Company's Internet access customers and for providing customer support. The Company provides all of the software necessary to automatically sign up for its Internet access services through UsefulWare Incorporated.

COMPETITION

The Company faces competition in the United States for both the

products and services it sells and for the sponsoring and retaining of independent salespeople.

Communications Services. The United States long distance communications industry is intensely competitive, rapidly evolving and subject to rapid technological change. In addition, the industry is significantly influenced by the marketing and pricing practices of the major industry participants. AT&T, MCI WorldCom and Sprint are the dominant competitors in the domestic long distance communications industry. All of these companies are significantly larger than the Company and have substantially greater resources. Many of the Company's current and potential competitors have longer operating histories, greater name recognition, larger customer bases and substantially greater financial, personnel, marketing, technical and other resources than the Company. These competitors employ various means to attract new customers, including television and other advertising campaigns, telemarketing programs, network marketing and cash payments and other incentives to new customers. The Company's ability to compete effectively depends upon, among other factors, its ability to offer high quality products and services at competitive prices. There can be no assurance that the Company will be able to compete successfully.

The evolving regulatory environment of the United States communications industry significantly influences the Company's ability to compete. On February 8, 1996, President Clinton signed into law the Telecommunications Act of 1996, as amended (the "1996 Telecommunications Act"), that will allow local exchange carriers ("LECs"), including the Bell operating companies ("BOCs"), to provide long distance telephone service inter-LATA (a

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"LATA" is a Local Access and Transport Area), which will likely significantly increase competition for long distance services. The new legislation also grants the Federal Communications Commission (the "FCC") the authority to deregulate other aspects of the communications industry. Such increased competition could have a material adverse effect on the Company's business, financial condition and results of operations.

Telecommunications companies compete for customers based on price, among other things, with major long distance carriers conducting extensive advertising campaigns to capture market share. There can be no assurance that a decrease in the rates charged for communications services by the major long distance carriers or other competitors, whether caused by general competitive pressures or the entry of the BOCs and other LECs into the long distance

market, would not have a material adverse effect on the Company's business, financial condition and results of operations.

The Company expects that the communications services markets will continue to attract new competitors and new technologies, possibly including alternative technologies that are more sophisticated and cost effective than the technologies included in the products and services offered by the Company. The Company does not have the contractual right to prevent customers from changing to a competing service, and the customers may terminate their service at will.

Nutritional and Health Enhancement Products. The Company also competes in the highly competitive market of dietary supplements and health enhancement products. This market segment includes numerous manufacturers, other network marketing companies, catalog companies, distributors, marketers, retailers and physicians that actively compete for the business of consumers. The Company competes with other providers of such nutritional and health enhancement products, especially retail outlets, based upon convenience of purchase, price and immediate availability of the purchased product. For the most part, the Company's competitors offering comparable products are substantially larger and have available considerably greater financial resources than the Company. The market is highly sensitive to the introduction of new products (including various prescription drugs) that may rapidly capture a significant share of the market. As a result, the Company's ability to remain competitive depends in part upon the successful introduction of new products at competitive prices.

Internet Access and Internet-Related Services. The market for the provision of Internet access and Internet-related services is extremely competitive and highly fragmented. There are no substantial barriers to entry, and the Company expects that competition will continue to intensify. There can be no assurance that the Company will be able to compete successfully against current or future competitors or that competitive pressures faced by the Company will not materially adversely affect its business, financial condition and results of operations. The Company's current and future competitors include, without limitation, the following types of Internet access providers: (i) national commercial ISPs; (ii) numerous regional and local commercial ISPs; (iii) established on-line commercial information service providers; (iv) national long distance carriers; (v) regional telephone companies; and (vi) cable operators.

IAs. The Company competes for IAs with other direct selling organizations, some of which have longer operating histories and greater visibility, name recognition and financial resources. The largest network marketing companies in the Company's markets are: EXCEL Communications, Inc.; American Communications Network; BeautiControl Cosmetics, Inc.; HerbalLife International, Inc.; and Mary Kay, Inc. The Company competes for new IAs on the

basis of the Company's reputation, perceived opportunity for financial success and quality and range of products offered for sale. Management envisions the entry of many more direct selling organizations into the marketplace. There can be no assurance that the Company will be able to successfully meet the challenges posed by this increased competition. The Company competes for the time, attention and commitment of its IAs. Given that the pool of individuals interested in the business opportunities presented by direct selling is limited in each market, the potential pool of IAs for the Company's products and services is reduced to the extent other network marketing companies successfully attract these individuals. There can be no assurance that other network marketing companies will not convince the Company's existing IAs to join their organizations. In such event, the Company's business, financial condition and results of operations could be materially adversely affected.

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PROPRIETARY RIGHTS

The Company has applied for a federal registration for the mark "MAXXIS." In addition, the Company relies upon common law rights to protect other marks used by the Company and other rights that the Company considers to be its intellectual property. There can be no assurance that the Company's measures to protect this intellectual property will prevent or deter the use or misappropriation of the Company's intellectual property by other parties. The Company's inability to protect its intellectual property from use or misappropriation from others could have a material adverse effect upon the Company's business, financial condition and results of operations. From time to time, companies may assert other trademark, service mark or intellectual property rights in marks (including the mark "MAXXIS") or other intellectual property used by the Company. The Company could incur substantial costs to defend any legal action taken against the Company. If, in any legal action that might arise, the Company's asserted trademarks, service marks or other rights that the Company considers to be its intellectual property should be found to infringe upon intellectual property rights of other parties, the Company could be enjoined from further infringement and required to pay damages. In the event a third party were to sustain a valid claim against the Company, and in the event any required license were not available on commercially reasonable terms, the Company's business, financial condition and results of operations could be materially adversely affected. Litigation, which could result in substantial cost to and diversion of resources of the Company, may also be necessary to enforce intellectual property rights of the Company or to defend the Company against claimed infringement of the rights of others.

REGULATION

Regulation of Long Distance Telephone Services. Various regulatory factors may have an impact on the Company's ability to compete and on its financial performance. The Company's long distance carrier, CRC, is subject to regulation by the FCC and by various state public service and public utility commissions. Federal and state regulations and regulatory trends have had, and may have in the future, both positive and negative effects on the Company and on the telecommunications service industry as a whole. FCC policy currently requires interexchange carriers to provide resale of the use of their transmission facilities. The FCC also requires LECs to provide all interexchange carriers with equal access to the origination and termination of calls. If either or both of these requirements were removed, CRC and, therefore, the Company could be adversely affected. CRC may experience disruptions in service due to factors outside CRC's and the Company's control, which may cause CRC to lose the ability to complete its subscribers' long distance calls. The Company believes that CRC has made all filings with the FCC necessary to allow CRC to provide interstate and international long distance service. In order to provide intrastate long distance service, CRC is required to obtain certification to provide communications services from the public service or public utility commissions of each state, or to register or be found exempt from registration by such commissions. While the Company believes that CRC is in compliance with the applicable state and federal regulations governing telecommunications service, there can be no assurance that the FCC or any state regulatory authority in one or more states will not raise material issues with regard to CRC's compliance with applicable regulations, or that regulatory activities with respect to CRC will not have a material adverse effect on the Company's business, financial condition and results of operations.

The 1996 Telecommunications Act has increased competition in the long distance and local telecommunications markets. The 1996 Telecommunications Act opens competition in the local services market and, at the same time, contains provisions intended to protect consumers and businesses from unfair competition by incumbent LECs, including the BOCs. The 1996 Telecommunications Act allows BOCs to provide long distance service outside of their local service territories but bars them from immediately offering in-region inter-LATA long distance services until certain conditions are satisfied. A BOC must apply to the FCC to provide in-region inter-LATA long distance services and must satisfy a set of pro-competitive criteria intended to ensure that BOCs open their own local markets to competition before the FCC will approve such application. The Company is unable to determine how the FCC will rule on any such application. The new legislation may result in increased competition to the Company from others, including the BOCs, and increased transmission costs in the future. If the federal and state regulations requiring the LECs to provide equal access for the origination and termination of calls by long distance subscribers

change or if the regulations governing the fees to be charged for such access services change,

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particularly if such regulations are changed to allow variable pricing of such access fees based upon volume, such changes could have a material adverse effect upon the Company's business, financial condition and results of operations. See "Competition -- Communications Services."

Regulation Affecting Nutritional and Health Enhancement Products. The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of the Company's nutritional and health enhancement products are subject to regulation by a number of governmental agencies, the most active of which is the Food and Drug Administration ("FDA"), which regulates nutritional products under the Federal Food, Drug and Cosmetic Act (the "FDCA") and regulations promulgated thereunder. The Company's products are also subject to regulation by the Federal Trade Commission (the "FTC"), the Consumer Product Safety Commission, the United States Department of Agriculture and the Environmental Protection Agency. The FDCA has been amended several times with respect to dietary supplements, most recently by the Nutritional Labeling and Education Act of 1990 and the Dietary Supplement Health and Education Act of 1994. The Company's nutritional and health enhancement products are generally classified and regulated as dietary supplements under the FDCA, as amended, and therefore are not subject to pre-market approval by the FDA. However, these products are subject to extensive labeling regulation by the FDA and can be removed from the market if shown to be unsafe. Moreover, if the FDA determines on the basis of labeling or advertising claims by the Company, that the "intended use" of any of the Company's nutritional and health enhancement products is for the diagnosis, cure, mitigation, treatment or prevention of disease, the FDA can regulate those products as drugs and require pre-market clearance for safety and effectiveness. In addition, if the FDA determines that claims have been made regarding the effect of dietary supplements on the "structure or function" of the body, such claims could result in the regulation of such products as drugs.

The FTC and certain states regulate advertising, product claims, and other consumer matters, including advertising of the Company's nutritional and health enhancement products. In the past several years the FTC has instituted enforcement actions against several dietary supplement companies for false and misleading advertising of certain products. In addition, the FTC has increased its scrutiny of the use of testimonials, such as those utilized by the Company. There can be no assurance that the FTC will not question the Company's past or

future advertising or other operations. Moreover, there can be no assurance that a state will not interpret product claims presumptively valid under federal law as illegal under that state's regulations. Furthermore, the Company's IAs and customers of IAs may file actions on their own behalf, as a class or otherwise, and may file complaints with the FTC or state or local consumer affairs offices. These agencies may take action on their own initiative or on a referral from IAs, customers or others, including actions resulting in entries of consent decrees and the refund of amounts paid by the complaining IA or customer, refunds to an entire class of IAs or customers, or other damages, as well as changes in the Company's method of doing business. A complaint because of a practice of one IA, whether or not that practice was authorized by the Company, could result in an order affecting some or all IAs in a particular state, and an order in one state could influence courts or government agencies in other states. Proceedings resulting from these complaints may result in significant defense costs, settlement payments or judgments and could have a material adverse effect on the Company's business, financial condition or results of operations.

Although many of the ingredients in the Company's nutritional products are vitamins, minerals, herbs and other substances for which there is a long history of human consumption, some of the Company's nutritional products contain ingredients as to which there is little history of human consumption. The Company has not tested, and has not engaged any independent third party to test, any of its nutritional and health enhancement products. Accordingly, no assurance can be given that the Company's nutritional and health enhancement products, even when used as directed, will have the effects intended. Although the Company believes that its nutritional and health enhancement products are safe when consumed as directed, the Company has not sponsored clinical studies on the long-term effect of human consumption. If such products are alleged or proven to be unsafe, the Company could be subject to actions or claims which could have a material adverse effect on the Company's business, financial condition or results of operations.

Regulation of Network Marketing. The Company's multi-level network marketing system is subject to or affected by extensive government regulation including, without limitation, federal and state regulations governing the offer and sale of business franchises, business opportunities and securities. Various governmental agencies monitor direct selling activities, and the Company could be required to supply information regarding its marketing plan to

such agencies. Although the Company believes that its multi-level network

marketing system is in material compliance with the laws and regulations relating to direct selling activities, there can be no assurance that legislation and regulations adopted in particular jurisdictions in the future will not adversely affect the Company's business, financial condition and results of operations. The Company also could be found not to be in compliance with existing statutes or regulations as a result of, among other things, misconduct by IAs, who are considered independent contractors over whom the Company has limited control, the ambiguous nature of certain of the regulations and the considerable interpretive and enforcement discretion given to regulators. Any assertion or determination that the Company or the IAs are not in compliance with existing statutes or regulations could have a material adverse effect on the Company's business, financial condition and results of operations. An adverse determination by any one state on any regulatory matter could influence the decisions of regulatory authorities in other jurisdictions.

The Company has not obtained any no-action letters or advance rulings from any federal or state securities regulator or other governmental agency concerning the legality of the Company's operations, and the Company is not relying on an opinion of counsel to such effect. The Company accordingly is subject to the risk that its multi-level network marketing system could be found to be in noncompliance with applicable laws and regulations, which could have a material adverse effect on the Company's business, financial condition or results of operations. Such a decision could require the Company to modify its multi-level network marketing system, result in negative publicity, or have a negative effect on distributor morale and loyalty. In addition, the Company's multi-level network marketing system will be subject to regulations in foreign markets administered by foreign agencies should the Company expand its network marketing organization into such markets.

Effect of State Securities Laws. The primary goal of the Company's current Securities Offering is to increase the motivation of regional and executive directors by allowing them to purchase an interest in the Company. Accordingly, because the Company desires the ability to offer its Common Stock to regional and executive directors in certain states, the Company has attempted to register or qualify the Securities Offering in such states. Due to the varying nature of state securities regulations and the considerable discretion given to state securities regulators, the Company may be unable to register or qualify the Securities Offering in certain states. The inability of the Company to offer its Common Stock to residents of certain states may limit the ability of the Company to attract IAs in such states, or lead to increased attrition of IAs in such states, and may have a material adverse effect on the Company's business, prospects, financial condition and results of operations. An adverse determination by any one state regulator on a securities regulatory matter could influence the decisions of securities regulatory authorities in other jurisdictions.

FACILITIES

The Company operates out of offices in Atlanta, Georgia consisting of approximately 24,600 square feet for general and administrative office space, warehouse space and training space. The Company may be required to lease or build additional facilities, including at least one additional call center and new corporate headquarters, in order to meet adequately its needs in the future. The Company believes that suitable additional or alternative space will be available in the future on commercially reasonable terms as needed.

EMPLOYEES

As of June 30, 1998, the Company employed approximately 30 people. The Company's IAs are classified by the Company as independent contractors. The Company's employees are not unionized, and the Company believes its relationship with its employees is good.

ITEM 2. PROPERTIES

See the information provided in Item 1 above entitled "Business -- Facilities" for information with respect to the Company's properties.

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ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to, nor is any of its property subject to, any material legal proceedings, other than routine litigation incidental to its business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of the Company's security holders during the fourth quarter of the year ended June 30, 1998.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

As of September 25, 1998, the Company had 57 shareholders of

record. In the Securities Offering, the Company intends to offer its Common Stock at a price of \$5.50 per share; however, the \$5.50 per share price is not necessarily indicative of present value. As of the date of this Report, the Company has not offered or sold any shares of Common Stock pursuant to the Securities Offering. There is no established trading market for the Common Stock, and one is not expected to develop in the near future.

All outstanding shares of Common Stock of the Company are entitled to share equally in dividends from funds legally available therefor, when, as and if declared by the Board of Directors. The Company does not plan to declare any dividends in the immediate future.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data for the periods presented. The Company was incorporated on January 24, 1997 and began operations in March 1997. The Company's fiscal year ends on June 30. The statement of operations data for the Inception Period and the year ended June 30, 1998 and the balance sheet data as of June 30, 1997 and 1998 are derived from the audited Consolidated Financial Statements of the Company. The Consolidated Financial Statements for the Inception Period and the year ended June 30, 1998 were audited by Arthur Andersen LLP, independent public accountants. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and the related Notes thereto appearing elsewhere in this Report.

<TABLE>
<CAPTION>

	JANUARY 24, 1997			
	INCEPTION		YEAR ENDED	
	TO JUNE 30, 1997		JUNE 30, 1998	
	-----		-----	
<S>	<C>		<C>	
STATEMENT OF OPERATIONS DATA:				
Net revenues:				
Communications services.....	\$	2,322,000	\$	5,293,000
Nutritional products.....		--		526,000
Marketing services.....		369,000		1,172,000

Total net revenues.....	2,691,000	6,991,000
Cost of services:		
Communications services.....	761,000	1,351,000
Nutritional products.....	--	294,000
Marketing services.....	255,000	431,000
Total cost of services.....	1,016,000	2,076,000
Gross margin.....	1,675,000	4,915,000
Operating expenses:		
Selling and marketing.....	1,089,000	2,665,000
General and administrative.....	660,000	2,344,000
Total operating expenses.....	1,749,000	5,009,000
Interest expense.....	--	2,000
Loss before income tax benefit.....	(74,000)	(96,000)
Income tax benefit.....	--	--
Net loss.....	\$ (74,000)	\$ (96,000)
PER SHARE DATA:		
Net loss per share.....	\$ (0.05)	\$ (0.06)
Weighted average number of shares outstanding.....	1,571,187	1,571,187

<CAPTION>

AS OF JUNE 30,

	1997	1998
BALANCE SHEET DATA:		
Working capital.....	\$ (13,000)	\$ 180,000
Property and equipment, net.....	92,000	169,000
Total assets.....	596,000	1,263,000
Long-term obligations.....	--	--
Shareholders' equity.....	293,000	484,000

</TABLE>

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the "Selected Consolidated Financial Data" and the Consolidated Financial Statements and Notes thereto included elsewhere in this Report. This Report contains certain forward-looking statements relating to, without limitation, future economic performance, plans and objectives of management for future operations and projections of revenues and other financial items that are based on the beliefs of the Company's management, as well as assumptions made by, and information currently available to, the Company's management. When used in this Report, the words "intends," "believes," "anticipates," "estimates," "may," "could," "should," "would," "will," "plans" and similar expressions and variations thereof are intended to identify forward-looking statements. The cautionary statements set forth elsewhere in this Report identify important factors with respect to such forward-looking statements, including certain risks and uncertainties, that could cause actual results to differ materially from those in such forward-looking statements.

Maxxis was incorporated on January 24, 1997 and began accepting IAs and marketing communications services in March 1997. The Company conducts all of its business and operations through its wholly-owned subsidiaries: Maxxis 2000; Maxxis Communications; and Maxxis Nutritionals.

Maxxis 2000 is a network marketing company that currently markets I-Plus long distance service, travel cards, prepaid phone cards, 800 service and international telecommunications services, Internet access and Web-page development and hosting services, and nutritional and health enhancement products. Maxxis Communications obtains telecommunications services and purchases time for its prepaid 1 hour, 30 minute and 10 minute phone cards from CRC. Maxxis Communications also provides Internet access through its agreement with InteReach. Maxxis Nutritionals purchases private label nutritional and health enhancement products from various suppliers. The Company believes that its multi-level network marketing system allows it to obtain customers for its products in a cost effective manner and to enhance customer retention because of the relationships between the Company's IAs and customers. The telecommunications customer base developed by the Company's IAs provides a

potential customer base for the Company's nutritional and health enhancement products, Internet-related services and for future products.

The Company derives revenues from communications services, nutritional products and marketing services. Communications services revenues are comprised of sales of prepaid phone cards to the Company's IAs and commissions from the Company's agreement with CRC whereby the Company receives a percentage of the long distance billings received by CRC from the customers originated by the Company's IAs, net of allowances for bad debts and billing adjustments. The Company's aggregate revenues from 1-Plus services were \$25,000, or only 0.9% of total revenues, for the Inception Period, and \$1,178,000, or 16.9% of total revenues, for the year ended June 30, 1998. Because of the administrative procedures that must be complied with in order to establish 1-Plus customers and to collect the usage and access fees from the LECs, there is generally a delay of up to three to four months from the time a prospective customer indicates a desire to become a 1-Plus customer and the time that the Company begins to receive commissions from such customer's usage. In the future, the Company believes that commissions generated on the sales of 1-Plus long distance services will constitute an increasing percentage of its total revenues. In September 1998, the Company began providing Internet access and Web-page development and hosting services. Accordingly, the Company derived no revenue from such services for the year ended June 30, 1998.

Nutritional products revenues include sales of private-label nutritional products to the Company's IAs. Recently, the Company began marketing new health enhancement products and additional nutritional products, including a weight management program and skin care system. Marketing services revenues include application fees from IAs and purchases of sales aids by IAs, including distributor kits which consist of forms, promotional brochures, audio and video tapes, marketing materials and presentation materials. Marketing services revenues also include training fees paid by MDs. To become an associate, individuals (other than individuals in North Dakota) must complete an application and purchase a distributor kit for \$99. IAs also pay an annual non-refundable fee in order to maintain their status as an IA, which fee the Company amortizes over the renewal period. To become a MD, a senior associate, director or regional director must attend a Company approved training school. The fee to

attend the training school is currently \$99, and MDs must attend continuing education training schools each year which also are subject to a fee. The training fees are recognized at the time the training is received. The Company

does not receive any fees from IAs for the training provided by MDs or national training directors.

Cost of services consists of communications services costs, nutritional products costs and marketing services costs. Communications services cost consists primarily of the cost of purchasing activated prepaid phone cards. Nutritional products cost consists of the cost of purchasing private label nutritional products. Marketing services cost includes the costs of purchasing IA distributor kits, sales aids and promotional materials and training costs. Operating expenses consist of selling and marketing expenses and general and administrative expenses. Selling and marketing expenses include commissions paid to IAs based on (i) usage of long distance services by customers, (ii) sales of products to new IAs sponsored into the Company and (iii) sales of additional products and services to customers. General and administrative expenses include costs for IA support services, information systems services and administrative personnel to support the Company's operations and growth.

The Company has a limited operating history, and its operations are subject to the risks inherent in the establishment of any new business. The Company expects that it will incur substantial initial expenses, and there can be no assurance that the Company will achieve or maintain profitability. If the Company continues to grow rapidly, the Company will be required to continually expand and modify its operational and financial systems, add additional IAs and new customers, and train and manage both current and new employees and IAs. Such rapid growth would place a significant strain on the Company's operational resources and systems, and the failure to effectively manage this projected growth could have a material adverse effect on the Company's business, financial condition and results of operations.

RESULTS OF OPERATIONS

The following table sets forth the percentage of total revenues attributable to each category for the periods shown.

<TABLE>
<CAPTION>

	JANUARY 24, 1997 (INCEPTION) TO JUNE 30, 1997	YEAR ENDED JUNE 30, 1998
<S>	<C>	<C>
Net revenues:		
Communications services.....	86.3%	75.7%
Nutritional products.....	--	7.5
Marketing services.....	13.7	16.8
	-----	-----
Total net revenues.....	100.00%	100.00%
	=====	=====
Cost of services:		
Communications services.....	28.3%	19.3%
Nutritional products.....	--	4.2
Marketing services.....	9.5	6.2
	-----	-----
Total cost of services.....	37.8	29.7
Operating expenses:		
Selling and marketing.....	40.5	38.1
General and administrative.....	24.5	33.5
	-----	-----
Total operating expenses.....	65.0%	71.6%
	=====	=====

</TABLE>

The Company was incorporated in January 1997 and commenced operations in March 1997. No comparisons are presented for the year ended June 30, 1998 compared to the Inception Period because the Company commenced operations in March 1997 and the Company believes the comparisons would not be meaningful.

Similarly, no comparisons are presented for the Inception Period because the Company was not in existence for the corresponding period in 1996.

YEAR ENDED JUNE 30, 1998

Net Revenues. Total net revenues are derived from sales of communications services, nutritional products and marketing services net of any returns of prepaid phone cards, distributor kits or other products. Total net revenues were \$6,991,000 for the year ended June 30, 1998. For the year ended June 30, 1998, communications services revenues were \$5,293,000, or 75.7% of total revenues. Communications services revenues consist of sales of prepaid phone cards by and to IAs and commissions and fees generated from long distance customers. For the year ended June 30, 1998, nutritional products revenues were \$526,000, or 7.5% of total net revenues. Nutritional products revenues consist of sales of private label nutritional products. For the year ended June 30, 1998, marketing services revenues were \$1,172,000, or 16.8% of total revenues. Marketing services revenues consist of application fees paid by IAs, purchases of sales aids by IAs and training fees paid to become a MD.

Cost of Services. Cost of services includes communications services costs, nutritional products costs and marketing services costs. Total cost of services for the year ended June 30, 1998 was \$2,076,000, or 29.7% of total revenues. For the year ended June 30, 1998, communications services cost was \$1,351,000, or 19.3% of total revenues. Communications services cost consist primarily of the cost of purchasing activated prepaid phone cards from CRC. The Company then sells the activated phone cards to its IAs. Communications services cost also includes, as a minor component, the costs of materials that are used to package the phone cards. For the year ended June 30, 1998, nutritional products cost was \$294,000, or 4.2% of total revenues. Nutritional products cost consists of the cost of purchasing private label nutritional products. Marketing services cost was \$431,000, or 6.2% of total revenues, for the year ended June 30, 1998. Marketing services cost primarily consists of the costs of purchasing application kits, sales aids and promotional materials and training costs.

Operating Expenses. For the year ended June 30, 1998, selling and marketing expenses were \$2,665,000, or 38.1% of total revenues. Selling and marketing expenses consist of commissions paid to IAs based on (i) usage of long distance services by customers, (ii) sales of products to new IAs sponsored into the Company and (iii) sales of additional products and services to customers. General and administrative expenses were \$2,344,000, or 33.5% of total revenues, for the year ended June 30, 1998. General and administrative expenses consist of salary expense for the Company's customer service personnel, office staff and executive personnel and the cost of IA support services and information systems services.

INCEPTION PERIOD (JANUARY 24, 1997 TO JUNE 30, 1997)

Net Revenues. For the Inception Period, communications services revenues were \$2,322,000, or 86.3% of total revenues, and marketing services revenues were \$369,000, or 13.7% of total revenues. Communications services revenues consist of sales of prepaid phone cards by and to the Company's IAs and commissions and fees generated from long distance usage customers. This amount was minimal for the Inception Period because no customers were utilizing long distance services until May 1997. Marketing services revenues include application kit fees from IAs, purchases of sales aids by IAs and training fees paid to become a MD.

Cost of Services. Communications services cost was \$761,000, or 28.3% of total revenues, for the Inception Period. Communications services costs include the cost of purchasing activated prepaid phone cards. Marketing services cost, which includes the costs of application kits and promotional materials, was \$255,000, or 9.5% of total revenues, for the Inception Period.

Operating Expenses. Selling and marketing expenses principally consist of commissions paid to IAs based on (i) usage of long distance services by customers, (ii) sales of products and services to new IAs sponsored into the Company and (iii) sales of additional products and services to customers. Selling and marketing expenses were \$1,089,000, or 40.5% of total revenues, for the Inception Period. General and administrative expenses were

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\$660,000, or 24.5% of total revenues, for the Inception Period. General and administrative expenses consist primarily of salary expense for the Company's customer service personnel, office staff and executive personnel. Such expenses also include costs for IA support services and information systems services.

SEASONALITY AND UNAUDITED QUARTERLY FINANCIAL INFORMATION

The Company has historically experienced, and expects to continue to experience, significant seasonal fluctuations in the recruitment of its IAs and the sale of its products and services. The Company's annual summit occurs in the first quarter of the Company's fiscal year, which has historically caused an increase in the number of the Company's IAs and sales of the Company's products and services. Historically, revenues have been lower in the second quarter than in other quarters of a given year because of the number of new IAs added and product and service sales have historically declined during the holiday season. The Company's operating results may vary significantly in the

future, partly due to such seasonal fluctuations. The Company believes that recruitment of its IAs and sales of its products and services will continue to follow this seasonal cycle. The Company's quarterly results may fluctuate significantly as a result of such seasonality. Because of the potential quarterly fluctuations in the Company's revenue and operating results, results for any particular quarter may not be indicative of future quarterly or annual results.

<TABLE>
<CAPTION>

	QUARTER ENDED				
	INCEPTION PERIOD	SEPT. 30, 1997	DEC. 31, 1997	MAR. 31, 1998	JUNE 30, 1998
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:					
Net revenues:					
Communications services.....	\$ 2,322,000	\$ 1,465,000	\$ 1,122,000	\$ 1,352,000	\$ 1,354,000
Nutritional products.....	--	--	186,000	155,000	185,000
Marketing services.....	369,000	353,000	318,000	224,000	277,000
Total net revenues.....	2,691,000	1,818,000	1,626,000	1,731,000	1,816,000
Cost of services:					
Communications services.....	761,000	438,000	130,000	213,000	270,000
Nutritional products.....	--	--	77,000	146,000	71,000
Marketing services.....	255,000	101,000	127,000	111,000	92,000
Total cost of services.....	1,016,000	539,000	634,000	470,000	433,000
Gross margin.....	1,675,000	1,279,000	992,000	1,261,000	1,383,000
Operating Expenses:					
Selling and marketing.....	1,089,000	716,000	610,000	668,000	671,000
General and administrative.....	660,000	597,000	514,000	542,000	691,000
Total operating expenses.....	1,749,000	1,313,000	1,124,000	1,210,000	1,362,000
Interest income (expense).....	--	--	2,000	(2,000)	2,000
Income (loss) before income tax benefit...	(74,000)	(34,000)	(134,000)	53,000	19,000
Income tax benefit.....	--	--	--	--	--
Net income (loss).....	\$ (74,000)	\$ (34,000)	\$ (134,000)	\$ 53,000	\$ 19,000
PER SHARE DATA:					
Net income (loss) per share.....	\$ (0.05)	\$ (0.02)	\$ (0.08)	\$ 0.03	\$ 0.01

<TABLE>

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has primarily financed all of its operations through the sale of its securities in private placements. During the year ended June 30, 1998, cash flows from financing activities totaled approximately \$87,000 related to the sale of Common Stock and \$200,000 related to the sale of preferred stock. In November 1997, the Company entered into a demand promissory note to fund expenses incurred in connection with the launch of the Company's nutritional product line. As of March 23, 1998, the Company had borrowed \$200,000 under such promissory note. On March 23, 1998, the Company converted the outstanding principal amount under the promissory note into units ("Units") at a price of \$5.50 per Unit with each Unit consisting of one share of convertible preferred stock (the "Preferred Stock") and a warrant (a "Warrant") to purchase one share of Common Stock at a price of \$5.50 per share. The Preferred Stock is: (i) non-voting; (ii) entitled to an antidilution adjustment only upon a stock split, recapitalization or similar event; (iii) entitled to a liquidation preference over the Common Stock; and (iv) convertible into Common Stock at the option of the holder at any time commencing 14 months following the date of the issuance of the Preferred Stock and automatically upon the closing of a public offering that

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occurs at least 14 months following the issuance of the Preferred Stock and that provides gross proceeds to the Company of at least \$7,500,000. The Warrants are entitled to an antidilution adjustment only upon a stock split, recapitalization or similar event, are not exercisable until 14 months following their date of issuance and remain exercisable at the option of the holder until the seventh anniversary of their issuance. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of the Preferred Stock and any additional preferred stock that may be issued in the future.

In February 1998, the Company entered into a note with Thomas O. Cordy (the "Cordy Note") to memorialize a loan in December 1997 of \$53,000 from Mr. Cordy to the Company to fund certain operational expenses. As of June 30, 1998, the Cordy Note had been repaid in full.

As of June 30, 1998, the Company had cash of \$372,000 and working capital of \$180,000. Cash provided by operating activities for the year ended June 30, 1998 was \$235,000. The Company's investing activities principally consisted of capital expenditures of \$115,000 and software development and organizational costs of \$70,000 for the year ended June 30, 1998.

The Company anticipates that cash generated from operations, together with additional borrowings or equity financings, will be sufficient to meet the Company's capital requirements for the next 12 months. However, if the Company does not receive sufficient funds from its operations and borrowings and equity financings to fund its operations, the Company may need to raise additional capital. In addition, any increases in the Company's growth rate, shortfalls in anticipated revenues, increases in expenses or significant acquisitions could have a material adverse effect on the Company's liquidity and capital resources and could require the Company to raise additional capital. The Company may also need to raise additional funds in order to take advantage of unanticipated opportunities, such as acquisitions of complementary businesses or the development of new products, or otherwise respond to unanticipated competitive pressures. Sources of additional capital may include venture capital financing, cash flow from operations, additional lines of credit and private equity and debt financings. The Company's cash and financing needs for 1998 and beyond will be dependent on the Company's level of IA and customer growth and the related capital expenditures, advertising costs and working capital needs necessary to support such growth. The Company believes that major capital expenditures may be necessary over the next few years to develop additional product lines to sell through its IAs and to develop and/or acquire information, accounting and/or inventory control systems to monitor and analyze the Company's growing multi-level network marketing system. The Company has not identified financing sources to fund such cash needs in 1998 and beyond. There can be no assurance that the Company will be able to raise any such capital on terms acceptable to the Company or at all.

YEAR 2000 COMPLIANCE

Many installed computer software and network processing systems currently accept only two-digit entries in the date code field and may need to be upgraded or replaced in order to accurately record and process information and transactions on and after January 1, 2000. The Company's business and relationships with its customers and IAs depend significantly on a number of computer software programs, internal operating systems and connections to other networks, and the failure of these programs, systems or networks to successfully address the Year 2000 problem could have a material adverse effect on the Company's business, financial condition and results of operations. The Company is in the preliminary stages of assessing the extent to which its internal systems and software and the network connections it maintains are adequately programmed to address the Year 2000 issue. In addition, the Company's ability to provide services and support to its customers and IAs depends upon the continued functioning of the software programs, operating systems and networking used by its vendors and suppliers, and the Company is also in the preliminary stages of assessing the extent to which its vendors and suppliers have successfully addressed the Year 2000 problem. It currently is impossible for the Company to predict the potential expenditures that may be

required or the delay or interruption in service that may result due to the Year 2000 problem. Any failure by the Company or its vendors or suppliers to successfully address the Year 2000 problem could significantly interrupt the business operations of the Company and have a material adverse effect on the Company's business, financial condition and results of operations. The Company has not currently established a contingency plan, but the Company intends to create one as soon as practicable.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of the Company, including the Company's consolidated balance sheets as of June 30, 1998 and 1997 and consolidated statements of operations, shareholders' equity and cash flows for the year ended June 30, 1998 and for the period from Inception (January 24, 1997) to June 30, 1997 together with the report thereof of Arthur Andersen LLP, dated September 4, 1998 are included on pages F-1 through F-15 of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS IN ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has no disagreements on accounting or financial disclosure matters with its accountants nor did it change accountants during the year ended June 30, 1998.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT
EXECUTIVE OFFICERS AND DIRECTORS

The directors and executive officers of the Company are set forth below. The Company's Board of Directors consists of nine directors divided into

three classes of directors, serving staggered three-year terms. Directors and executive officers of the Company are elected to serve until they resign or are removed, or are otherwise disqualified to serve, or until their successors are elected and qualified. Directors of the Company are elected at the annual meeting of shareholders. Officers of the Company are appointed at the Board's first meeting after each annual meeting of shareholders. The ages of the persons set forth below are as of June 30, 1998.

<TABLE>
<CAPTION>

NAME EXPIRES	AGE	POSITIONS WITH THE COMPANY	TERM AS DIRECTOR
<S>	<C>	<C>	<C>
Ivey J. Stokes.....	39	Chairman of the Board of Directors	1998
Thomas O. Cordy.....	57	Chief Executive Officer, President and Director	1998
Daniel McDonough.....	50	Chief Financial Officer	--
James W. Brown.....	62	Executive Vice President, Secretary and Director	1999
Larry W. Gates, II.....	35	Vice President-- Human Resources and Director	1999
Charles P. Bernstein.....	48	Director	2000
Alvin Curry.....	41	Director	1998
Robert J. Glover, Jr.....	37	Director	1999
Terry Harris.....	44	Director	2000
Philip E. Lundquist.....	62	Director	2000

</TABLE>

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IVEY J. STOKES has served as Chairman of the Board of Directors of the Company since its inception. Mr. Stokes began his marketing career in 1982 at A.L. Williams Corporation ("A.L. Williams") where he became one of less than 400 National Sales Directors out of 1.3 million insurance agents. In March 1991, Mr. Stokes left the financial services industry to launch his own independent marketing firm, Global Marketing Alliance ("Global Alliance"). Over the next five years, Mr. Stokes became one of the leading money earners in several national network marketing firms. Mr. Stokes' marketing firm, Global Alliance, has sponsored and trained over 150,000 distributors since 1991. Mr. Stokes has a bachelors degree in industrial management from the Georgia Institute of Technology.

THOMAS O. CORDY has served as Chief Executive Officer and President

and as a Director of the Company since May 1997. Prior to that time, he served as President and Chief Executive Officer of CI Cascade Corp. Mr. Cordy currently serves as Vice Chairman of the Board of Trustees of Clark Atlanta University, Chairman of the Board of Renaissance Capital Corporation and as a Director of Cox Enterprises. Mr. Cordy has a bachelors degree from Morehouse College and a masters degree from Atlanta University. Mr. Cordy has attended the Stanford Executive Program at the Stanford School of Business and the University of Oklahoma National Lending School.

DANIEL MCDONOUGH has served as Chief Financial Officer of the Company since October 1997. Prior to his employment with the Company, Mr. McDonough provided financial consulting services to a number of start up companies at Creative Benefits, Inc. In addition, from 1992 to 1994, Mr. McDonough was the controller of Jostens Learning Corporation, a \$75.0 million technology company specializing in educational software. Prior to his employment with Jostens, Mr. McDonough served as assistant controller to Alumax, Inc., a \$2.5 billion integrated aluminum company with over 100 manufacturing operations throughout the United States. From 1973 to 1980, Mr. McDonough was employed by Price Waterhouse & Co. Mr. McDonough is a licensed CPA and also holds a masters of business administration degree from the University of Buffalo.

JAMES W. BROWN currently serves as Executive Vice President and Secretary of the Company and has been a Director of the Company since May 1997. He served as President and Chief Executive Officer of the Company from inception to April 1997. He has also served as Chief Executive Officer, President and a Director of Maxxis 2000 since its inception. From 1995 to 1997, Mr. Brown has served as a manager of NetWorld Communications, L.L.C. Since 1979, Mr. Brown has also served as President and Chief Executive Officer of Marketing Ideas, Ltd. Mr. Brown has a bachelors degree from the University of Georgia. He also attended the John Marshall School of Law and the American Mutual Institute of Management.

LARRY W. GATES, II has served as Vice President of Human Resources since the Company's inception and as a Director of the Company since May 1997. Mr. Gates became a part-time independent insurance agent for A.L. Williams in 1989 while serving in the U.S. Army. In 1993, he left the financial services industry and became a full-time independent marketer of telecommunications services through his own independent marketing firm, Classic Enterprises. Mr. Gates built a downline of over 10,000 distributors between 1993 and 1996. Mr. Gates has an associates degree from Pierre College.

CHARLES P. BERNSTEIN has served as a Director of the Company since May 1997. Since 1992, Mr. Bernstein has also served as President of Harvest Mortgage Co. From 1989 to 1992, Mr. Bernstein was the Vice President of Nationwide Mortgage Resources, an underwriter and servicer of loans on residential and commercial real estate. Mr. Bernstein holds an associates

degree from the University of South Carolina.

ALVIN CURRY has served as a Director of the Company since its inception. He also serves as Executive Vice President and Chief Operating Officer of Maxxis 2000. Mr. Curry started his marketing career in 1986 with A.L. Williams, where he attained the position of Senior Vice President in less than three years. In March 1991, Mr. Curry left the financial services industry to join Mr. Stokes in Global Alliance. Mr. Curry attended Northwest Mississippi Junior College and Tacoma Community College, and he received a degree from the Knapp College of Business.

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ROBERT JAMES GLOVER, JR. has served as a Director of the Company since its inception. Mr. Glover started his marketing career as an independent insurance agent with A.L. Williams in 1985, where he attained the sales position of Senior Vice President. In December 1993, Mr. Glover left the financial services industry and became an independent marketer of telecommunications services through his own independent marketing firm, Glover Enterprises. Mr. Glover's network marketing firm has sponsored and trained over 10,000 distributors. Mr. Glover attended Maryland University.

TERRY HARRIS has served as a Director of the Company since May 1997. Since 1982, Mr. Harris has served as Pastor and President of Tacoma Christian Center Inc. Mr. Harris has a bachelors degree from the University of Puget Sound and attended Rhema Bible School.

PHILIP E. LUNDQUIST has served as a Director of the Company since May 1997. He also serves as Chairman of Christopher Partners Inc. Since 1988, Mr. Lundquist has owned and operated an investment banking consulting company as a sole proprietorship. From 1985 to 1988, Mr. Lundquist was the Director of Corporate Finance for Deloitte Haskins & Sells in Atlanta, Georgia. Mr. Lundquist has a bachelors degree from Williams College and attended the Institute of Investment Banking at the Wharton School, University of Pennsylvania.

COMMITTEES OF THE BOARD

The Executive Committee of the Board of Directors exercises, during the interval between Board meetings, all of the powers of the Company's Board of Directors within certain limitations. During the year ended June 30, 1997, the Executive Committee was composed of Thomas O. Cordy, Alvin Curry and Ivey J. Stokes and held two meetings.

The Audit Committee of the Board of Directors reviews, with the Company's independent public accountants, the annual financial statements of the Company, reviews the work of such independent public accountants and makes annual recommendations to the Board of Directors for the appointment of independent public accountants for the ensuing year. The Audit Committee also reviews the effectiveness of the financial and accounting functions, organization, operations and management of the Company. During the year ended June 30, 1998, the Audit Committee was composed of Charles P. Bernstein, Terry Harris and Philip E. Lundquist and did not hold any meetings.

The Compensation Committee reviews and recommends to the Board of Directors the compensation and benefits of all officers of the Company and administers the issuance of stock options to the Company's officers, employees, consultants and advisors. The Compensation Committee also reviews general policy matters relating to compensation and benefits of employees of the Company. During the year ended June 30, 1998, the Compensation Committee was composed of Charles P. Bernstein, Terry Harris and Philip E. Lundquist and did not hold any meetings.

The Company does not have a standing nominating committee. The Board of Directors or the Executive Committee nominates candidates to stand for election as directors. The Amended and Restated Bylaws of the Company permit shareholders to make nominations for directors but only if such nominations are made pursuant to timely notice in writing to the Secretary of the Company. To be timely, notice of shareholder nominations for directors must be delivered in writing to the Secretary of the Company no later than 90 days prior to the anniversary of the previous year's annual meeting, together with the identity of the nominator and the number of shares of Common Stock owned, directly or indirectly, by the nominator.

During the year ended June 30, 1998, the Board of Directors of the Company held four meetings. All of the directors of the Company attended 75% or more of the aggregate of all Board meetings and all meetings of committees of which they were members.

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ITEM 11. EXECUTIVE COMPENSATION

DIRECTOR COMPENSATION

Members of the Board of Directors are reimbursed for their out-of-pocket expenses for each meeting attended, but otherwise serve without

compensation.

EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth the compensation earned by the Company's Chief Executive Officer during the year ended June 30, 1998 and the Inception Period. No other executive officers of the Company received a combined salary and bonus in excess of \$100,000 during the year ended June 30, 1998.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	PERIOD	ANNUAL COMPENSATION	
		SALARY	BONUS(1)
<S>	<C>	<C>	<C>
Thomas O. Cordy.....	Fiscal 1998	\$ 41,600	\$ 83,400
Chief Executive Officer and President	Inception Period	5,250	--

(1) Represents amounts accrued as bonus compensation for the periods presented.

OPTION GRANTS DURING 1998

As of June 30, 1998, no options had been granted to the Chief Executive Officer of the Company, and no executive officer of the Company received a combined salary and bonus in excess of \$100,000 during the year ended June 30, 1998.

EMPLOYMENT AGREEMENTS

The Company has entered into employment agreements (collectively, the "Employment Agreements") with Messrs. Cordy and Brown. The Company intends to enter into an employment agreement with Mr. McDonough. Generally, the Employment Agreements provide for a minimum weekly salary. In addition, the employee may participate in a bonus program and shall be eligible to receive quarterly or annual payments of a performance bonus based upon the achievement of targeted levels of performance and such other criteria as the Board of Directors shall establish from time to time. Each employee may participate in

insurance and other benefit plans of similarly situated employees, including any stock option plans of the Company.

Each of the Employment Agreements has a term of one year, and the term renews daily for an additional year until either party fixes the remaining term at one year by giving written notice. The Company can terminate each employee upon death or disability (as defined in the Employment Agreements) or with or without cause upon delivery to the employee of a notice of termination. If the employee is terminated because of death, disability or cause, the employee will receive any accrued compensation through the termination date and any accrued performance bonus, unless the employee is terminated for cause. If the employee is terminated without cause, the Company shall pay the employee severance payments equal to his minimum base salary for each week during the six-month period following the termination date. If the employee is a director or officer of the Company or any of its affiliates, the employee shall tender his resignation to such positions effective as of the termination date.

Under the Employment Agreements, each employee agrees to maintain the confidentiality of the Company's trade secrets and confidential business information. The employee also agrees for a period of one year following the termination date, if he is terminated or resigns for any reason, not to compete with or solicit employees or customers

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of the Company or any of its affiliates within a 30-mile radius of the Company's corporate offices; provided, that if the employee is terminated without cause, the non-compete period shall be six months.

SALES REPRESENTATIVE AGREEMENTS

The Company entered into independent sales representative agreements (collectively, the "Sales Representative Agreements") with ten independent sales representatives, including Messrs. Stokes, Gates and Glover. The Sales Representative Agreements provide for a minimum fee of \$800.00 per week. Each sales representative is also be eligible to receive quarterly payments of a performance bonus which is a percentage of total revenue from Maxxis 2000. To be paid a bonus, a sales representative must have 180 new activations in a quarter. The bonus amount is then determined by the number of open centers in that quarter. The bonus ranges from 1% of total revenue from Maxxis 2000 if four centers are opened to 5% of the revenue if 20 centers are opened. Each sales representative is an independent contractor, and the Company does not exercise control over the activities of the sales representatives other than as

set forth in the Sales Representative Agreements.

Each of the Sales Representative Agreements has a term of one year, and the term renews daily for an additional year until either party fixes the remaining term at one year by giving written notice. The Company can terminate each sales representative upon death or disability (as defined in the Sales Representative Agreements) or with or without cause upon delivery to the sales representative of a notice of termination. If a sales representative is terminated, the sales representative will receive any accrued fees through the termination date and any accrued performance bonus, unless the sales representative is terminated for cause. If the sales representative is a director or officer of the Company or any of its affiliates, the sales representative shall tender his resignation to such positions effective as of the termination date. Under the Sales Representative Agreements, each sales representative agrees to maintain the confidentiality of the Company's trade secrets and confidential business information.

CONSULTING AGREEMENT

In September 1997, the Company entered into a consulting agreement with Mr. Robert P. Kelly. The consulting agreement provides for a minimum weekly salary, and the consultant may participate in a bonus program and is eligible to receive quarterly or annual payments of a performance bonus based upon the achievement of targeted levels of performance and such other criteria as the Board of Directors shall establish from time to time. The consultant is an independent contractor, and the Company does not exercise control over the activities of the consultant other than as set forth in the consulting agreement.

The consulting agreement has a term of one year, and the term renews daily for an additional year until either party fixes the remaining term at one year by giving written notice. The Company can terminate the consultant upon death or disability (as defined in the consulting agreement) or with or without cause upon delivery to the consultant of a notice of termination. If the consultant is terminated because of death, disability, or cause, the consultant will receive any accrued fees through the termination date and any accrued performance bonus, unless the consultant is terminated for cause. If the consultant is terminated without cause, the Company shall pay the consultant severance payments equal to his minimum base salary for each week during the six-month period following the termination date.

Under the consulting agreement, the consultant agrees to maintain the confidentiality of the Company's trade secrets and confidential business information. The consultant also agrees for a period of one year following the termination date, if he is terminated or resigns for any reason, not to compete with or solicit employees or customers of the Company or any of its affiliates

within a 30-mile radius of the Company's corporate offices; provided, that if the consultant is terminated without cause, the non-compete period shall be six months.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Pursuant to its Amended and Restated Articles of Incorporation, the Company is obligated to indemnify each of its directors and officers to the fullest extent permitted by the Georgia Business Corporation Code with

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respect to all liability and loss suffered and reasonable expenses incurred by such person in any action, suit or proceeding in which such person was or is made or threatened to be made a party or is otherwise involved by reason of the fact that such person is or was a director or officer of the Company. The Company is obligated to pay the reasonable expenses of the directors or officers incurred in defending such proceedings if the indemnified party agrees to repay all amounts advanced by the Company if it is ultimately determined that such indemnified party is not entitled to indemnification.

STOCK OPTION PLAN

On September 16, 1998, the Board of Directors adopted (subject to shareholder approval or ratification) the Maxxis Group, Inc. 1998 Stock Option Plan (the "Option Plan"), which permits the Company to grant options to purchase shares of Common Stock to officers, directors, key employees, advisors and consultants of the Company. The purpose of the Option Plan is to advance the interests of the Company, its subsidiaries and its shareholders by affording certain employees and Directors of the Company and its subsidiaries, as well as key consultants and advisors to the Company or any subsidiary, an opportunity to acquire or increase their proprietary interests in the Company. Options granted under the Option Plan are intended to promote the growth and profitability of the Company and its subsidiaries by providing the optionees with an additional incentive to achieve the Company's objectives through participation in its success and growth and by encouraging optionees to continue their association with or service to the Company.

Generally, options granted under the Option Plan may be Incentive Stock Options ("ISOs"), which are intended to meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified options, which are not intended to meet such requirements ("Non-Qualified Options"). ISOs must have terms of ten years or less from the

date of grant and the fair market value of grants of ISOs during any year on the date of grant may not exceed \$100,000. The Option Plan will be administered by a committee (the "Committee"), having the duties and authorities set forth in such Option Plan in addition to any other authority granted by the Board. The Committee will have the full power and authority, in its discretion, subject to the provisions of the Option Plan, to interpret the Option Plan, to prescribe, amend, and rescind rules and regulations relating to them, to determine the details and provisions of each stock option agreement and restriction agreement, and to make all other determinations necessary or advisable for the administration of the Option Plan, including, without limitation, the amending or altering of such Plan and any options or restricted stock awards granted thereunder, as may be required to comply with or to conform to any federal, state, or local laws or regulations. The Committee, in its discretion, will select the recipients of awards and the number of options granted thereunder and determine other matters such as (i) vesting schedules, (ii) the exercise price of options (which cannot be less than 100% of the fair market value of the Common Stock on the date of grant for ISOs) and (iii) the duration of awards (which cannot exceed ten years from the date of grant or modification of the option).

Subject to shareholder approval, the aggregate number of shares of Common Stock reserved for the issuance of options under the Option Plan will be 300,000 shares, subject to adjustment in accordance with the Option Plan. Any or all shares of Common Stock subject to the Option Plan may be issued in any combination of ISOs or Non-Qualified Options, and the amount of Common Stock subject to the Option Plan may be increased from time to time, subject to shareholder approval. Shares subject to an option may be either authorized and unissued shares or shares issued and later reacquired by the Company. The shares covered by any unexercised portion of an option that has terminated for any reason may again be optioned or awarded under the Option Plan, and such shares shall not be considered as having been optioned in computing the number of shares of Common Stock remaining available for options under the Option Plan.

The class of persons eligible to participate in the Option Plan shall consist of all persons whose participation in the Option Plan the Committee determines to be in the best interests of the Company which shall include, but not be limited to, all employees and directors of the Company or any subsidiary, as well as key consultants and advisors to the Company or any subsidiary. The Committee will have the power to specify, with respect to the Options granted to a particular Optionee, the effect of the termination of such Optionee's employment or service under various circumstances on such Optionee's right to exercise an Option, which effect

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may include immediate or deferred termination of such Optionee's rights under an Option, or acceleration of the date at which an Option may be exercised in full. As of September 25, 1998, no options to purchase shares of Common Stock were outstanding.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Common Stock as of September 25, 1998 by: (i) each person known by the Company beneficially to own more than 5% of the outstanding shares of the Common Stock; (ii) each director of the Company; and (iii) all directors and executive officers of the Company as a group. Except as otherwise indicated, all persons listed have sole voting and investment power with respect to their shares.

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER -----	AMOUNT OF BENEFICIAL OWNERSHIP(B) -----	PERCENTAGE OF COMMON STOCK OUTSTANDING -----
<S>	<C>	<C>
Alvin Curry(c).....	636,363	40.5%
King David Trust(d).....	454,545	28.9
Cynthia Glover, trustee(e).....	181,818	11.6
The Anchora Company(f).....	72,727	4.6
Charles P. Bernstein.....	--	--
James W. Brown.....	47,272	3.0
Thomas O. Cordy(g).....	--	--
Larry W. Gates, II.....	45,454	2.9
Robert J. Glover(h).....	--	--
Terry Harris.....	3,636	*
Philip E. Lundquist.....	--	--
Ivey J. Stokes(i).....	--	--
All directors and executive officers as a group (10 persons) (c) - (i).....	987,270	62.8

</TABLE>

* Less than one percent

(a) The address of the King David Trust and Alvin Curry is c/o Maxxis

Group, Inc., 1901 Montreal Drive, Suite 108, Tucker, Georgia 30084. The address of Cynthia Glover, trustee, U/A Louise Glover dated January 10, 1997 is 7839 Taylor Circle, Riverdale, Georgia 30274. The address of The Anchora Company is c/o Salem Management Company, Ltd., Design House, Leeward Highway, P.O. Box 150, Providenciales Turks & Caicos Island, B.W.I.

(b) In accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, a person is deemed to be the beneficial owner, for purposes of this table, of any shares of Common Stock if such person has or shares voting power or investment power with respect to such security, or has the right to acquire beneficial ownership at any time within 60 days from September 25, 1998. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares.

(c) Includes 454,545 shares owned by the King David Trust of which Mr. Curry, a director of the Company, is the trustee. Mr. Curry disclaims beneficial ownership of such shares.

(d) All such shares are owned by the King David Trust of which Mr. Curry is the trustee and Mr. Stokes' minor children are the beneficiaries. Mr. Stokes, the Chairman of the Board, disclaims beneficial ownership of such shares.

(e) All such shares are owned by Cynthia Glover, trustee, U/A Louise Glover dated January 10, 1997. Ms. Glover is the wife of Robert J. Glover, a director of the Company. Mr. Glover is the sole beneficiary and disclaims beneficial ownership of such shares. In addition, Ms. Glover disclaims beneficial ownership of such shares.

(f) All such shares are owned by The Anchora Company of which Mr. Cordy, Chief Executive Officer and President of the Company, is the protector. Mr. Cordy disclaims beneficial ownership of such shares.

(g) Excludes 72,727 shares owned by The Anchora Company, of which Mr. Cordy is the protector. Mr. Cordy disclaims beneficial ownership of such shares.

(h) Excludes 181,818 shares owned by Cynthia Glover, trustee, U/A Louise Glover dated January 10, 1997 of which Mr. Glover is the sole beneficiary. Mr. Glover disclaims beneficial ownership of such shares.

(i) Excludes 454,545 shares owned by the King David Trust of which Mr. Stokes' minor children are the beneficiaries. Mr. Stokes disclaims beneficial ownership of such shares.

On February 16, 1997, Glover Enterprises, Inc., an affiliate of Robert J. Glover, a director of the Company, loaned the Company \$50,000 to fund initial start-up costs of the Company. The Company has repaid this loan.

During the Inception Period, the Company paid a fee of \$184,000 to IS 14, Inc. ("IS 14"), a former Delaware corporation which was controlled by certain of the directors and officers of the Company. The IS 14 fee was comprised of compensation for managerial, marketing and administrative services performed by certain of the Company's officers and sales representatives prior to the establishment of the Company's payroll. IS 14 has been dissolved, and the Company will not make any additional payments to IS 14.

Pursuant to Mr. Cordy's employment agreement, The Anchora Company, an affiliate of Mr. Cordy, purchased 800,000 shares of Common Stock, at a price of \$0.15 per share. In exchange, The Anchora Company gave the Company a \$120,000 full recourse promissory note which bears interest at an annual rate of 8.75%. Mr. Cordy guaranteed the promissory note. The principal and interest on the promissory note are due and payable on the earlier of May 1, 2002 or the closing of an underwritten public offering where the Company receives aggregate net proceeds of at least \$5,000,000.

In December 1997, the Company borrowed approximately \$53,000 from Mr. Cordy to fund certain operating expenses. In February 1998, the Company entered into the Cordy Note to memorialize such borrowing. As of June 30, 1998, the Cordy Note was repaid in full.

Certain of the transactions described above may be on terms more favorable to officers, directors and principal shareholders than they could obtain in a transaction with an unaffiliated third party. The Company has adopted a policy requiring that all material transactions between the Company and its officers, directors or other affiliates must: (i) be approved by a majority of the disinterested members of the Board of Directors of the Company; and (ii) be on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A)(1) FINANCIAL STATEMENTS

The following Consolidated Financial Statements of the Company are filed as a part of this Report and are attached hereto as pages F-1 through F-15:

**Consolidated Balance Sheets as of June 30, 1998 and 1997
Consolidated Statements of Operations for the Year Ended June
30, 1998 and for the Period from Inception (January 24,
1997) to June 30, 1997**

**Consolidated Statements of Changes in Shareholders' Equity
for the Year Ended June 30, 1998 and for the Period from
Inception (January 24, 1997) to June 30, 1997**

**Consolidated Statements of Cash Flows for the Year Ended June
30, 1998 and for the Period from Inception (January 24,
1997) to June 30, 1997**

Notes to Consolidated Financial Statements

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(A)(2) FINANCIAL STATEMENT SCHEDULES

Reference is made to Note 2 of the Notes to the Consolidated Financial Statements on page F-9. All schedules have been omitted as they were not required or not applicable or because the information required to be presented is included in the Consolidated Financial Statements and the related Notes thereto.

(A)(3) EXHIBITS

<TABLE>
<CAPTION>

Exhibit

Number Exhibit Description

<S>

<C>

2.1* Plan of Reorganization of the Company effective as of February 17, 1998.

3.1* Amended and Restated Articles of Incorporation of the Company, as amended to date.

3.2* Amended and Restated Bylaws of the Company, as amended to date.

4.1* See Exhibits 3.1 and 3.2 for provisions of the Amended and Restated Articles of Incorporation and Amended and Restated Bylaws defining the rights of holders of Common Stock of the Company.

4.2* Specimen Common Stock certificate.

4.3* Shareholders Agreement, dated as of September 1, 1997 among the Company and the holders of Class A Common Stock.

4.4* Amended and Restated Shareholders Agreement, dated as of February 18, 1998 among the Company and certain holders of its Common Stock.

10.1* Form of Employment Agreement by and between the Company and certain of its officers.

- 10.2* Employment Agreement by and between the Company and Thomas O. Cordy dated May 1, 1997.
- 10.3* Promissory Note by The Anchora Company in favor of the Company dated as of May 1, 1997 in
the original principal amount of \$120,000.
- 10.4* Guarantee by Thomas O. Cordy in favor of the Company dated May 1, 1997.
- 10.5* Form of Independent Sales Representative Agreement by and between the Company and certain of
its sales representatives.
- 10.6* Consulting Agreement by and between the Company and Robert P. Kelly dated as of September
1, 1997.
- 10.7* Software License Agreement between Summit V. Inc., a subsidiary of Jenkon International, Inc.
and the Company dated February 2, 1997.
- 10.8* Software Service Agreement between Summit V. Inc., a subsidiary of Jenkon International, Inc. and the Company dated February 2, 1997.
- 10.9R* Equipment Purchase Agreement between Summit V. Inc., a subsidiary of Jenkon International, Inc. and the Company dated February 2, 1997.
- 10.10* Agreement for I-Plus Services between Colorado River Communications Corporation and the Company dated February 20, 1997.+
- 10.11R* Sublease Agreement between DowElanco and the Company dated February 14, 1997.
- 10.12* Warehouse lease between Malon D. Mimms and the Company dated March 17, 1997.
- 10.13* Warehouse lease between Malon D. Mimms and the Company dated June 23, 1997.
- 10.14* Demand Secured Promissory Note dated November 26, 1997 by the Company in favor of the lenders named on Schedule I thereto.
- 10.15R* Sub-Sublease Agreement between the Company and Simons Engineering, Inc. dated September 1, 1997.
- 10.16* Demand Promissory Note dated February 28, 1998 by the Company in favor of Thomas O. Cordy.
- 10.17* Form of Stock Purchase Warrant.
- 10.18 Maxxis Group, Inc. 1998 Stock Option Plan.
- 10.19 Lease Amendment Agreement dated June 5, 1998 among Malon D. Mimms, the Company and
Richard Bowers & Co.
- 10.20 Lease Amendment Agreement dated August 14, 1998 among Malon D. Mimms, the Company and
</TABLE>

Richard Bowers & Co.

- 21.1* Subsidiaries of the Company.
- 23.1 Consent of Arthur Andersen LLP.
- 24.1 Power of Attorney (included on signature pages hereof).
- 27.1 Financial Data Schedule.

<TABLE>

-
- * Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-38623).
 - + Confidential treatment has been granted for certain confidential portions of this Exhibit pursuant to Rule 406 under the Securities Act of 1933. In accordance with Rule 406, these confidential portions have been omitted from this Exhibit and filed separately with the Commission.

(B) REPORTS ON FORM 8-K

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

MAXXIS GROUP, INC.

September 28, 1998

By: /s/ THOMAS O. CORDY

Thomas O. Cordy
Chief Executive Officer

POWER OF ATTORNEY

KNOW BY ALL PERSONS BY THESE PRESENTS, that each person whose

signature appears below constitutes and appoints jointly and severally, IVEY J. STOKES and THOMAS O. CORDY, and each one of them, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any and all amendments to this Annual Report (Form 10-K) and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>

<S>

<C>

September 28, 1998

/s/ IVEY J. STOKES

Ivey J. Stokes
Chairman of the Board

September 28, 1998

/s/ THOMAS O. CORDY

Thomas O. Cordy
Chief Executive Officer, President and Director
(Principal executive officer)

September 28, 1998

/s/ DANIEL McDONOUGH

Daniel McDonough
Chief Financial Officer
(Principal financial and accounting officer)

September 28, 1998

/s/ JAMES W. BROWN

James W. Brown
Executive Vice President, Secretary and Director

</TABLE>

<TABLE>

<S>

September 28, 1998

<C>

/s/ LARRY W. GATES, II

Larry W. Gates, II
Vice President, Human Resources and Director

September 28, 1998

/s/ CHARLES P. BERNSTEIN

Charles P. Bernstein
Director

September 28, 1998

/s/ ALVIN CURRY

Alvin Curry
Director

September 28, 1998

/s/ ROBERT J. GLOVER, JR.

Robert J. Glover, Jr.
Director

September 28, 1998

/s/ TERRY HARRIS

Terry Harris
Director

September 28, 1998

/s/ PHILIP E. LUNDQUIST

Philip E. Lundquist
Director

</TABLE>

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<TABLE>
<CAPTION>

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<S>	<C>
Report of Independent Public Accountants.....	F-2
Consolidated Balance Sheets as of June 30, 1998 and 1997.....	F-3
Consolidated Statements of Operations for the Year Ended June 30, 1998 and F-4 for the Period from Inception (January 24, 1997) to June 30, 1997.....	
Consolidated Statements of Changes in Shareholders' Equity for the Year Ended F-5 June 30, 1998 and for the Period from Inception (January 24, 1997) to June 30, 1997.....	
Consolidated Statements of Cash Flows for the Year Ended June 30, 1998 and F-6 for the Period from Inception (January 24, 1997) to June 30, 1997.....	
Notes to Consolidated Financial Statements.....	F-7

</TABLE>

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Maxxis Group, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of MAXXIS GROUP, INC. (a Georgia corporation) AND SUBSIDIARIES as of June 30, 1998 and 1997 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year ended June 30, 1998 and for the period from inception

(January 24, 1997) to June 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maxxis Group, Inc. and subsidiaries as of June 30, 1998 and 1997 and the results of their operations and their cash flows for the year ended June 30, 1998 and for the period from inception (January 24, 1997) to June 30, 1997 in conformity with generally accepted accounting principles.

/S/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
September 4, 1998

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MAXXIS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 1998 AND 1997

<TABLE>
<CAPTION>

ASSETS

	1998	1997
<S>	<C>	<C>
CURRENT ASSETS:		
Cash	\$ 372,000	\$ 35,000
Short-term investment	10,000	10,000
Communications receivables, net of allowance for doubtful accounts of \$40,000 and \$0, respectively	316,000	25,000
Inventories, net	218,000	185,000
Prepaid expenses	43,000	12,000
Other current assets	0	23,000
	-----	-----
	959,000	290,000
PROPERTY AND EQUIPMENT, NET	169,000	92,000
ORGANIZATIONAL COSTS, NET	0	76,000
CAPITALIZED SOFTWARE DEVELOPMENT COSTS, NET	126,000	118,000
OTHER ASSETS	9,000	20,000
	-----	-----
	\$ 1,263,000	\$ 596,000
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 211,000	\$ 158,000
Commissions payable	101,000	42,000
Accrued compensation	154,000	0
Provision for sales returns	45,000	0
Sales taxes payable	130,000	0
Accrued expenses	83,000	103,000
Deferred revenue	55,000	0
	-----	-----
	779,000	303,000
	-----	-----

COMMITMENTS AND CONTINGENCIES (NOTE 7)

SHAREHOLDERS' EQUITY:		
Stock subscription deposits	0	360,000
Preferred stock, no par value; 10,000,000 shares authorized; 100,000 shares designated as Series A; 36,359 and 0 Series A shares issued and outstanding, respectively	200,000	0

Common stock, no par value; 20,000,000 shares authorized, 1,571,187 and 1,299,992 shares issued and outstanding, respectively	574,000	127,000
Shareholder note receivable	(120,000)	(120,000)
Accumulated deficit	(170,000)	(74,000)
	-----	-----
Total shareholders' equity	484,000	293,000
	-----	-----
	\$ 1,263,000	\$ 596,000
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated balance sheets.

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MAXXIS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 1998 AND

FOR THE PERIOD FROM INCEPTION (JANUARY 24, 1997) TO JUNE 30, 1997

<TABLE>
<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
NET REVENUES:		
Communications services	\$ 5,293,000	\$ 2,322,000
Nutritional products	526,000	0
Marketing services	1,172,000	369,000
	-----	-----
Total net revenues	6,991,000	2,691,000
	-----	-----
COST OF SERVICES:		
Communications services	1,351,000	761,000

Nutritional products	294,000	0	
Marketing services	431,000	255,000	
	-----	-----	
Total cost of services	2,076,000	1,016,000	
	-----	-----	
GROSS MARGIN	4,915,000	1,675,000	
	-----	-----	
OPERATING EXPENSES:			
Selling and marketing	2,665,000	1,089,000	
General and administrative	2,344,000	660,000	
	-----	-----	
Total operating expenses	5,009,000	1,749,000	
	-----	-----	
INTEREST EXPENSE	2,000	0	
	-----	-----	
LOSS BEFORE INCOME TAX BENEFIT		(96,000)	(74,000)
		-----	-----
INCOME TAX BENEFIT		0	0
		-----	-----
NET LOSS	\$ (96,000)	\$ (74,000)	
	=====	=====	
BASIC AND DILUTED LOSS PER SHARE		\$ (0.06)	\$ (0.05)
	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF SHARES AND SHARE EQUIVALENTS OUTSTANDING		1,571,187	1,571,187
		=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

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MAXXIS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED JUNE 30, 1998 AND FOR

THE PERIOD FROM INCEPTION (JANUARY 24, 1997) TO JUNE 30, 1997

<TABLE>
<CAPTION>

SHAREHOLDER	PREFERRED STOCK			COMMON STOCK			STOCK	
	DEFICIT	SHARES TOTAL	AMOUNT	SHARES	AMOUNT	SUBSCRIPTION DEPOSITS	NOTE	
BALANCE, JANUARY 24, 1997 (INCEPTION)	0	0	0	0	0	0	0	0
Issuance of common stock		0	0	1,299,992	127,000	0	(120,000)	
Stock subscription deposits		0	0	0	0	360,000	0	0
Net loss	0	0	0	0	0	0	(74,000)	(74,000)
BALANCE, JUNE 30, 1997	(74,000)	293,000	0	0	1,299,992	127,000	360,000	(120,000)
Issuance of preferred stock		36,359	200,000	0	0	0	0	0
Issuance of common stock		0	0	271,195	447,000	0	0	0
Stock subscription deposits		0	0	0	0	(360,000)	0	0
Net loss	0	0	0	0	0	0	(96,000)	(96,000)
BALANCE, JUNE 30, 1998	\$(120,000)	\$(170,000)	\$ 36,359	\$ 200,000	1,571,187	\$ 574,000	\$ 0	0

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

MAXXIS GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1998 AND FOR

THE PERIOD FROM INCEPTION (JANUARY 24, 1997) TO JUNE 30, 1997

<TABLE>
<CAPTION>

	1998	1997
	=====	=====
	<C>	<C>
<S> CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (96,000)	\$ (74,000)

Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	176,000	54,000
Changes in assets and liabilities:		
Communications receivables	(291,000)	(25,000)
Inventories	(33,000)	(185,000)
Prepaid expenses	(31,000)	(12,000)
Other assets	34,000	(43,000)
Commissions payable	59,000	42,000
Accounts payable	53,000	158,000
Accrued compensation	154,000	0
Provision for sales returns	45,000	0
Sales taxes payable	130,000	0
Accrued expenses	(20,000)	103,000
Deferred revenue	55,000	0
	-----	-----
Total adjustments	331,000	92,000
	-----	-----
Net cash provided by operating activities	235,000	18,000

CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(115,000)	(99,000)
Purchase of short-term investment	0	(10,000)

Software development and organizational costs	(70,000)	(241,000)
	-----	-----
Net cash used in investing activities	(185,000)	(350,000)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from stock subscriptions	0	360,000
Proceeds from issuance of common stock	87,000	7,000
Proceeds from issuance of preferred stock	200,000	0
	-----	-----
Net cash provided by financing activities	287,000	367,000
	-----	-----
NET INCREASE IN CASH	337,000	35,000
	-----	-----
CASH, BEGINNING OF YEAR	35,000	0
	-----	-----
CASH, END OF YEAR	\$ 372,000	\$ 35,000
	=====	=====
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	\$ 2,000	\$ 0
	=====	=====
Cash paid for income taxes	\$ 0	\$ 0
	=====	=====
Stock issued for note receivable	\$ 0	\$ 120,000
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

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MAXXIS GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998 AND 1997

1. ORGANIZATION AND PRESENTATION

DESCRIPTION OF BUSINESS AND OPERATIONS

Maxxis Group, Inc., a Georgia corporation, was incorporated on January 24, 1997 ("Inception") and is headquartered in Tucker, Georgia. Maxxis Group, Inc.'s principal business operations are carried out through its wholly owned subsidiaries, Maxxis 2000, Inc. and Maxxis Telecom, Inc., which began operations in March 1997, and Maxxis Nutritional, Inc., which began operations in December 1997. Maxxis Group, Inc., together with its wholly owned subsidiaries (collectively referred to as the "Company"), was founded for the purpose of providing long-distance services, private label nutritional products, and other consumable products and services through a multilevel marketing system of independent associates ("IAs") to subscribers throughout the United States. The Company currently markets both long-distance services and value-added communications services, such as travel cards, prepaid phone cards, 800 service, and international telecommunications service, as well as private label nutritional products.

The Company has a limited operating history, and its operations are subject to the risks inherent in the establishment of any new business. Since the Company has only recently made the transition to an operating company, the Company's ability to manage its growth and expansion will require it to implement and continually expand its operational and financial systems, recruit additional employees, and train and manage both current and new employees. Growth may place a significant strain on the Company's operational resources and systems, and failure to effectively manage this projected growth would have a material adverse effect on the Company's business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

All significant intercompany balances and transactions have been eliminated in consolidation.

REVENUE RECOGNITION

Communications services revenues consist of prepaid phone card sales to IAs. The Company purchases prepaid phone cards from an independent tariffed long-distance reseller (the "Reseller"). IAs purchase these prepaid phone cards from the Company. Revenues from the sale of these prepaid phone cards are recognized when the cards are sold to IAs, net of an estimate of sales returns for defective or unused cards. Active IAs have the right of return for defective or unused cards for up to 30 days after the date of purchase. IAs that terminate their relationship with the

Company also have up to one year from the date of purchase to return cards that are unused and sealed in the original packaging, net of a restocking fee, for a refund.

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Communications services also consist of revenues generated from the Company's agreement with the Reseller that provides for the Company to receive a percentage of the gross long-distance revenues generated by the Company's customers, less billing adjustments. The Company recognizes long-distance revenues when services are provided by the Reseller, net of an estimate for billing adjustments. The Reseller assumes the risk of all bad debts. Amounts due to the Company related to this agreement are included in communications receivables in the accompanying consolidated balance sheets.

Nutritional services revenues consist of sales of private label nutritional products manufactured by various suppliers and are recorded as products are shipped.

Marketing services revenues primarily consist of receipts from IAs for application fees and purchases of distributor kits and sales aids, which include starter kits of forms, promotional brochures, marketing materials, and presentation materials.

DEFERRED REVENUE

Deferred revenue relates to an annual nonrefundable renewal fee assessed to IAs after their first year with the Company that provides IAs with the right to sell the Company's products and services. The Company recognizes this revenue on a straight-line basis over the IAs' renewal period.

COST OF SERVICES

Communications services costs primarily include the costs of purchasing prepaid phone cards from the Reseller.

Nutritional services costs include the costs of purchasing nutritional products from third-party suppliers.

Marketing services costs include the costs for printing and designing of associate applications, starter kits, and other sales aids.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses primarily consist of commissions paid to IAs based on the sponsoring of new IAs and the sale of communication services and nutritional products.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses primarily consist of salary expense for the Company's customer service personnel, office staff, and executive personnel in addition to the cost of IAs support services and information systems services.

CONCENTRATIONS OF CREDIT RISK

The Company's customers are primarily residential and are not concentrated in any specific geographic region of the United States. The Company purchases its prepaid phone card services from the Reseller. Failure of the Reseller to provide quality services and customer support could have a material adverse effect on the Company's results of operations. The Company has an additional agreement with the Reseller to provide long-distance services, which if terminated or canceled may significantly impact the results of operations of the Company. While the Company

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believes it could contract with another long-distance reseller, the loss of revenues or potential disruption of services to customers may have a material effect on the Company's results of operations.

The Company's success will depend heavily on its ability to attract, maintain, and motivate a large base of IAs who, in turn, sponsor customers and other IAs. The Company anticipates a significant turnover among IAs, which the Company believes is typical of direct selling. The Company has begun establishing its network of IAs; however, there can be no assurance that the Company will be successful in establishing a viable network of IAs.

USE OF ESTIMATES

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

COMMUNICATIONS RECEIVABLES

A summary of changes in the allowance for doubtful accounts for the year ended June 30, 1998 and the period from Inception to June 30, 1997 is as follows:

<TABLE>
<CAPTION>

	1998	1997
	-----	-----
<S> Balance, beginning of period	\$ 0	\$ 0
Provisions	40,000	0
Recoveries	0	0
Write-offs	0	0
	-----	-----
Balance, end of period	\$40,000	\$ 0
	=====	=====

</TABLE>

INVENTORIES

Inventories consist of the following as of June 30, 1998 and 1997:

<TABLE>
<CAPTION>

	1998	1997
	-----	-----
<S> Prepaid phone cards	\$ 10,000	\$ 25,000
Sales aids	158,000	160,000
Nutritional products	76,000	0
	-----	-----
	244,000	185,000
Less reserve	(26,000)	0
	-----	-----
Inventory, net	\$ 218,000	\$ 185,000
	=====	=====

</TABLE>

Inventories are valued at the lower of purchased cost (determined on a

first-in, first-out basis) or market.

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PROPERTY AND EQUIPMENT

Property and equipment consist primarily of furniture and fixtures, office equipment, computer equipment, and leasehold improvements which are stated at cost and are depreciated using the straight-line method over the estimated useful lives of three to five years.

INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires that deferred income taxes be provided based on estimated future tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes calculated based on provisions of enacted tax laws (Note 4).

ORGANIZATIONAL COSTS

The Company capitalized certain organizational costs related to start-up activities and the legal formation of the Company. These costs were amortized over one year, and amortization expenses were \$76,000 and \$25,000 for the year ended June 30, 1998 and the period from Inception to June 30, 1997, respectively.

CAPITALIZED SOFTWARE DEVELOPMENT COSTS

Certain software development costs pertaining to a software application which is used internally for processing applications and customer service have been capitalized as incurred. Capitalization of software development costs begins upon the establishment of technological feasibility. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs require considerable judgement by management with respect to certain external factors, including but not limited to, anticipated future revenues, estimated economic life, and changes in software and hardware technologies. These software development costs are amortized over an estimated useful life of three years, and amortization expenses were \$62,000 and \$21,000 for the year ended June 30, 1998 and the period from Inception to June 30, 1997, respectively.

OTHER ASSETS

Other assets include security deposits for lease obligations.

SHORT-TERM INVESTMENT

The short-term investment is a certificate of deposit recorded at cost, which approximates the estimated fair value and matures in May 1999.

LOSS PER SHARE

In March 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 128, "Earnings Per Share," which specifies the computation, presentation, and disclosure requirements for earnings per share ("EPS") which the Company adopted for the year ended June 30, 1998. Basic net EPS is computed by dividing reported earnings available to common shareholders by weighted average shares outstanding as computed under the requirements of Staff Accounting

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Bulletin 83. As a result, all shares issued prior to the Company's completion of its registration statement have been included as outstanding since Inception (Note 6). No dilution for any potentially dilutive securities is included in basic EPS. Diluted EPS is computed by dividing reported earnings available to common shareholders by weighted average shares and common equivalent shares outstanding.

All prior period EPS amounts have been restated to conform to the provisions of SFAS No. 128.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of cash, accounts receivable, and accounts payable. The carrying amounts of cash, accounts receivable, and accounts payable approximate their fair values because of the short-term maturity of such instruments.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 1998 and 1997:

<TABLE>
<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Computer equipment	\$ 154,000	\$ 67,000
Furniture and fixtures	42,000	28,000
Leasehold improvements	13,000	0
Office equipment	5,000	4,000
	-----	-----
	214,000	99,000
Less accumulated depreciation	(45,000)	(7,000)
	-----	-----
Property and equipment, net	\$ 169,000	\$ 92,000
	=====	=====

</TABLE>

4. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities are as follows at June 30, 1998 and 1997:

<TABLE>
<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Property and equipment	\$ 2,000	\$ 0
Organizational costs	23,000	0
Net operating losses	35,000	27,000
Valuation allowance	(60,000)	(27,000)
	-----	-----
Net deferred tax assets	\$ 0	\$ 0
	=====	=====

</TABLE>

Based on uncertainties associated with the future realization of deferred tax assets, the Company established a valuation allowance of \$60,000 and \$27,000 at June 30, 1998 and 1997, respectively. At June 30, 1998 and 1997, the Company had net operating loss carryforwards of approximately \$90,000 and \$70,000, respectively, which will begin expiring in the year

2012 unless previously utilized.

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A reconciliation of the benefit for income taxes at the statutory federal income tax rate to the Company's tax benefit as reported in the accompanying statements of operations is stated below:

<TABLE>
<CAPTION>

	1998	1997
	<C>	<C>
Tax benefit computed at statutory rate	\$(33,000)	(25,000)
State income taxes	(4,000)	(3,000)
Nondeductible expenses	4,000	1,000
Change in valuation allowance	33,000	27,000
Income tax benefit	\$ 0	\$ 0

</TABLE>

5. TRANSACTIONS WITH AFFILIATES

The Company had significant transactions with IS 14, Inc. ("IS 14"), which was affiliated through common ownership during 1997. IS 14 provided funding for certain expenses incurred by the Company, and all amounts have been repaid as of June 30, 1997. In addition, the Company paid to IS 14, in consideration for marketing support, a fee equivalent to a percentage of revenues totaling \$184,000 for the period from Inception to June 30, 1997 which is included in selling and marketing expense in the accompanying consolidated statements of operations. Amounts due to IS 14 related to this fee and included in commissions payable in the accompanying consolidated balance sheets totaled \$9,000 at June 30, 1997.

6. SHAREHOLDERS' EQUITY

Effective February 17, 1998, the Company declared a 1 for 11 reverse stock split for all classes of common stock. The Company also effected a plan of

reorganization pursuant to which each outstanding share of Class A common stock and Class B common stock was converted into one share of common stock ("Common Stock"). All share, per share, and weighted average share information in the financial statements has been restated for this stock split and reorganization.

In February 1997, the Company sold 1,227,265 shares of Common Stock to the founders of the Company at \$.006 per share. In May 1997, the Company sold 72,727 shares of Common Stock to an executive officer for \$1.65 per share and accepted as payment a \$120,000 note receivable from an affiliate of that individual due on the earlier of (i) May 1, 2002 or (ii) the closing of an underwritten initial public offering with aggregate net proceeds of at least \$5 million. The note is guaranteed by the executive officer, bears interest at 8.75% per year, compounded annually, and is classified as a shareholder note receivable in the shareholders' equity section of the consolidated balance sheets.

The Company and certain of its shareholders have entered into a shareholders' agreement whereby the shareholders agreed to certain restrictions on the transfer or other disposition of the shares of Common Stock held by each holder. In the event a shareholder intends to transfer his or her Common Stock to a nonpermitted transferee, the Company and the remaining shareholders have a right of first refusal to purchase the transferring shareholder's Common Stock at fair market value. In addition, if the Company terminates a shareholder's employment or engagement as a sales representative or consultant for cause, the Company shall have the right to repurchase, at fair market value, an amount of the shareholder's Common Stock which starts at 100% and declines 20% per year for each completed year of service with the Company. If the right of first refusal or

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the Company's right to purchase is exercised, these provisions could have the effect of further concentrating the stock ownership and voting power of the Company.

Additionally, in August 1997, the Company completed a private placement offering for shares of Common Stock at a price of \$1.65 per share. Potential investors were required to complete subscription agreements for the Common Stock and submit cash at the date of subscription. The Company reserved the right to reject a subscription and refund amounts to a subscriber at any time prior to the acceptance of the subscription. At June 30, 1997, the Company had received paid subscriptions for 218,181 shares of Common Stock. However, since these subscriptions had not yet

been accepted by the Company and no shares had been issued as of June 30, 1997, amounts received from subscribers are included in stock subscription deposits in the accompanying balance sheet at June 30, 1997. Subsequent to June 30, 1997, the Company accepted these subscriptions and additional subscriptions for 53,014 shares of the Common Stock.

On November 26, 1997, the Company entered into a promissory note (the "Note") agreement with various lenders for an aggregate principal amount up to \$200,000, which was secured primarily by the assets of the Company. The Note accrued interest at 10%, payable monthly beginning on January 1, 1998, and the principal was due on demand. On March 23, 1998, the Note was exchanged for 36,359 shares of the Company's Series A nonvoting convertible preferred stock ("Series A Preferred Stock" or "Series A") and warrants (the "Warrants") to purchase 36,359 shares of the Company's Common Stock. The Warrants are exercisable 14 months after the issuance date and provide the right to purchase Common Stock at \$5.50 per share. The Warrants expire seven years after the date of issuance.

In February 1998, the Company amended and restated its articles of incorporation such that the Company is authorized to issue 20,000,000 and 10,000,000 shares of no par value Common Stock and nonvoting preferred stock (the "Preferred Stock"), respectively. 100,000 shares of the Company's Preferred Stock have been designated as Series A. The Series A Preferred Stock has a liquidation preference of \$5.50 per share (as adjusted for any combinations, consolidations, stock distributions, or stock dividends with respect to such shares) plus all declared or accumulated but unpaid dividends. The Series A shareholders have the right to convert each share into shares of Common Stock, pursuant to the articles of incorporation, at any time beginning 14 months after the date of issuance. As of June 30, 1998, all outstanding shares of the Preferred Stock were Series A.

7. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Company leases certain office equipment and office space under operating leases. Total rental expenses for the year ended June 30, 1998 and the period from Inception to June 30, 1997 were approximately \$84,000 and \$45,000, respectively.

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Minimum lease payments under noncancelable leases for the years subsequent

to June 30, 1998 are as follows:

<TABLE>
<CAPTION>

<S>	<C>
1999	\$123,000
2000	101,000
2001	111,000
2002	0
2003 and thereafter	0

	<u>\$335,000</u>

</TABLE>

LITIGATION

The Company is subject to various claims and legal actions which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such matters will not have a material adverse effect on the Company's financial position, liquidity, or results of operations.

EMPLOYMENT AGREEMENTS

The Company has entered into employment agreements with certain executive officers (the "Employment Agreements"). Generally, the Employment Agreements provide for a minimum weekly salary. In addition, the employee may participate in a bonus program and shall be eligible to receive quarterly or annual payments of a performance bonus based on the achievement of targeted levels of performance and such other criteria as the board of directors shall establish from time to time. The chief executive officer's Employment Agreement provided for an additional bonus payment on July 1, 1998. All unpaid bonuses are included in accrued compensation in the accompanying consolidated balance sheets.

Each of the Employment Agreements has a term of one year, and the term renews daily until either party fixes the remaining term at one year by giving written notice. The Company can terminate each employee upon death or disability (as defined in the Employee Agreements) or with or without cause upon delivery of a notice of termination. If the employee is terminated because of death, disability, or cause, the employee will receive any accrued compensation through the termination date and any accrued performance bonus, unless the employee is terminated for cause. If

the employee is terminated without cause, the Company shall pay the employee severance payments equal to his/her minimum base salary for each week during the six-month period following the termination date. If the employee is a director or officer of the Company or any of its affiliates, the employee shall tender his/her resignation to such positions effective as of the termination date.

Under the Employment Agreements, each employee agrees to maintain the confidentiality of the Company's trade secrets and confidential business information. The employee also agrees for a period of one year following the termination date if he/she is terminated or resigns for any reason not to compete with or solicit employees or customers of the Company or any of its affiliates within a 30-mile radius of the Company's corporate offices, provided that if the employee is terminated without cause, the noncompete period shall be six months.

RELATIONSHIP WITH IAS

Because IAs are classified as independent contractors and not as employees of the Company, the Company is unable to provide them with the same level of direction and oversight as company employees. While the Company has policies and rules in place governing the business conduct of

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IAs and intends to review periodically the sales tactics of the IAs, it may be difficult to enforce such policies and rules. Violation of these policies and rules might reflect negatively on the Company and may lead to complaints to or by various federal and state regulatory authorities. Violation of the Company's policies and rules could subject the Company and its long-distance provider to complaints regarding the unauthorized switching of subscribers' long-distance carriers (also known in the industry as "slamming"). Such complaints could have a material adverse effect on the Company's business, financial condition, and results of operations.

REGULATION OF NETWORK MARKETING; EFFECT OF STATE LAWS

The Company's network marketing system is subject to or affected by extensive government regulation, including, without limitation, federal and state regulations governing the offer and sale of business franchises, business opportunities, and securities. Various governmental agencies monitor direct selling activities, and the Company could be required to

information.

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EXHIBIT 10.18

MAXXIS GROUP, INC.

1998 STOCK OPTION PLAN

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EXHIBIT A: Form of Stock Option Agreement

MAXXIS GROUP, INC.

1998 STOCK OPTION PLAN

ARTICLE I
DEFINITIONS

As used herein, the following terms have the following meanings:

"Board" shall mean the Board of Directors of the Company.

"Change in Control" shall mean the occurrence of either of the following events:

(i) A change in the composition of the Board as a result of which fewer than one-half of the incumbent directors are directors who either:

(A) Had been directors of the Company 24 months prior to such change;
or

(B) Were elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the directors who had been directors of the Company 24 months prior to such change and who were still in office at the time of the election or nomination; or

(ii) Any "person" (as such term is used in sections 13(d) and 14(d) of the Exchange Act), other than any person who is a shareholder of the Company on or before the Effective Date, by the acquisition or aggregation of securities is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 50 percent or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing under special circumstances) having the right to vote at elections of directors (the "Base Capital Stock"); except that any change in the relative beneficial ownership of the Company's securities by any person resulting solely from a reduction in the aggregate number of outstanding shares of Base Capital Stock, and any decrease thereafter in such person's ownership of securities, shall be disregarded until such person increases in any manner, directly or indirectly, such person's beneficial ownership of any securities of the Company.

"Code" shall mean the United States Internal Revenue Code of 1986, as amended and including effective date and transition rules (whether or not codified). Any reference herein to a specific section of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Commission" shall mean the Securities and Exchange Commission.

"Committee" shall mean a committee of at least two Directors appointed from time to time by the Board, having the duties and authority set forth herein in addition to any other

authority granted by the Board. In selecting the Committee, the Board shall consider (i) the benefits under Section 162(m) of the Code of having a Committee composed of "outside directors" (as that term is defined in the Code) for certain grants of Options to highly compensated executives, and (ii) the benefits under Rule 16b-3 under the Exchange Act of having a Committee composed of either the entire Board or a Committee of at least two Directors who are Non-Employee Directors for Options granted to or held by any Section 16 Insider. At any time that the Board shall not have appointed a committee as described above, any reference herein to the Committee shall mean the Board.

"Company" shall mean Maxxis Group, Inc., a Georgia corporation.

"Disabled Optionee" shall mean an Optionee who suffers a Permanent and Total Disability.

"Director" shall mean a member of the Board and any person who is an advisory or honorary director of the Company if such person is considered a director for the purposes of Section 16, as determined by reference to such Section 16.

"Effective Date" shall mean September 16, 1998.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended. Any reference herein to a specific section of the Exchange Act shall be deemed to include a reference to any corresponding provision of future law.

"Exercise Price" shall mean the price at which an Optionee may purchase a share of Stock under a Stock Option Agreement.

"Fair Market Value" on any date shall mean: (i) the closing sales price of the Stock, regular way, on such date on the national securities exchange having the greatest volume of trading in the Stock during the 30-day period preceding the day the value is to be determined or, if such exchange was not open for trading on such date, the next preceding date on which it was open; (ii) if the Stock is not traded on any national securities exchange, the average of the closing high bid and low asked prices of the Stock on the over-the-counter market on the day such value is to be determined, or in the absence of closing bids on such day, the closing bids on the next preceding day on which there were bids; or (iii) if the Stock also is not traded on the over-the-counter market, the fair market value as determined in good faith by the Board or the Committee based on such relevant facts as may be available to the Board or the Committee, which may include opinions of independent experts, the price at which recent sales have been made, the book value of the Stock, and the Company's current and projected future earnings.

"Incentive Stock Option" shall mean an option to purchase any stock of the

Company, which complies with and is subject to the terms, limitations and conditions of Section 422 of the Code and any regulations promulgated with respect thereto.

"Non-Employee Director" shall have the meaning set forth in Rule 16b-3 under the Exchange Act, as the same may be in effect from time to time, or in any successor rule thereto,

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and shall be determined for all purposes under the Plan according to interpretative or "no-action" positions with respect thereto issued by the Commission.

"Officer" shall mean a person who constitutes an officer of the Company for the purposes of Section 16.

"Option" shall mean an option, whether or not an Incentive Stock Option, to purchase Stock granted pursuant to the provisions of Article VI hereof.

"Optionee" shall mean a person to whom an Option has been granted hereunder.

"Permanent and Total Disability" shall have the same meaning as given to that term by Code Section 22(e)(3) and any regulations or rulings promulgated thereunder.

"Plan" shall mean the Maxxis Group, Inc. 1998 Stock Option Plan, the terms of which are set forth herein.

"Purchasable" shall refer to Stock which may be purchased by an Optionee under the terms of this Plan on or after a certain date specified in the applicable Stock Option Agreement.

"Qualified Domestic Relations Order" shall have the meaning set forth in the Code or in the Employee Retirement Income Security Act of 1974, or the rules and regulations promulgated under the Code or such Act.

"Section 16" shall mean Section 16 of the Exchange Act and the rules, regulations, judicial decisions, and interpretative or "no-action" positions

with respect thereto of the Commission, as the same may be in effect or set forth from time to time.

"Section 16 Insider" shall mean any person who is subject to the provisions of Section 16.

"Stock" shall mean the Common Stock, no par value, of the Company or, in the event that the outstanding shares of Stock are hereafter changed into or exchanged for shares of a different stock or securities of the Company or some other entity, such other stock or securities.

"Stock Option Agreement" shall mean an agreement between the Company and an Optionee under which the Optionee may purchase Stock hereunder, a sample form of which is attached hereto as Exhibit A (which form may be varied by the Committee in granting an Option).

ARTICLE II THE PLAN

2.1 Name. This Plan shall be known as the "Maxxis Group, Inc. 1998 Stock Option Plan."

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2.2 Purpose. The purpose of the Plan is to advance the interests of the Company, its subsidiaries and its shareholders by affording certain employees and Directors of the Company and its subsidiaries, as well as key consultants and advisors to the Company or any subsidiary, an opportunity to acquire or increase their proprietary interests in the Company. The objective of the issuance of the Options is to promote the growth and profitability of the Company and its subsidiaries by providing Optionees with an additional incentive to achieve the Company's objectives and to continue their association with or service to the Company.

2.3 Shareholder Approval. The Plan shall become effective on September 16, 1998; provided, however, that if the shareholders of the Company have not approved the Plan on or prior to the first anniversary of such effective date, then all options granted under the Plan shall be non-Incentive Stock Options. If, at the time of any amendment to the Plan, shareholder approval is required by the Code for Incentive Stock Options and such shareholder approval has not been obtained (or is not obtained within 12 months thereof), any Incentive

Stock Options issued under the Plan shall automatically become options which do not qualify as Incentive Stock Options.

ARTICLE III PARTICIPANTS

The class of persons eligible to participate in the Plan shall consist of all persons whose participation in the Plan the Committee determines to be in the best interests of the Company which shall include, but not be limited to, all Directors and employees, including but not limited to executive personnel, of the Company or any subsidiary, as well as key consultants and advisors to the Company or any subsidiary.

ARTICLE IV ADMINISTRATION

4.1 Duties and Powers of the Committee. The Plan shall be administered by the Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as it may determine. The Committee shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it may deem necessary. The Committee shall have the power to act by unanimous written consent in lieu of a meeting and to meet by telephone. In administering the Plan, the Committee's actions and determinations shall be binding on all interested parties. The Committee shall have the power to grant Options in accordance with the provisions of the Plan. Subject to the provisions of the Plan, the Committee shall have the discretion and authority to determine those individuals to whom Options will be granted, the number of shares of Stock subject to each Option, such other matters as are specified herein, and any other terms and conditions of a Stock Option Agreement. To the extent not inconsistent with the provisions of the Plan, the Committee may give an Optionee an election to surrender an Option in exchange for the grant of a new Option and shall have the

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authority to amend or modify an outstanding Stock Option Agreement, or to waive any provision thereof, provided that the Optionee consents to such action.

4.2 Interpretation; Rules. Subject to the express provisions of the Plan, the Committee also shall have complete authority to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to it, to

determine the details and provisions of each Stock Option Agreement, and to make all other determinations necessary or advisable for the administration of the Plan, including, without limitation, the amending or altering of the Plan and any Options granted hereunder as may be required to comply with or to conform to any federal, state, or local laws or regulations.

4.3 No Liability. Neither any member of the Board nor any member of the Committee shall be liable to any person for any act or determination made in good faith with respect to the Plan or any Option granted hereunder.

4.4 Majority Rule. A majority of the members of the Committee shall constitute a quorum, and any action taken by a majority at a meeting at which a quorum is present, or any action taken without a meeting evidenced by a writing executed by all the members of the Committee, shall constitute the action of the Committee.

4.5 Company Assistance. The Company shall supply complete and timely information to the Committee on all matters relating to eligible persons, their employment, death, retirement, disability, or other termination of employment, and such other pertinent facts as the Committee may require. The Company shall furnish the Committee with such clerical and other assistance as is necessary in the performance of its duties.

ARTICLE V SHARES OF STOCK SUBJECT TO PLAN

5.1 Limitations. Subject to adjustment pursuant to the provisions of Section 5.2 hereof, the maximum number of shares of Stock that may be issued hereunder shall be 300,000, and not more than 300,000 shares of Stock may be made subject to Options to any individual, in the aggregate, in any one fiscal year of the Company, such limitation to be applied in a manner consistent with the requirements of, and only to the extent required for compliance with, the exclusion from the limitation on deductibility of compensation under Section 162(m) of the Code. Any or all shares of Stock subject to the Plan may be issued in any combination of Incentive Stock Options or non-Incentive Stock Options, and the amount of Stock subject to the Plan may be increased from time to time in accordance with Article VIII, provided that the total number of shares of Stock issuable pursuant to Incentive Stock Options may not be increased to more than 300,000 without shareholder approval. Shares subject to an Option may be either authorized and unissued shares or shares issued and later acquired by the Company. The shares covered by any unexercised portion of an Option that has terminated for any reason (except as set forth in the following paragraph), or any forfeited portion of an Option, and shares tendered for cashless exercise and withheld for taxes may again be optioned under the Plan, and such shares shall not

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be considered as having been optioned in computing the number of shares of Stock remaining available for option hereunder.

If Options are issued in respect of options to acquire stock of any entity acquired, by merger or otherwise, by the Company (or any subsidiary of the Company), to the extent that such issuance shall not be inconsistent with the terms, limitations and conditions of Code Section 422 or Rule 16b-3 under the Exchange Act, the aggregate number of shares of Stock for which Options may be granted hereunder shall automatically be increased by the number of shares subject to the Options so issued; provided, however, that the aggregate number of shares of Stock for which Options may be granted hereunder shall automatically be decreased by the number of shares covered by any unexercised portion of an Option so issued that has terminated for any reason, and the shares subject to any such unexercised portion may not be optioned to any other person.

5.2 Antidilution.

(a) If (i) the outstanding shares of Stock are changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of merger, consolidation, reorganization, recapitalization, reclassification, combination or exchange of shares, or stock split or stock dividend, (ii) any spin-off, spin-out or other distribution of assets materially affects the price of the Company's stock, or (iii) there is any assumption and conversion to the Plan by the Company of an acquired company's outstanding option grants, then:

(A) the Committee, in its sole and absolute discretion, may adjust proportionately the aggregate number and kind of shares of Stock for which Options may be granted hereunder; and

(B) the Committee, in its sole and absolute discretion, may adjust proportionately the rights of Optionees (concerning the number of shares subject to Options and the Exercise Price) under outstanding Options.

(b) In the event of an anticipated Change in Control, or if the Company shall be a party to any reorganization, involving merger, consolidation, or acquisition of the stock or substantially all the assets of the Company, the Board or the Committee, in its discretion, may:

- (i) notwithstanding other provisions hereof, declare that all Options granted under the Plan shall become exercisable immediately notwithstanding the provisions of the respective Stock Option Agreements regarding exercisability and that all such Options shall terminate 90 days after the Committee gives written notice of the immediate right to exercise all such Options and of the decision to terminate all Options not exercised within such 90-day period; and/or
- (ii) notify all Optionees that all Options granted under the Plan shall be assumed by the successor corporation or substituted on an equitable basis with options issued by such successor corporation.

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(c) If the Company is to be liquidated or dissolved in connection with a reorganization described in Section 5.2(b), the provisions of such Section shall apply. In all other instances, the adoption of a plan of dissolution or liquidation of the Company shall, notwithstanding other provisions hereof, cause every Option outstanding under the Plan to terminate to the extent not exercised prior to the adoption of the plan of dissolution or liquidation by the shareholders, provided that, notwithstanding other provisions hereof, the Committee may declare all Options granted under the Plan to be exercisable at any time on or before the fifth business day following such adoption notwithstanding the provisions of the respective Stock Option Agreements regarding exercisability.

(d) The adjustments described in paragraphs (a) through (c) of this Section 5.2, and the manner of their application, shall be determined solely by the Board or the Committee, and any such adjustment may provide for the elimination of fractional share interests; provided, however, that any adjustment made by the Board or the Committee shall be made in a manner that will not cause an Incentive Stock Option to be other than an Incentive Stock Option under applicable statutory and regulatory provisions. The adjustments required under this Article V shall apply to any successors of the Company and shall be made regardless of the number or type of successive events requiring such adjustments.

ARTICLE VI OPTIONS

6.1 Types of Options Granted. The Committee may, under this Plan, grant

either Incentive Stock Options or Options which do not qualify as Incentive Stock Options. Within the limitations provided in this Plan, both types of Options may be granted to the same person at the same time, or at different times, under different terms and conditions, as long as the terms and conditions of each Option are consistent with the provisions of the Plan. Without limitation of the foregoing, Options may be granted or may vest and become exercisable subject to conditions based on the financial performance of the Company or any other factor the Committee deems relevant.

6.2 Option Grant and Agreement. Each Option granted hereunder shall be evidenced by minutes of a meeting or the written consent of the Committee and by a written Stock Option Agreement executed by the Company and the Optionee. The terms of the Option, including the Option's duration, time or times of exercise, exercise price and whether the Option is intended to be an Incentive Stock Option, shall be stated in the Stock Option Agreement. No Incentive Stock Option may be granted more than ten years after the earlier to occur of the Effective Date or the date the Plan is approved by the Company's shareholders. Separate Stock Option Agreements may be used for Options intended to be Incentive Stock Options and those not so intended, but any failure to use such separate agreements shall not invalidate, or otherwise adversely affect the Optionee's interest in, the Options evidenced thereby.

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The grant of an Option pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, or to merge or consolidate, or to dissolve, liquidate, sell or transfer all of any part of its business or assets.

6.3 Optionee Limitation. The Committee shall not grant an Incentive Stock Option to any person who, at the time the Incentive Stock Option is granted:

(a) is not an employee of the Company or any of its subsidiaries; or

(b) owns or is considered to own stock possessing at least 10% of the total combined voting power of all classes of stock of the Company or any of its parent or subsidiary corporations; provided, however, that this limitation shall not apply if at the time an Incentive Stock Option is granted the Exercise Price is at least 110% of the Fair Market Value of the Stock subject to such Option and such Option by its terms would not be exercisable after five years from the

date on which the Option is granted.

6.4 \$100,000 Limitation. Except as provided below, the Committee shall not grant an Incentive Stock Option to, or modify the exercise provisions of outstanding Incentive Stock Options held by, any person who, at the time the Incentive Stock Option is granted (or modified), would thereby receive or hold any Incentive Stock Options of the Company and any parent or subsidiary of the Company, such that the aggregate Fair Market Value (determined as of the respective dates of grant or modification of each option) of the stock with respect to which such Incentive Stock Options are exercisable for the first time during any calendar year is in excess of \$100,000 (or such other limit as may be prescribed by the Code from time to time); provided that the foregoing restriction on modification of outstanding Incentive Stock Options shall not preclude the Committee from modifying an outstanding Incentive Stock Option if, as a result of such modification and with the consent of the Optionee, such Option no longer constitutes an Incentive Stock Option; and provided that, if the \$100,000 limitation (or such other limitation prescribed by the Code) described in this Section 6.4 is exceeded, the Incentive Stock Option, the granting or modification of which resulted in the exceeding of such limit, shall be treated as an Incentive Stock Option up to the limitation and the excess shall be treated as an Option not qualifying as an Incentive Stock Option.

6.5 Exercise Price. The Exercise Price of the Stock subject to each Option shall be determined by the Committee. Subject to the provisions of Section 6.3(b) hereof, the Exercise Price of an Incentive Stock Option shall not be less than the Fair Market Value of the Stock as of the date the Option is granted (or in the case of an Incentive Stock Option that is subsequently modified, on the date of such modification).

6.6 Exercise Period. The period for the exercise of each Option granted hereunder shall be determined by the Committee, but the Stock Option Agreement with respect to each Option intended to be an Incentive Stock Option shall provide that such Option shall not be exercisable after the expiration of ten years from the date of grant (or modification) of the Option. In addition, no Incentive Stock Option granted under the Plan shall be exercisable prior to shareholder approval of the Plan.

6.7 Option Exercise.

(a) Unless otherwise provided in the Stock Option Agreement or Section 6.6 hereof, an Option may be exercised at any time or from time to time during the

term of the Option as to any or all shares which have become Purchasable under the provisions of the Option, but not at any time as to less than 100 shares unless the remaining shares that have become so Purchasable are less than 100 shares. The Committee shall have the authority to prescribe in any Stock Option Agreement that the Option may be exercised only in accordance with a vesting schedule during the term of the Option.

(b) An Option shall be exercised by (i) delivery to the Company at its principal office a written notice of exercise with respect to a specified number of shares of Stock and (ii) payment to the Company at that office of the full amount of the Exercise Price for such number of shares in accordance with Section 6.7(c). If requested by an Optionee, an Option may be exercised with the involvement of a stockbroker in accordance with the federal margin rules set forth in Regulation T (in which case the certificates representing the underlying shares will be delivered by the Company directly to the stockbroker).

(c) The Exercise Price is to be paid in full in cash upon the exercise of the Option and the Company shall not be required to deliver certificates for the shares purchased until such payment has been made; provided, however, that in lieu of cash, all or any portion of the Exercise Price may be paid (i) by tendering to the Company shares of Stock duly endorsed for transfer and owned by the Optionee or (ii) by authorization to the Company to withhold shares of Stock otherwise issuable upon exercise of the Option, in each case to be credited against the Exercise Price at the Fair Market Value of such shares on the date of exercise (however, no fractional shares may be so transferred, and the Company shall not be obligated to make any cash payments in consideration of any excess of the aggregate Fair Market Value of shares transferred over the aggregate Exercise Price); provided further, that the Board may provide in a Stock Option Agreement (or may otherwise determine in its sole discretion at the time of exercise) that, in lieu of cash or shares, all or a portion of the Exercise Price may be paid by the Optionee's execution of a recourse note equal to the Exercise Price or relevant portion thereof, subject to compliance with applicable state and federal laws, rules and regulations.

(d) In addition to and at the time of payment of the Exercise Price, the Optionee shall pay to the Company in cash the full amount of any federal, state, and local income, employment, or other withholding taxes applicable to the taxable income of such Optionee resulting from such exercise. However, in the discretion of the Committee any Stock Option Agreement may provide that all or any portion of such tax obligations, together with additional taxes not exceeding the actual additional taxes to be owed by the Optionee as a result of such exercise, may, upon the irrevocable election of the Optionee, be paid (i) by tendering to the Company whole shares of Stock duly endorsed for transfer and owned by the Optionee or (ii) by authorization to the Company to withhold shares of Stock otherwise issuable upon exercise of the Option, in either case in that number of shares having a Fair Market Value on the date of exercise equal to the

amount of such taxes thereby being paid, and subject to such restrictions as to the approval and timing of any such election as the Committee may from time to time determine to be necessary or

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appropriate to satisfy the conditions of the exemption set forth in Rule 16b-3 under the Exchange Act, if such rule is applicable.

(e) The holder of an Option shall not have any of the rights of a shareholder with respect to the shares of Stock subject to the Option until such shares have been issued and transferred to the Optionee upon the exercise of the Option.

6.8 Nontransferability of Option. No Option shall be transferable by an Optionee other than by will or the laws of descent and distribution or, in the case of non-Incentive Stock Options, pursuant to a Qualified Domestic Relations Order, and no Option shall be transferable by an Optionee who is a Section 16 Insider prior to shareholder approval of the Plan. During the lifetime of an Optionee, Options shall be exercisable only by such Optionee (or by such Optionee's guardian or legal representative, should one be appointed).

6.9 Termination of Employment or Service. The Committee shall have the power to specify, with respect to the Options granted to a particular Optionee, the effect upon such Optionee's right to exercise an Option on termination of such Optionee's employment or service under various circumstances, which effect may include immediate or deferred termination of such Optionee's rights under an Option, or acceleration of the date at which an Option may be exercised in full; provided, however, that in no event may an Incentive Stock Option be exercised after the expiration of ten years from the date of grant thereof.

6.10 Employment Rights. Nothing in the Plan or in any Stock Option Agreement shall confer on any person any right to continue in the employ of the Company or any of its subsidiaries, or shall interfere in any way with the right of the Company or any of its subsidiaries to terminate such person's employment at any time.

6.11 Certain Successor Options. To the extent not inconsistent with the terms, limitations and conditions of Code Section 422 and any regulations promulgated with respect thereto, an Option issued in respect of an option held by an employee to acquire stock of any entity acquired, by merger or otherwise, by the Company (or any subsidiary of the Company) may contain terms that differ from those stated in this Article VI, but solely to the extent necessary to

preserve for any such employee the rights and benefits contained in such predecessor option, or to satisfy the requirements of Code Section 424(a).

6.12 **Effect of Change in Control.** The Committee may determine, at the time of granting an Option or thereafter, that such Option shall become exercisable on an accelerated basis in the event that a Change in Control occurs with respect to the Company (and the Committee shall have the discretion to modify the definition of a Change in Control in a particular Stock Option Agreement). If the Committee finds that there is a reasonable possibility that, within the succeeding six months, a Change in Control will occur with respect to the Company, then the Committee may determine that all outstanding Options shall be exercisable on an accelerated basis.

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ARTICLE VII STOCK CERTIFICATES

The Company shall not be required to issue or deliver any certificate for shares of Stock purchased upon the exercise of any Option granted hereunder or any portion thereof prior to fulfillment of all of the following conditions:

- (a) The admission of such shares to listing on all stock exchanges on which the Stock is then listed;
- (b) The completion of any registration or other qualification of such shares which the Committee shall deem necessary or advisable under any federal or state law or under the rulings or regulations of the Commission or any other governmental regulatory body;
- (c) The obtaining of any approval or other clearance from any federal or state governmental agency or body which the Committee shall determine to be necessary or advisable; and
- (d) The lapse of such reasonable period of time following the exercise of the Option as the Board from time to time may establish for reasons of administrative convenience.

Stock certificates issued and delivered to Optionees shall bear such restrictive legends as the Company shall deem necessary or advisable pursuant to applicable federal and state securities laws.

**ARTICLE VIII
TERMINATION AND AMENDMENT**

8.1 Termination and Amendment. The Board may at any time terminate the Plan, and may at any time and from time to time and in any respect amend the Plan; provided, however, that the Board (unless its actions are approved or ratified by the shareholders of the Company within twelve months of the date that the Board amends the Plan) may not amend the Plan to:

(a) Increase the total number of shares of Stock issuable pursuant to Incentive Stock Options, except as contemplated in Sections 5.1 and 5.2;

(b) Change the class of employees eligible to receive Incentive Stock Options that may participate in the Plan; or

(c) Otherwise materially increase the benefits accruing to recipients of Incentive Stock Options under the Plan.

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8.2 Effect on Optionee's Rights. No termination, amendment, or modification of the Plan shall affect adversely an Optionee's rights under a Stock Option Agreement without the consent of the Optionee or his legal representative.

**ARTICLE IX
RELATIONSHIP TO OTHER COMPENSATION PLANS**

The adoption of the Plan shall not affect any other stock option, incentive, or other compensation plans in effect for the Company or any of its subsidiaries; nor shall the adoption of the Plan preclude the Company or any of its subsidiaries from establishing any other form of incentive or other compensation plan for employees or Directors of the Company or any of its subsidiaries.

**ARTICLE X
MISCELLANEOUS**

10.1 Plan Binding on Successors. The Plan shall be binding upon the successors and assigns of the Company.

10.2 Singular, Plural; Gender. Whenever used herein, nouns in the singular shall include the plural, and the masculine pronoun shall include the feminine gender.

10.3 Headings, etc., No Part of Plan. Headings of Articles and Sections hereof are inserted for convenience and reference; they do not constitute part of the Plan.

10.4 Interpretation. With respect to Section 16 Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Plan administrators fails to so comply, it shall be deemed void to the extent permitted by law and deemed advisable by the Plan administrators.

* * * * *

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IN WITNESS WHEREOF, the Company has caused this Plan to be executed as of the date set forth above.

MAXXIS GROUP, INC.

By: /s/ Thomas O. Cordy

Name: Thomas O. Cordy
Title: Chief Executive Officer

ATTEST:

/s/ James W. Brown

Name: James W. Brown
Title: Secretary

[CORPORATE SEAL]

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EXHIBIT A TO
MAXXIS GROUP, INC.
1998 STOCK OPTION PLAN

MAXXIS GROUP, INC.
FORM OF STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT (this "Agreement"), entered into as of this ____ day of _____, _____, by and between Maxxis Group, Inc., a Georgia corporation (the "Company"), and _____ (the "Optionee").

WHEREAS, effective as of September 16, 1998, the Board of Directors of the Company adopted a stock option plan known as the "Maxxis Group, Inc. 1998 Stock Option Plan" (the "Plan"), and recommended that the Plan be approved by the Company's shareholders; and

WHEREAS, on October 1, 1998, the shareholders adopted the Plan; and

WHEREAS, the Committee has granted the Optionee a stock option to purchase the number of shares of the Company's common stock as set forth below; and

WHEREAS, the Company and the Optionee desire to enter into a written agreement with respect to such option in accordance with the Plan.

NOW, THEREFORE, as an employment incentive and to encourage stock ownership, and also in consideration of the mutual covenants contained herein,

the parties hereto agree as follows.

1. Incorporation of Plan. This option is granted pursuant to the provisions of the Plan, and the terms and definitions of the Plan are incorporated herein by reference and made a part hereof. A copy of the Plan has been delivered to, and receipt is hereby acknowledged by, the Optionee. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

2. Grant of Option. Subject to the terms, restrictions, limitations and conditions stated herein, the Company hereby evidences its grant to the Optionee, not in lieu of salary or other compensation, of the right and option (the "Option") to purchase all or any part of the number of shares of the Company's Common Stock, no par value (the "Stock"), set forth on Schedule A attached hereto and incorporated herein by reference. The Option shall be exercisable in the amounts and at the time specified on Schedule A. The Option shall expire and shall not be exercisable on the date specified on Schedule A or on such earlier date as

<PAGE> 18

determined pursuant to Section 8, 9, or 10 hereof. Schedule A states whether the Option is intended to be an Incentive Stock Option.

3. Purchase Price. The price per share to be paid by the Optionee for the shares subject to this Option (the "Exercise Price") shall be as specified on Schedule A, which price shall be an amount not less than the Fair Market Value of a share of Stock as of the Date of Grant (as defined in Section 11 below) if the Option is an Incentive Stock Option.

4. Exercise Terms. The Optionee must exercise the Option for at least the lesser of 100 shares or the number of shares of Purchasable Stock as to which the Option remains unexercised. In the event this Option is not exercised with respect to all or any part of the shares subject to this Option prior to its expiration, the shares with respect to which this Option was not exercised shall no longer be subject to this Option.

5. Option Non-Transferable. No Option shall be transferable by an Optionee other than by will or the laws of descent and distribution or, in the case of non-Incentive Stock Options, pursuant to a Qualified Domestic Relations Order, and no Option shall be transferable by an Optionee who is a Section 16 Insider prior to shareholder approval of the Plan. During the lifetime of an Optionee, Options shall be exercisable only by such Optionee (or by such Optionee's guardian or legal representative, should one be appointed).

6. **Notice of Exercise of Option.** This Option may be exercised by the Optionee, or by the Optionee's administrators, executors or personal representatives, by a written notice (in substantially the form of the Notice of Exercise attached hereto as Schedule B) signed by the Optionee, or by such administrators, executors or personal representatives, and delivered or mailed to the Company as specified in Section 14 hereof to the attention of the President or such other officer as the Company may designate. Any such notice shall (a) specify the number of shares of Stock which the Optionee or the Optionee's administrators, executors or personal representatives, as the case may be, then elects to purchase hereunder, (b) contain such information as may be reasonably required pursuant to Section 12 hereof, and (c) be accompanied by (i) a certified or cashier's check payable to the Company in payment of the total Exercise Price applicable to such shares as provided herein, or (ii) shares of Stock owned by the Optionee and duly endorsed or accompanied by stock transfer powers or authorization to the Company to withhold shares of Stock otherwise issuable upon exercise of the Option, in each case having a Fair Market Value equal to the total Exercise Price applicable to such shares purchased hereunder, or (iii) a certified or cashier's check accompanied by the number of shares of Stock whose Fair Market Value when added to the amount of the check equals the total Exercise Price applicable to such shares purchased hereunder. Upon receipt of any such notice and accompanying payment, and subject to the terms hereof, the Company agrees to issue to the Optionee or the Optionee's administrators, executors or personal representatives, as the case may be, stock certificates for the number of shares specified in such notice registered in the name of the person exercising this Option.

7. **Adjustment in Option.** The number of shares subject to this Option, the Exercise Price and other matters are subject to adjustment during the term of this Option in accordance with Section 5.2 of the Plan.

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8. **Termination of Employment.** Except as otherwise specified in Schedule A hereto, in the event of the termination of the Optionee's employment with the Company or any of its subsidiaries, other than a termination that is for disability or death, the Optionee may exercise this Option at any time within 90 days after such termination to the extent of the number of shares which were Purchasable hereunder at the date of such termination.

9. Disabled Optionee. In the event of termination of employment because of the Optionee becoming a Disabled Optionee, the Optionee (or his or her personal representative) may exercise this Option, within a period ending on the earlier of (a) the last day of the one year period following the Optionee's disability or (b) the expiration date of this Option, to the extent of the number of shares which were Purchasable hereunder at the date of such termination.

10. Death of Optionee. Except as otherwise set forth in Schedule A, in the event of the Optionee's death while (i) employed by the Company or any of its subsidiaries or (ii) within three months after a termination of such employment, the appropriate persons described in Section 6 hereof or persons to whom all or a portion of this Option is transferred in accordance with Section 5 hereof may exercise this Option at any time within a period ending on the earlier of (a) the last day of the one year period following the Optionee's death or (b) the expiration date of this Option. If the Optionee was an employee of the Company at the time of death, this Option may be so exercised to the extent of the number of shares that were Purchasable hereunder at the date of death. If the Optionee's employment terminated prior to his or her death, this Option may be exercised only to the extent of the number of shares covered by this Option which were Purchasable hereunder at the date of such termination.

11. Date of Grant. This Option was granted by the Board of Directors of the Company on the date set forth in Schedule A (the "Date of Grant").

12. Compliance with Regulatory Matters. The Optionee acknowledges that the issuance of capital stock of the Company is subject to limitations imposed by federal and state law and the Optionee hereby agrees that the Company shall not be obligated to issue any shares of Stock upon exercise of this Option that would cause the Company to violate law or any rule, regulation, order or consent decree of any regulatory authority (including without limitation the Commission) having jurisdiction over the affairs of the Company. The Optionee agrees that he or she will provide the Company with such information as is reasonably requested by the Company or its counsel to determine whether the issuance of Stock complies with the provisions described by this Section 12.

13. Restriction on Disposition of Shares. The shares purchased pursuant to the exercise of an Incentive Stock Option shall not be transferred by the Optionee except pursuant to the Optionee's will, or the laws of descent and distribution, until such date which is the later of two years after the grant of such Incentive Stock Option or one year after the transfer of the shares to the Optionee pursuant to the exercise of such Incentive Stock Option.

14. Miscellaneous.

(a) This Agreement shall be binding upon the parties hereto and their representatives, successors and assigns.

(b) This Agreement is executed and delivered in, and shall be governed by the laws of, the State of Georgia.

(c) Any requests or notices to be given hereunder shall be deemed given, and any elections or exercises to be made or accomplished shall be deemed made or accomplished, upon actual delivery thereof to the designated recipient, or three days after deposit thereof in the United States mail, registered, return receipt requested and postage prepaid, addressed, if to the Optionee, at the address set forth below and, if to the Company, to the executive offices of the Company at 1901 Montreal Road, Suite 108, Tucker, Georgia 30084.

(d) This Agreement may not be modified except in writing executed by each of the parties hereto.

(e) In the event that any one or more of the provisions or portion thereof contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, the same shall not invalidate or otherwise affect any other provisions of this Agreement, and this Agreement shall be construed as if the invalid, illegal or unenforceable provision or portion thereof had never been contained herein.

(f) Subject to the terms and conditions of the Plan, which is incorporated herein by reference, this Agreement expresses the entire understanding and agreement of the parties hereto. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Board of Directors of the Company has caused this Stock Option Agreement to be executed on behalf of the Company and the Company's seal to be affixed hereto and attested by the Secretary or an Assistant Secretary of the Company, and the Optionee has executed this Stock Option Agreement under seal, all as of the day and year first above written.

MAXXIS GROUP, INC.

OPTIONEE

By:

-----	-----
Name:	Name:
Title:	Address:

ATTEST:

 Secretary/Assistant Secretary

[SEAL]

SCHEDULE A
 TO
 STOCK OPTION AGREEMENT
 BETWEEN
 MAXXIS GROUP, INC.
 AND

Dated: _____

1. Number of Shares Subject to Option: _____ shares.

2. This Option (Check one) [] is [] is not an Incentive Stock Option.

3. Option Exercise Price: \$ _____ per share.

4. Date of Grant:

5. Option Vesting Schedule:

Check one:

() Options are exercisable with respect to all shares on or after the date hereof.

() Options are exercisable with respect to the number of shares indicated below on or after the date indicated next to the number of shares:

No. of Shares	Vesting Date
_____	_____

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6. Option Exercise Period:

Check One:

() All options expire and are void unless exercised on or before _____, _____.

() Options expire and are void unless exercised on or

before the date indicated next to the number of shares:

No. of Shares Expiration Date

7. Effect of Termination of Employment of Optionee (if different from that set forth in Sections 8, 9 and 10 of the Stock Option Agreement):

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**SCHEDULE B
TO
STOCK OPTION AGREEMENT
BETWEEN
MAXXIS GROUP, INC.
AND**

NOTICE OF EXERCISE

1. Notice. The undersigned hereby notifies Maxxis Group, Inc. (the "Company") of this election to exercise the undersigned's stock option to purchase _____ shares (the "Shares") of the Company's common stock, no par value (the "Common Stock"), pursuant to the Stock Option Agreement (the "Agreement") between the undersigned and the Company dated _____. Accompanying this Notice is (1) a certified or a cashier's check in the amount

of \$ _____ payable to the Company, and/or (2) _____ shares of the Company's Common Stock presently owned by the undersigned and duly endorsed or accompanied by stock transfer powers or an authorization to the Company to withhold _____ Shares otherwise issuable upon exercise of the Option, in each case having an aggregate Fair Market Value (as defined in the Maxxis Group, Inc. 1998 Stock Option Plan) as of the date hereof of \$ _____, such amounts being equal, in the aggregate, to the purchase price per share set forth in Section 3 of the Agreement multiplied by the number of Shares being purchased hereby (in each instance subject to appropriate adjustment pursuant to Section 5.2 of the Agreement).

2. Covenants and Representations of Optionee. Optionee represents, warrants, covenants and agrees with the Company as follows:

(a) The Option was received for Optionee's own account without the participation of any other person, with the intent of holding the Option and the Shares issuable pursuant thereto for investment and without the intent of participating, directly or indirectly, in a distribution of the Shares and not with a view to, or for resale in connection with, any distribution of the Shares or any portion thereof.

(b) Optionee did not acquire the Option based upon any representation, oral or written, by any person with respect to the future value of, or income from the Shares subject to this Option, but rather upon an independent examination and judgment as to the prospects of the Company.

(c) Optionee has received a copy of the Agreement and has had complete access to and the opportunity to review and make copies of all material documents related to the business of the Company; Optionee has examined all of these documents as he wished, is familiar with the business and affairs of the Company, and realizes that the receipt of the Shares is a speculative investment and that any possible profit therefrom is uncertain.

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(d) Optionee has had the opportunity to ask questions of and receive answers from the Company and any person acting on its behalf, to obtain all information available with respect to the Maxxis Group, Inc. 1998 Stock Option Plan (the "Plan"), the Company and its affairs and to receive all information and data with respect to the Plan and the Company that he has requested and which he has deemed relevant in connection with his receipt of the Option and

the Shares subject thereto.

(e) Optionee is able to bear the economic risk of the investment, including the risk of a complete loss of his investment, and Optionee acknowledges that he must continue to bear the economic risk of the investment in the Shares received upon Option exercise for an indefinite period.

(f) Optionee understands and agrees that the Shares subject to the Option may be issued and sold to Optionee without registration under any state or federal law relating to the registration of securities for sale and in that event will be issued and sold in reliance on exemptions from registration under appropriate state and federal laws.

(g) The Shares issued to Optionee upon exercise of the option will not be offered for sale, sold or transferred by Optionee other than pursuant to:

- (i) an effective registration under applicable state securities laws or in a transaction which is otherwise in compliance with those laws;
- (ii) an effective registration under the Securities Act of 1933, as amended (the "1933 Act"), or a transaction otherwise in compliance with the 1933 Act; and
- (iii) evidence satisfactory to the Company of compliance with the applicable securities laws. The Optionee shall provide to the Company, at the Optionee's expense, a legal opinion which must be satisfactory to the Company and the Company's legal counsel, in their sole discretion, stating that the offer and sale of such Shares shall be in compliance with the foregoing laws.

(h) The Company will be under no obligation to register the shares issuable pursuant to the Option or to comply with any exemption available for sale of the Shares by the Optionee without registration; and the Company is under no obligation to act in any manner so as to make Rule 144 promulgated under the 1933 Act available with respect to sale of the Shares by the Optionee.

(i) A legend indicating that the Shares issued pursuant to the Option have not been registered under the applicable securities laws and referring to any applicable restrictions on transferability and sale of the Shares may be placed on the certificate or certificates delivered to Optionee and any transfer agent of the Company may be instructed to require compliance therewith.

(j) Optionee will notify the Company in writing at least 60 days prior to any sale of Shares.

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(k) Acceptance by Optionee of the certificates(s) representing Shares shall constitute a confirmation by Optionee that all agreements, representations, warranties and covenants made herein are true and correct at that time.

IN WITNESS WHEREOF, the undersigned has set his hand and seal, this _____ day of _____, _____.

OPTIONEE [OR OPTIONEE'S
ADMINISTRATOR,
EXECUTOR OR PERSONAL
REPRESENTATIVE]

Name:
Position (if other than Optionee):

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<PAGE> 1

EXHIBIT 10.19

LEASE AMENDMENT AGREEMENT

1901 MONTREAL ROAD
MAXXIS GROUP, INC.

THIS LEASE AMENDMENT AGREEMENT (hereinafter called the "Amendment") made and entered into this 5th day of June, 1998, by and between MALON D. MIMMS, a Sole Proprietorship (hereinafter called the "Landlord"); and MAXXIS GROUP, INC., (hereinafter called the "Tenant"); and RICHARD BOWERS & CO. (hereinafter called the "Broker").

WITNESSETH

WHEREAS, by Lease Agreement dated March 17, 1997, (hereinafter collectively called the "Lease"), Landlord leased to Tenant that certain premises (hereinafter called the "Premises") situated at 1901 Montreal Road, Suites 112 and 113, Atlanta, Georgia 30084, as more particularly described in the Lease; and

WHEREAS, Landlord and Tenant now desire to further amend the Lease so as to extend the Term thereof and to make other changes as set forth hereinbelow.

NOW, THEREFORE, for valuable consideration paid by each of the parties to the other, receipt of which is hereby acknowledged, it is agreed between the parties as follows:

1. Tenant shall expand from its current Premises into and including 1901 Montreal Road, Suites 112, 113 and 114, Atlanta, Georgia 30084 (hereinafter called the "Revised Premises") on or before July 1, 1998. The Revised Premises contains approximately 7,430+ square feet.
2. The Revised Rental and Lease term shall commence on July 1, 1998 and expire on April 30, 2001.
3. The Revised Base Rent monthly shall be as follows:

<TABLE>
<CAPTION>

Term	Base Rent Monthly			
	Base Rent Monthly	Common Area Maintenance (Adjusted Annually)	and Common Area Monthly Maintenance (Adjusted Annually)	Common Area Monthly Maintenance (Adjusted Annually)
October 1, 1998 - April 30, 1999	\$4,477.00	\$155.00		\$4,632.00
May 1, 1999 - April 30, 2000	\$4,657.00	\$155.00		\$4,812.00

May 1, 2000 - April 30, 2001 \$4,849.00 \$155.00 \$5,004.00
<TABLE>

4. Tenant hereby agrees to pay Landlord, on or before the first of each month, Seventy Five and No/100 Dollars (\$75.00) as Tenant's estimated share of water/sewer usage for the leased premises. Said amount may be adjusted

<PAGE> 2

annually, or as Landlord deems necessary, which shall be based on actual expenses incurred by Landlord.

5. a) Landlord will deliver to the Tenant all heating, venting and air-conditioning systems and any other systems (hereinafter called the "Systems") in place on the property as of the date the Tenant takes possession of the Premises in working order. Upon taking the possession of the Premises by the Tenant, the Tenant shall have twenty (20) days within which to inspect, or cause said Systems to be inspected, to determine if any of the Systems are not in reasonable working order. Tenant acknowledges that Tenant has a duty and an obligation to make such an inspection or cause such an inspection to be made and notify the Landlord within the time provided for herein of any non-compliance according to Section 12.1. If the Landlord shall not receive any such notice then, in such event, it shall be conclusive that the Tenant has accepted the Systems "as-is" "where-is" on the date of taking possession of the Premises and Landlord shall have no further obligation with regard to said Systems except as provided for in the within Lease. Should the Tenant notify the Landlord according to Section 12.1 of any system which is not in working order, then the Landlord shall make reasonable efforts to cause the system to be operating in reasonable working order.

b) Landlord shall repaint the office walls.

c) Landlord shall recarpet the offices with standard commercial grade 26-oz. glued down level loop pile carpeting.

All other agreements as contained in the Lease shall remain in full force and effect.

<PAGE> 3

IN WITNESS WHEREOF, the said parties have executed this Lease Amendment, the day and year first above written.

LANDLORD

Signed, sealed and delivered
in the presence of:

MALON D. MIMMS, A SOLE PROPRIETORSHIP

/s/ Charles D. Lacy

By: /s/ Robert Mimms

Notary Public or Witness

Charles D. Lacy

Title: Agent for Landlord

Name (Please Print)
Richard Bowers & Co.

TENANT

Signed, sealed and delivered
in the presence of:

MAXXIS GROUP, INC.

/s/ Daniel McDonough

By: /s/ Thomas O. Cordy

Notary Public or Witness

Daniel McDonough

Name: Thomas O. Cordy

Name (Please Print)

(Please Print)

Title: President and CEO

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<PAGE> 1

EXHIBIT 10.20

LEASE AMENDMENT AGREEMENT

1901 MONTREAL ROAD
MAXXIS GROUP, INC.

THIS LEASE AMENDMENT AGREEMENT (hereinafter, called the "Amendment") made and entered into this 14th day of August, 1998, by and between MALON D. MIMMS, a Sole Proprietorship (hereinafter called the "Landlord"); and MAXXIS GROUP, INC., (hereinafter called the "Tenant"); and RICHARD BOWERS & CO. (hereinafter called the "Broker").

WITNESSETH

WHEREAS, by Lease Agreement dated June 23, 1997, (hereinafter collectively called the "Lease"), Landlord leased to Tenant that certain premises (hereinafter called the "Premises") situated at 1901 Montreal Road, Suite 108, Atlanta, Georgia 30084, as more particularly described in the Lease; and

WHEREAS, Landlord and Tenant now desire to further amend the Lease so as to extend the Term thereof and to make other changes as set forth hereinbelow.

NOW THEREFORE, for valuable consideration paid by each of the parties to the other, receipt of which is hereby acknowledged, it is agreed between the parties as follows:

1. Tenant shall expand from its current Premises into and including 1901 Montreal Road, Suite 106, 108, and 110, Atlanta, Georgia 30084 (hereinafter called the "Revised Premises") on or before October 1, 1998. The Revised Premises contains approximately 14,200+/- square feet.

2. The Revised Rental and Lease term shall commence on October 1, 1998 and expire on April 30, 2001.
3. The Revised Base Rent monthly shall be as follows:

<TABLE>
<CAPTION>

Term	Base Rent Monthly	Common Area Maintenance Monthly (Adjusted Annually)	Base Rent Monthly and Common Area Maintenance Monthly (Adjusted Annually)
<S>	<C>	<C>	<C>
November 1, 1998 - September 30, 1999	\$8,130.00	\$296.00	\$8,426.00
October 1, 1999 - September 30, 2000	\$8,449.00	\$296.00	\$8,745.00
October 1, 2000 - April 30, 2001	\$8,781.00	\$296.00	\$9,077.00

</TABLE>

4. Tenant hereby agrees to pay Landlord, on or before the first of each month, Two Hundred Ninety Six and No/100 Dollars (\$296.00) as Tenant's estimated share of water/sewer usage for the leased premises. Said amount may be adjusted annually, or as Landlord deems necessary, which shall be based on actual expenses incurred by Landlord.

<PAGE> 2

5.
 - a) Landlord will deliver to the Tenant all heating, venting and air-conditioning systems and any other systems (hereinafter called the "Systems") in place in Suites 106 and 110 as of the date the Tenant takes possession of the Premises in working order. Upon taking the possession of the Premises by the Tenant, the Tenant shall have twenty (20) days within which to inspect, or cause said Systems to be inspected, to determine if any of the Systems are not in reasonable working order. Tenant acknowledges that Tenant has a duty and an obligation to make such an inspection or cause such an inspection to be made and notify the Landlord within the time provided for herein of any non-compliance according to Section 12. 1. If the

Landlord shall not receive any such notice then, in such event, it shall be conclusive that the Tenant has accepted the Systems "as-is" "where-is" on the date of taking possession of the Premises and Landlord shall have no further obligation with regard to said Systems except as provided for in the within Lease. Should the Tenant notify the Landlord according to Section 12.1 of any system which is not in working order, then the Landlord shall make reasonable efforts to cause the system to be operating in reasonable working order.

- b) Landlord shall repaint the office walls in Suites 106 and 110.
- c) Landlord shall recarpet the offices with standard commercial grade 26-oz. glued down level loop pile carpeting in Suites 106 and 110.
- d) Landlord shall construct up to 20'0" linear feet of interior office wall and shall demolish up to 20'0" linear feet of interior office wall per the specifications of Tenant in each of Suites 106 and 110.
- e) Landlord shall install up to two (2) openings between Suites 106 and 108, and up to two (2) openings between Suites 108 and 110, each approximately 5'-0" x 6'-8", at locations to be mutually determined between Landlord and Tenant.

All other agreements as contained in the Lease shall remain in full force and effect.

2

<PAGE> 3

IN WITNESS WHEREOF, the said parties have executed this Lease Amendment, the day and year first above written.

LANDLORD

Signed), sealed and delivered
in the presence of:

MALON D. MIMMS, A SOLE PROPRIETORSHIP

/s/ Charles D. Lacy

By: /s/ Robert Mimms

Notary Public or Witness

Charles D. Lacy

Title: Agent for Landlo.d

Name (Please Print)

Richard Bowers & Co.

TENANT

Signed), sealed and delivered
in the presence of:

MAXXIS GROUP

/s/ Daniel McDonough

By: /s/ Thomas O. Cordy

Notary Public or Witness

Daniel McDonough

Name: Thomas O. Cordy

Name (Please Print)

(Please Print)

Title: President and CEO

3

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<SEQUENCE>5

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<PAGE> 1

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement on Form S-1, registration number 333-38623.

/s/ Arthur Andersen LLP

Atlanta, Georgia
September 23, 1998

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF MAXXIS GROUP, INC. FOR THE YEAR ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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-----END PRIVACY-ENHANCED MESSAGE-----

GERRY, FRIEND & SAPRONOV, LLP

ATTORNEYS AT LAW

SUITE 1450

THREE RAVINIA DRIVE

ATLANTA, GEORGIA 30346-2131

(770) 399-0500

FACSIMILE (770) 395-0000

EMAIL: gflaw@gflaw.com

January 19, 1999

VIA OVERNIGHT MAIL

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

990084-TI

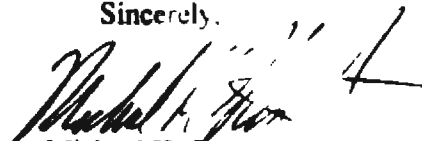
Re: Joint Application of Cherry Communications Incorporated, WAXS, Inc., Maxxis Group, Inc. and Maxxis Communications, Inc. for Approval of Acquisition of Assets and for Assignment of Authorization ("Joint Application")

Dear Sir or Madam:

Enclosed are the original and one (1) copy of the Joint Application. Please file the Application in your usual fashion and return one (1) file-stamped copy to us in the enclosed envelope. This Application is provided as notification to the Florida Public Service Commission of the transaction described therein.

If you have any questions or comments, please call the undersigned.

Sincerely,


Michael K. Stewart

Enc.

cc: Maxxis Group, Inc.
(with enclosure)
Charles A. Hudak, Esq.
(without enclosure)

Exhibits A, B, and F placed
in confidential storage - see
paragraph 13 of application.

14

60883-99

This document has been placed in confidential storage
pending advice on handling from OPR staff.

DOCUMENT NUMBER-DATE

00883 JAN 22 99

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In the Matter of:)
)
JOINT APPLICATION OF CHERRY)
COMMUNICATIONS INCORPORATED,)
WAXS INC., MAXXIS GROUP, INC. AND)
MAXXIS COMMUNICATIONS, INC. FOR)
APPROVAL OF ACQUISITION OF)
ASSETS AND FOR ASSIGNMENT OF)
AUTHORIZATION)

DOCKET NO. 990084-TI

**JOINT APPLICATION FOR ACQUISITION OF ASSETS
AND ASSIGNMENT OF AUTHORIZATION**

COMES NOW WAXS INC. ("WAXS), Cherry Communications Incorporated ("CCI"), Maxxis Group, Inc. ("Maxxis") and Maxxis Communications, Inc. ("Maxxis Communications") (collectively the "Applicants" or the "Parties"), pursuant to Section 25-24.473 of the Florida Administrative Code and hereby respectfully request approval for the acquisition of assets and for the assignment, authority, consent and approval of the sale and transfer of the authorization to provide intrastate, long distance telecommunications services within the State of Florida, as described herein. The Parties respectfully request that the Commission act upon this Joint Application expeditiously inasmuch as the approval sought herein concerns a non-controversial transaction between competitive, non-dominant telecommunications companies. In support of this Joint Application, the Parties hereby state as follows.

I. DESCRIPTION OF THE PARTIES

1.

Cherry Communications Incorporated ("CCI") is an Illinois corporation which is headquartered in Lombard, Illinois. CCI, currently operating under the protection of Chapter

11 of the United States Bankruptcy Code, is a facilities-based provider of network access. The Commission has previously granted authority to CCI for interexchange carrier service to the public statewide in Florida. In addition, CCI is authorized, by virtue of certification, registration or tariff requirements, or on an unregulated basis, to provide resold intrastate telecommunications services in over 35 states.¹

2.

WAXS is a Delaware corporation headquartered at 945 East Paces Ferry Road, Suite 2240, Atlanta, Georgia 30326. WAXS, a publicly-traded company (NASDAQ: "WAXS"), provides telecommunications systems, products and services to companies competing in the global telecommunications marketplace. Specifically, WAXS develops, manufactures and markets wireline and wireless switching, transport and access services to companies in the United States, in the Caribbean basin, and in Latin America. WAXS also provides design, engineering, manufacturing, testing, installation, repair and other value-added services to companies in the telecommunications industry. Neither WAXS or its affiliates, however, provide or are authorized to provide intrastate telecommunications services within the State of Florida.²

3.

Maxxis, a Georgia corporation headquartered at 1901 Montreal Road, Suite 108, Tucker, Georgia 30084, was incorporated in January, 1997. Maxxis, through its subsidiaries, markets communications and other consumer products and services in the United States through a multi-

¹In Florida, Docket No. 920732-TI approving Non-dominant Interexchange Carrier Certificate No. 3134 effective November 12, 1992.

²Additional information regarding WAXS and CCI is attached hereto at Exhibit "A" which is the previously filed Joint Application of CCI/WAXS Transfer of Control.

level marketing system of "independent associates" ("IAs"). Maxxis Communications (f/k/a Maxxis Telecom, Inc.), a wholly-owned subsidiary of Maxxis, provides independent contractor marketing services in connection with the sale of long distance telecommunications services by certificated interexchange carriers.³ These long distance services include direct dial ("1 +") long distance services, toll-free "800" and "888" long distance services, and prepaid calling card services.

II. DESCRIPTION OF TRANSACTION

4.

On September 29, 1998, CCI, WAXS and Maxxis entered into an Asset Purchase Agreement which provided, inter alia, for the acquisition of certain telecommunications equipment, and authorizations to provide intrastate, long distance telecommunications services which is attached herein and incorporated by reference as Exhibit "B".

III. MAXXIS' AND MAXXIS COMMUNICATIONS' QUALIFICATIONS

5.

Maxxis and its wholly-owned subsidiary, Maxxis Communications, possess all financial, managerial and technical qualifications necessary to acquire and to operate the assets of CCI. Specifically, Maxxis' and Maxxis Communications' qualification are described as follows.

6.

A. Corporate Information. Maxxis' correct name and address are:

Maxxis Group, Inc.
1901 Montreal Road, Suite 108
Tucker, Georgia 30084
770-696-6343

³In February, 1997, Maxxis Communications contracted with Colorado River Communications Corp. ("CRC") to market and sell CRC's long distance services.

The correct name and address of Maxxis Communications are:

Maxxis Communications, Inc.
1901 Montreal Road, Suite 108
Tucker, Georgia 30084
770-696-6343

Maxxis Communications, a Georgia corporation, will file an application for qualification to transact business in the State of Florida. Copies of Maxxis Communications' Application for a Certificate to the Florida Secretary of State, (to be supplied), Certificate of Incorporation and Articles of Incorporation are attached hereto at Exhibit "C".

7.

B. Description of Proposed Services. Maxxis Communications proposes to utilize the acquired assets to resell switched, intrastate, long distance (interLATA and intraLATA toll) voice communications services of certificated common carriers (*e.g.*, AT&T Corp., MCI Telecommunications Corp. and Sprint Communications Company, L.P.) for the purpose of providing direct dial ("1 +") services, measured toll service, toll-free "800" and "888" services and prepaid calling card services within the entire State of Florida. Maxxis Communications will not own, lease, control or install any transmission facilities (except for a telecommunications switch located in Chicago, Illinois), but instead will utilize the existing equipment and facilities of one or more of the above-described carriers.

8.

Maxxis Communications intends to market the proposed telecommunications services exclusively through Maxxis' network of IAs. The IAs will market Maxxis Communications' services to persons with whom the IAs have an ongoing relationship, such as family members, friends and business associates. Notably, Maxxis' IAs will not be required to purchase inventory and will not be subject to sales quotas or account collection matters.

9.

Maxxis Communications intends to bill its customers directly for long distance telecommunications resale services. The charges, based upon the rates which will be set forth in Maxxis Communications' tariff, Maxxis Communications' name, and its toll free telephone number for customer assistance will all appear on monthly customer statements. In addition, customers may contact Maxxis Communications' customer service representatives regarding a broad range of service matters, including: (i) the types of services offered by Maxxis Communications and the rates associated with such services; (ii) monthly billing statements; and (iii) problems or concerns pertaining to the customer's current service. Maxxis Communications' customer service representatives will be available to assist customers twenty-four (24) hours per day, seven (7) days per week.

10.

C. Technical And Managerial Capability. Both Maxxis and Maxxis Communications are led by highly qualified teams of management personnel who have the requisite technical, financial and managerial experience to provide long distance telecommunications resale services in Florida. Brief biographical statements concerning each of Maxxis' and Maxxis Communications' management personnel are attached hereto at Exhibit "D" and Exhibit "E".

11.

D. Financial Capability. As a wholly-owned subsidiary of Maxxis, Maxxis Communications has the assurance of its parent that it will be provided the financial resources necessary to operate its telecommunications resale business in a continuous manner. For the period of January 24, 1997 to June 30, 1997 and the fiscal year ended June 30, 1998, Maxxis

generated aggregate revenues of approximately \$2,691,000 and \$6,991,000, respectively.⁴

12.

E. **Compliance With Laws.** Maxxis Communications has not been denied authority to provide intrastate telecommunications services in any state and has not been subject to any regulatory penalties for violation of state or federal telecommunications statutes, rules or regulations (*e.g.*, slamming). Copies of Maxxis Communications' internal guidelines to prevent slamming and proposed letter of authorization are attached hereto at Exhibit "F". By submitting to the Commission's jurisdiction for approval to acquire the assets and to assign the authorization discussed herein, Maxxis Communications hereby asserts its willingness and ability to comply with all rules and regulations that the Commission may impose subject to Florida laws as now or hereafter enacted.

IV. **CONFIDENTIALITY**

13.

Exhibits "A", "B" and "F" contain commercial information which is proprietary due to the highly competitive nature of the telecommunications marketplace. The Parties deem these exhibits to be proprietary. Accordingly, these exhibits are being submitted to the Commission subject to confidential treatment.

V. **PUBLIC INTEREST, CONVENIENCE AND NECESSITY**

14.

Commission approval of Maxxis acquisition of CCI's and WAXS' assets, and of Maxxis' subsequent transfer of certain assets to Maxxis Communications, is in the public interest. The

⁴A copy of Maxxis' Securities and Exchange Commission Form 10-K is attached hereto at Exhibit "E".

infusion of CCI's and WAXS' assets into Maxxis' and Maxxis Communications' existing operations will allow Maxxis Communications to compete in the Florida market for long distance telecommunications services. Florida consumers will benefit from the availability of increased long distance telecommunications products and service options.

VI. REGULATORY LEGAL COMMUNICATIONS AND CORRESPONDENCE

15.

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CCI:
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VII. CONCLUSION

16.

WHEREFORE, the Parties respectfully request that this Commission:

- (1) Issue an order approving this application in all respects, including without limitation the acquisition of CCI's and WAXS' assets by Maxxis and Maxxis Communications,


as described herein or in the exhibits attached hereto;

(2) Issue an order approving the assignment, authority, consent and approval of the sale and transfer of CCI's existing authorization to Maxxis, and subsequently, to Maxxis Communications; and

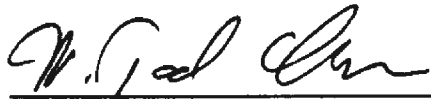
(3) Grant any other and additional relief that the Commission may deem just and proper.

Respectfully submitted this ____ day of _____ 1998.

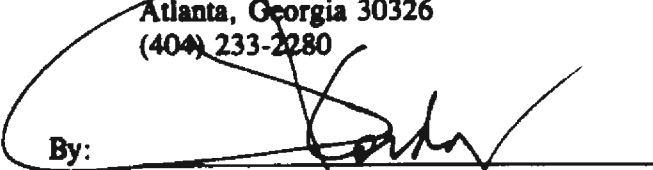
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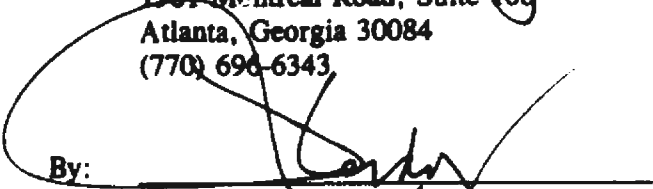
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