Daniel J. Shapiro
General Counsel & Executive Vice President
1400 One American Place
Baton Rouge, Louisiana 70825

990539-TX

April 30, 1999

Ref: 3123.19841

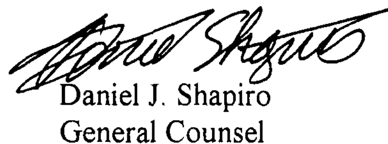
Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee FL 32399-0850

Re: Actel Integrated Communications, Inc.
Applications for Certificates of Authority

TO WHOM IT MAY CONCERN:

Enclosed on behalf of Actel Integrated Communications, Inc., please find an original and six (6) copies of each of the following: (1) Application for Certificate of Authority to Provide Alternative Local Exchange Service Within the State of Florida, (2) Application for Certificate of Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida, and (3) two checks, each for $250.00 for the filing fees associated with the aforementioned applications. Please file these for processing and contact me if you have any questions.

Very truly yours,
ACTEL INTEGRATED COMMUNICATIONS, INC.



Daniel J. Shapiro
General Counsel

DJS/rhw
enclosures

Check received with filing and forwarded to Fiscal for deposit. ... copy of check ... deposit.

... forwarded check:

I:\DOCS\ACTEL\APPLICN\FLORIDA\COMMISN.WPD

DOCUMENT NUMBER-DATE
05579 MAY-3 99
FPSC-RECORDS/REPORTING

original signed

**** FLORIDA PUBLIC SERVICE COMMISSION ****

DIVISION OF TELECOMMUNICATIONS
BUREAU OF CERTIFICATION AND SERVICE EVALUATION

APPLICATION FORM for AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

990539-TX

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Appendix A).

- Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250.00 to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Telecommunications
  Bureau of Certification and Service Evaluation
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6600

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

GAMD-NO-77242-1

DOCUMENT NUMBER-DATE
05579 MAY-3 8
FPSC-RECORDS/REPORTING

Check received with filing and forwarded to Fiscal for deposit. Fi... to ...
Initials of person who forwarded check: ALS

ACTEL INTEGRATED COMMUNICATIONS, INC

APPLICATION FOR CERTIFICATE OF AUTHORITY TO OPERATE AS

ALTERNATIVE LOCAL EXCHANGE CARRIER

GAMD-NO-77242-1

APPLICATION

1. This is an application for √ (check one):

   (X) Original certificate (new company).

   ( ) Approval of transfer of existing certificate: Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

   ( ) Approval of assignment of existing certificate: Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   ( ) Approval of transfer of control: Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity

2. Name of company:

   Actel Integrated Communications, Inc.

3. Name under which the applicant will do business (fictitious name, etc.):

   (Same)

4. Official mailing address (including street name & number, post office box, city, state, zip code):

   1509 Government Street, Suite 300
   Mobile, AL 36604

5. Florida address (including street name & number, post office box, city, state, zip code):
   Response: Actel's agent for service of process is CT Corporation Systems, 1200 South Pine Island Road, Plantation, Florida, 33324. Actel is currently researching office space in Pensacola, Florida, but currently does not have a physical office in the state of Florida.

6. Structure of organization:

   ( ) Individual
   (X) Corporation
   ( ) Foreign Corporation
   ( ) Foreign Partnership

( ) General Partnership ( ) Limited Partnership

7. If individual, provide: N/A

8. If incorporated in Florida, provide proof of authority to operate in Florida: N/A

9. If foreign corporation, provide proof of authority to operate in Florida;

   (a) The Florida Secretary of State corporate registration number: **F99000002055**

   Actel's Certificate of Registration as a Foreign Corporation in Florida is attached as Exhibit "A".

10. If using fictitious name-d/b/a, . provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida: **N/A**

11. If a limited liability partnership, provide proof of registration to operate in Florida: N/A

12. If a partnership, provide name, title and address of all partners and a copy of the partnership agreement. **N/A**

13. If a foreign limited partnership. provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable. **N/A**

14. Provide F.E.I. Number(if applicable): **63-1212137**

15 Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

   (a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation. **NONE**

   (b) an officer, director, partner or stockholder in any other Florida certificated telephone company. **Response:** Yes. John Beck, President, was previously with e.spire (American Communications Services, Inc.), an Alternative Local Exchange Carrier with affiliates certificated in Florida. Mr. Beck owns shares in e.spire, a publicly traded company, and commonly and independently trades in several other publicly traded companies providing telecommunications services. However, he does not own shares of greater than one (1%) percent of any telecommunications company other than Actel. Mr. Beck resigned from e.spire to establish Actel.

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: **Daniel J. Shapiro**

Title: **General Counsel**

Address: **1400 One American Place**

City/State/Zip: **Baton Rouge, LA 70825**

Telephone No.: **(225) 381-9643**

Fax No.: **(225) 336-9763**

Internet E-Mail Address: **djshapiro@aol.com**

Internet Website Address: No personal Website Address

(b) Official point of contact for the ongoing operations of the company:

Name: **Judy Walker**

Title: **Vice President Business Services**

Address: **1509 Government Street, Suite 300**

City/State/Zip: **Mobile, AL 36604**

Telephone No.: **(334) 473-4858**

Fax No.: **(334) 473-6674**

Internet E-Mail Address: **Judywalker@actel.net**

Internet Website Address: **No personal Website**

(c) Complaints/Inquiries from customers:

Name: **Mary Brown**

Title: **Senior Manager, Support Services**

Address: **1509 Government Street, Suite 300**

City/State/Zip: **Mobile, AL 36604**

Telephone No.: **(334) 473-4858**

Fax No.: **(334) 473-6674**

Internet E-Mail Address: **Marybrown@actel.net**

Internet Website Address: **No personal Website**

17. List the states in which the applicant:

(a) has operated as an alternative (competitive) local exchange company.

Alabama
Louisiana

(b) has applications pending to be certificated as an alterative local exchange company.

NONE

(c) is certificated to operate as an alterative local exchange company.

Alabama
Louisiana

(d) has been denied authority to operate as an alterative local exchange company and the circumstances involved.

NONE

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

NONE

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

Yes:

***Alltel Corporation v. Actel Integrated Communications, Inc.*, Case No. 99-0195-CB-M, United States District Court, Southern District of Alabama.**

This case concerns a dispute involving the tradename of both parties to the litigation. Alltel demanded that Actel cease and desist using the Actel mark. Actel's position is that, inter alia, no company may appropriate the "tel" suffix for its exclusive use, that any claim of infringement would have to be premised upon confusion between the words "Act" and "All," and that there is no likelihood of consumer confusion between those two words. The Honorable Charles Butler, Chief Judge for the United States District Court for the Southern District of Alabama, denied Alltel's request for preliminary injunction on March 15, 1999. This opinion is attached hereto as Exhibit "B". Settlement negotiations are under way.

18. Submit the following:

A. Financial capability. **Response:**
Services
Actel will provide facilities-based services through the operation of Lucent 5ESS switches and other network facilities. Actel intends to initially use its network facilities installed in Mobile Alabama to serve Pensacola and surrounding areas. Additionally, Actel intends to deploy such facilities in various Florida markets currently under consideration. Until such facilities are deployed, Actel intends to offer services in undetermined (and nonexempt) geographical markets through the resale of the services of incumbent local exchange carriers serving each market. Utilizing its current customer service, operations, management, and technical workforce and

infrastructure supporting its operations in Alabama and Louisiana, Actel is now financially and otherwise capable and qualified to offer and maintain all of its tariffed services in its territories served through its own and/or through the underlying carrier's facilities.

Financial Qualifications

Actel is financially qualified to offer the services proposed herein in its service territory as evidenced by its FINANCIAL INFORMATION attached hereto as Exhibit "C". Exhibit "C" contains (a) unaudited balance sheets of the Company, (b) a commitment letter from its primary investor, Murdock Communications Corporation, Inc. ("Murdock" (MURC)), (c) the most recent 10K and 10Q filings with the Securities and Exchange Commission by Murdock, (d) credit references including Compass Bank in Mobile Alabama, Lucent Technologies of Jacksonville Florida, Alta Telecom, ATN Communications, and Jade Technologies. Actel's relationship with Murdock increases its ability to meet its leasing and ownership requirements. Finally, Actel's projected revenues further support and increase its ability to meet its financial obligations. Actel's projections and assumptions underlying those projections are confidential and proprietary.

B. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each. **Response:** Actel possesses managerial qualifications to operate an Alternative Local Exchange Carrier in the State of Florida. Senior employees of Actel possess over 172 aggregate years of experience in the telecommunciations industry. Biographical summaries of the managerial experience of Actel are attached as SENIOR MANAGEMENT BACKGROUNDS in Exhibit "D". Utilizing its current customer service, operations, management, and technical workforce and infrastructure supporting its operations in Alabama and Louisiana, Actel is now managerially and otherwise capable and qualified to offer and maintain all of its tariffed services in its territories served through its own and/or through the underlying carrier's facilities.

C. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance. **Response:** Actel, through its employees, is technically qualified to operate an Alternative Local Exchange Carrier in the State of Florida. Senior technical employees of Actel possess over 113 aggregate years of experience on the technical side of the telecommunciations industry. Biographical summaries of the Actel's technical experience are attached as TECHNICAL AND MANAGEMENT PROFILES in Exhibit "E". Utilizing its current customer service,

operations, management, and technical workforce and infrastructure supporting its operations in Alabama and Louisiana, Actel is now technically and otherwise capable and qualified to offer and maintain all of its tariffed services in its territories served through its own and/or through the underlying carrier's facilities.

APPLICANT ACKNOWLEDGMENT STATEMENT

1. REGULATORY ASSESSMENT FEE: I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. GROSS RECEIPTS TAX: I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. SALES TAX: I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. APPLICATION FEE: I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Signature-Daniel J. Shapiro

4/30/99
Date

Title–General Counsel, Executive Vice President

(225) 381-9643
Telephone No.

Address: Actel Integrated Communications, Inc.
Legal Division
1400 One American Place
Baton Rouge, Louisiana 70825

Fax No. 225-336-9763

ATTACHMENTS:

A - CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT
B - INTRASTATE NETWORK
C - AFFIDAVIT
- GLOSSARY

** APPENDIX A **

NOT APPLICABLE–INITIAL APPLICATION

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

I, ______________________., and current holder of Florida Public Service Commission Certificate Number # ____________, have reviewed this application and join in the petitioner's request for a:

( ) sale

( ) transfer

( ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL: N/A

Signature	Date
Title	Telephone No.
Address	Fax No.

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

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**** APPENDIX B ****

INTRASTATE NETWORK (if available)

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

1. POP: Addresses where located, and indicate if owned or leased. TO BE DETERMINED

2. SWITCHES: Address where located, by type of switch, and indicate if owned or leased.

   1) 1509 Government
   Mobile, Alabama 36604
   (Lease with option to purchase)

   2) 1010 Common Street
   New Orleans, Louisiana
   (Lease with option to purchase)

3. TRANSMISSION FACILITIES: POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased. TO BE DETERMINED

**** APPENDIX C ****

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Signature-Daniel J. Shapiro

4/30/99
Date

Title–General Counsel, Executive Vice President

Address: Actel Integrated Communications, Inc.
Legal Division
1400 One American Place
Baton Rouge, Louisiana 70825

Telephone: 225.381.9643
Fax: 225.336.9763
Mobile: 225.907.3818

A

CERTIFICATE
OF
AUTHORITY

Exhibit "A"

Department of State

I certify the attached is a true and correct copy of the application by ACTEL INTEGRATED COMMUNICATION, INC., an Alabama corporation, authorized to transact business within the State of Florida on April 19, 1999 as shown by the records of this office.

The document number of this corporation is F99000002055.

Given under my hand and the
Great Seal of the State of Florida
at Tallahassee, the Capitol, this the
Twenty-first day of April, 1999

CR2EO22 (1-99)

Katherine Harris

Katherine Harris
Secretary of State

B

LITIGATION MATTERS

Exhibit "B"

ALLTEL CORPORATION, Plaintiff,
v.
ACTEL INTEGRATED COMMUNICATIONS, INC., Defendant.

No. CIV. A. 99-0195-CB-M.

United States District Court,
S.D. Alabama
Southern Division.

March 15, 1999.

J. Alan Baty, Maynard, Cooper, and Gale P.C., Birmingham, for pla represented by Baty.

Frank J. Colucci, Colucci & Umans, New York, NY, for dft represented by Colucci.

Patrick C. Cooper, Birmingham, for pla represented by Cooper.

Daniel J. Shapiro, Gordon, Arata, McCollam, Duplantis, & Eagin, L.L. P., Baton Rouge,, LA, for dft represented by Shapiro.

OPINION AND ORDER

BUTLER, Chief District J.

*1 This matter came before the Court on March 5, 1999, for a hearing on plaintiff's motion for preliminary injunction. Plaintiff Alltel Corporation seeks to enjoin defendant Actel Integrated Communications, Inc. from using the name "Actel" on the ground that use of the name amounts to trademark infringement, false designation and trademark dilution. After hearing the evidence presented by both sides, the Court finds that the motion is due to be denied for the reasons set forth below.

I. Findings of Fact

Plaintiff Alltel Corporation is an Ohio corporation with its headquarters in Little Rock, Arkansas. Alltel is a fully converged telecommunications provider, meaning that it provides both local and long distance wireless service, internet access and paging services. These services are offered to both residential and business customers. Alltel, a publicly traded corporation, operates in approximately twenty states. Its 1998 revenues were between six and seven billion dollars. Alltel Corporation registered the name "Alltel" as a trademark in 1983 and has used the name continuously since that time. [FN1]

In 1998 Alltel began constructing a telecommunications system to serve the Gulf Coast region of Alabama, Florida and Mississippi. Beginning in mid- February 1999, Alltel opened up retail outlets in the Gulf Coast area, hired outside sales staff to solicit business customers and began an extensive television, radio and newspaper campaign to advertise its services. Alltel's 1999 advertising budget for this region alone is approximately two-and-a-half million dollars. The thrust of Alltel's advertising is that it allows the consumer to combine multiple telecommunications services--wireless local and long distance, paging and internet access--on one bill. Alltel also sells cellular telephone equipment in its retail stores.

The defendant, Actel Integrated Communications, Inc. ("Actel"), was incorporated in the state of Alabama corporation in October 1998 and is the brainchild of its CEO, John Beck. Following the recent federal deregulation of local telephone service, Beck, a communications engineer, brought together a group of people with expertise in the communications industry to set up a company to compete with BellSouth in the Mobile and New Orleans metropolitan areas. In 1998, Murdock Communications ("Murdock") provided venture capital for Beck's then unnamed company and in exchange obtained majority ownership. Eventually those involved in the new company settled on the name "Actel" because Murdock, which owns a group of small, diverse telecommunications companies had majority ownership in a Texas data company known as Acnet. Because they assumed that all the Murdock companies will one day merge, it was logical to choose a similar name. [FN2] An attorney for Murdock performed a trademark search and then applied for registration of the name "Actel".

Actel has begun some marketing efforts but has not yet begun doing business. When it opens for business in the near future, Actel plans to offer only three types of services--local, long distance and bulk IP--which it will market only to small- and medium-sized businesses. All of Actel's services involve the use of wire transmission, as opposed to wireless, or cellular, transmission. "Bulk IP" is an internet service which does not flow directly to the individual internet consumer. Rather, as a bulk IP provider, Actel would provide the link to the internet used by the consumer's internet service provider, such as American on Line

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or the local Zebra Net. Actel does not plan any retail outlets but instead will market its services directly by sending its sales staff to call on potential customers.

*2 Actel has expended a significant portion of its marketing budget advertising and marketing its services under the Actel logo. [FN3] Actel currently sponsors the "Actel Sports Cruiser" which bears the company's logo for a local sports radio station. Actel has also begun sponsoring the weather forecast on a New Orleans. The company has purchased thirty-nine billboards in the Mobile area which were scheduled to bear Actel advertising beginning February 22, 1999, but currently stand empty because of this litigation. In addition, the company has committed to sponsor the Mobile Baybears baseball team for the 1999 season.

According to Beck, Actel currently has approximately 150 customers lined up in Mobile and approximately the same number in New Orleans. Actel has not signed these customers to contracts, however, out of concern for repercussions from a potential name change. Beck testified that his company fears charges of "slamming" if the company changes its name after signing customers . [FN4]

As a start-up company, Actel has only a limited amount of capital. It has already expended a significant amount of money on the use of the Actel logo in marketing and advertising. Most of this money will have been wasted if the company is prohibited from using the name Actel. At the least, several months of work will be required to get the company back to its current position. At worst, there is a real possibility that the company will be forced out of business as a result of the costs associated with a name change.

From the evidence presented at the hearing, the Court is not persuaded that Alltel and Actel will directly compete with each other in any serious manner during the next few months. There is currently little overlap between services offered by Alltel and those offered by Actel in this region. As discussed above, Actel offers only three services--local wire line service, long distance wire line service and bulk IP. Of those three services, Alltel currently offers only long distance wire line service. [FN5] The thrust of Actel's business is what is referred to as "POTS", or plain old telephone service. In contrast, Alltel's focus is geared toward information age technology--wireless telephone service, paging, and internet access. Alltel's marketing appears directed at retail sales, although it does have an outside sales force, while Actel plans only direct sales to businesses.

At the hearing, Alltel offered evidence of several incidents which it contends illustrates actual consumer confusion between Alltel and Actel. First, through its vice-president, Harry Bruns, and its retail sales manager, Page Howell, Alltel presented evidence that it had received "dozens" of communications, including telephone calls and misdirected mail, intended for Actel. These incidents were reported to Bruns and Howell by other employees. Neither Bruns nor Howell had actually received any of these calls or the mail, and they had no explanation as to why they Actel's calls and mail were directed to Alltel.

*3 Ms. Howell also testified to an incident that occurred at a Chamber of Commerce function when a man approached her with an Actel business card. The man held the card up and said "Actel, Alltel. They sound kind of similar." The man told Howell that his son-in-law worked for Actel. At that same meeting, Howell had a conversation with an Actel employee about whether or not the two companies would be offering the same services, i.e., wireline, or dial tone, service.

Howell also testified that she encountered some confusion about the two companies when she went to a local office equipment supply company, OEC. One of the OEC employees told Howell she was upset with Howell's boss because he would not return her telephone call. It turned out that the OEC employee was trying to sell office furniture to Actel, rather than Alltel, and that it was someone at Actel who had failed to call her back. According to Howell, OEC was one of her customers when she worked for other telecommunications companies, and she considers it to be a potential Alltel customer.

Finally, Ms. Howell testified that someone she knew called her to find out if Alltel was hiring. This person had seen an advertisement for Actel and called Howell believing that is was Alltel that was advertising for employees.

Another Alltel employee, Andrew Carl, testified that an a Chamber of Commerce meeting he spoke with Cindy McCrory, the business development manager of AMSTAFF Human Resources. When the two exchanged business cards, McCrory said, "I'm sorry. I thought you were Actel." She inquired whether Alltel was in the cellular business and told Carl that Actel was, too.

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Martha Gallahue, Alltel's marketing specialist, testified that she received a call from her former employer, a marketing firm, inquiring whether she worked for Actel or Alltel. The inquiry had something to do with competition among marketing firms for Actel's business. Gallahue also testified that a representative from a Chamber of Commerce publication called to say that another marketing firm had reserved advertising space for Alltel. Since the firm did not represent Alltel, Gallahue informed the woman that she was mistaken. Though the Chamber representative apparently did not say so directly, Gallahue believed that the space had been reserved for Actel.

Several employees at Alltel's retail stores also testified about customer confusion. One testified that a customer came in and said he had previously had service with Actel and wanted it again. She told him they were Alltel and gave him the information. Another Alltel employee testified that he heard "Actel Sports Cruiser" advertisements on the radio and that when he told his friends he was going to work for Alltel, they would say "Actel". This employee also testified that a woman came into the store and asked for a person by name. When he informed her that no one by that name worked there, she looked around and said, "I'm sorry. I am supposed to be at a meeting at Actel." Finally, a retail sales representative testified that when she was at a local tanning salon, an Actel employee came in, saw an Alltel advertisement and remarked that he should rip it down because the company was going to be Actel's competitor.

*4 Alltel also offered expert evidence to support its assertion that there is consumer confusion between the two companies. Dr. Robert Robicheaux, a professor of marketing, testified to the results of his focus group and a survey research conducted on the issue. On Monday, March 1, 1999, Robicheaux had Marketry, a marketing research firm in Birmingham, Alabama, assemble a group of seven people to discuss their views and opinions about the similarity of the names Alltel and Actel. According to Dr. Robicheaux's own testimony, a focus group does not yield statistically reliable information. Instead, the purpose of focus group research is to gain more in-depth understanding of the reasons behind consumer's opinions.

On March 2 and 3, 1999, Marketry conducted a random sample telephone survey of fifty households in the Mobile area. Although Dr. Robicheaux's conclusion from the survey was that there was confusion between the two companies, there were a number of obvious problems with that survey. First, the sample was very small, and the resulting margin of error was large--plus or minus 14%. Second, a disproportionate number (14 out of 50) of persons over the age of 65 were surveyed. Third, the question wording seems, to the Court, likely to elicit positive responses to confusion. [FN6] Finally, even Dr. Robicheaux himself ultimately admitted that the survey was one of "limited reliability."

II. Conclusions of Law

The Eleventh Circuit has noted that a "preliminary injunction is an extraordinary and drastic remedy not to be granted until the movant clearly carries his burden of persuasion as to the four prerequisites." Northeastern Florida Chapter of the Assoc. of General Contractors v. City of Jacksonville, 896 F.2d 1283, 1285 (11th Cir.1990) (emphasis added) (internal citations and quotations omitted). Those prerequisites are: "(1) a substantial likelihood of success on the merits; (2) a substantial threat of irreparable injury; (3) [movant's] own injury outweighs the injury to the nonmovant; and (4) the injunction would not disserve the public interest." Haitian Refugee Ctr., Inc. v. Baker, 949 F.2d 1109, 1110 (11th Cir.1991). However, the movant's failure to satisfy any of the four prerequisites precludes relief. Northeastern Florida Chapter, 896 F.2d at 1285. In this case, the Court is not persuaded that Alltel has proven any of the four prerequisites.

A. Likelihood of Success on the Merits

Alltel has asserted three claims against Actel--service mark infringement in violation of 15 U.S.C. § 1114, false designation of origin in violation of 15 U.S.C. § 1125(a) and service mark dilution in violation of 15 U.S.C. § 1125(c). The Court is not persuaded that Alltel has a substantial likelihood of success on the merits of any of these claims.

1. Service Mark Infringement

Plaintiff's primary claim is that the defendant's use of the name "Actel" infringes upon its registered mark "Alltel". To prove a claim for infringement, plaintiff must establish "first, that its mark is valid and, second, that the defendant's use of the contested mark is likely to cause confusion. Dieter v. B & H Indus. of Southwest Florida, Inc., 880 F.2d 322, 326 (11th Cir.1989). There is no question that Alltel meets the first prong of its infringement claim. Once a mark has been registered for five years and declared

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incontestable with the United States Patent and Trademark Office, "its validity is conclusively presumed." Dieter, 880 F.2d at 326 & 328. Actel does not contest the validity of Alltel's mark.

*5 The crux of this case is whether there is a likelihood of confusion. The question is whether the defendant's mark " 'is likely to confuse an 'ordinary consumer' as to the source or sponsorship of the goods" ' Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia, Inc., 43 F.3d 922, 933 (4th Cir.1995) (quoting Anheuser-Busch, Inc. v. L & L Wings, Inc., 962 F.2d 316, 318 (4th Cir.1992)). The Eleventh Circuit has identified seven factors to consider in determining whether a likelihood of confusion exists: (1) type of mark, (2) similarity of mark, (3) similarity of the products the marks represent, (4) similarity of the parties' retail outlets and customers, (5) similarity of advertising media used, (6) defendant's intent and (7) actual confusion. Dieter, 880 F.2d at 326. "Of these factors, the type of mark and the evidence of actual confusion are the most important in this circuit." Id.

In Dieter the Eleventh Circuit held that "the incontestable status of a mark is a factor to be taken into consideration in likelihood of confusion analysis" and that an incontestable mark is "presumed to be ... a relatively strong mark." Id. at 329. Because of this presumption, Alltel argues that no evidence offered by Actel regarding the strength of the mark should be taken into consideration. However, presumptions generally can be rebutted or overcome. In fact, in Data Concepts, Inc. v. Digital Consulting, Inc., 150 F.3d 620 (6th Cir.1998), the only other circuit to adopt the presumption that a valid mark is presumed to be strong, [FN7] held that trial court erred in failing to consider evidence of third party usage of the mark and "whether [defendant's evidence] overcame the presumption that [plaintiff's mark] was a strong mark." Id. at 625.

Actel has presented evidence that a number of companies use names similar to Alltel. At least ten companies use similar marks--Actel Corp. (not the defendant), Accutel, Airtel, Alcatel, Antel (2 users), Arctel, Autel, Axtell and Pactel. In the Court's opinion, the existence of this many companies with similar names undermines Alltel's presumption of a strong mark. [FN8] At most, the Court finds that this factor, i.e., the type of mark, is neutral.

The next factor--similarity of the marks--favors Actel. Similarity is determined by considering the overall impression created by the marks. Jellibeans, Inc. v. Skating Clubs of Georgia, 716 F.2d 833, 842 (11th Cir.1983). "This consideration includes a comparison of the appearance, sound and meaning of the marks as well as the manner in which the marks are used." Ross Bicycles, Inc. v. Cycles USA, Inc., 765 F.2d 1502, 1507 (11th Cir.1985). Use of an identical word is not dispositive, especially if the word would naturally be used in association with a particular product. Freedom Savings & Loan Ass'n v. Way, 757 F.2d 1176 (11th Cir.1985).

Alltel and Actel do share some obvious similarities, but those similarities are not sufficient to cause any likelihood of confusion. Both begin with the letter "a", both have two syllables and the second syllable "tel" is the same in both. However, the suffix "tel" is one commonly associated with the telecommunications industry, so that similarity is of minimal importance. The first syllables of each word--"ac" and "all"--do not sound alike. Further, the overall effect of the two words is quite different. The term "all" invokes images of precisely what Alltel does--providing all-encompassing telecommunications services on one bill. The term "ac" was meant to, and does, invoke the image of "active", i.e ., an active telecommunications company. Finally, the company logos are distinct. Alltel uses all capital letters while Actel uses all lowercase letters.

*6 Actel concedes that the similarity of the parties' services is a factor that favors Alltel. While Alltel's services are far broader than Actel's, Alltel currently offers wireline local and long distance services in other areas and plans to do so, if it does not already, in Mobile. [FN9]

The next factor--similarity of customers and facilities--favors Actel. Unlike Alltel, which advertises heavily to the retail market, Actel has no retail outlets. Therefore, customers will not walk into an Actel store when they mean to be going to Alltel. Actel plans to sell its product directly to small- to medium-sized businesses. Alltel also has an outside sales force through which it intends to solicit business customers. Although the two share this customer base, businesses are more discerning than the average consumer and should be able to make an informed choice between the two. This is especially true when the product will be identified with a sales person who calls on the business, rather than the logo or advertisement of a retail store.

There is some similarity in the advertising methods

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used by the two. Both use radio and television advertisements. However, Actel's only television advertisement is the sponsorship of a weather report on a New Orleans station. Its only radio advertisement is sponsorship of the local sports radio station's "Actel Sports Cruiser". In contrast, Alltel has engaged in extensive television, newspaper and radio advertisements in the Mobile market, and Alltel's advertising budget for the Mobile area is almost ten times greater than Actel's. The Court finds that this factor favors Actel.

The defendant's intent is another factor relevant to the issue of confusion. There is no evidence that Actel chose its name in an attempt to capitalize on Alltel's mark. See Ross Bicycles, 765 F .2d at 1508 (deliberate intent to capitalize on another's name is important consideration). Here, Actel's name was derived from the name of another company within the Murdock family. The company conducted a search and registered the name. These facts indicate that there was no malicious intent on the part of Actel. Id. (trademark search is evidence of good faith). Consequently, the defendant's intent weighs in Actel's favor.

The final issue is whether there has been actual confusion among potential customers. In examining this issue, the Court should consider "the time period in question and how extensively the product is advertised or made known to the public, as well as the type of confusion that exists and who suffers the confusion." Jellibeans, 716 F.2d at 844. Survey research may be probative evidence of actual confusion. Id. at 843-45. When it comes to actual confusion the ultimate question is whether the evidence demonstrates that an ordinary customer was confused about the source or sponsorship of the goods or services. Cf. Lone Star Steakhouse, 43 F.3d at 933. Taking all of these factors into consideration, Alltel's evidence does not demonstrate that any ordinary consumer of the services offered by the two companies was actually confused about which company supplied those services.

*7 Alltel's evidence that it received telephone calls and mail meant for Actel is not probative for two reasons. First, most of it is rank hearsay. Neither Bruns nor Howell actually received any of the calls or saw the mail. Second, there is no evidence as to how these calls and letter were misdirected. These mistakes could easily have been the result of carelessness on the part of directory assistance or the post office.

Several of the encounters testified about amounted to nothing more than comments or inquiries about the company. The man who approached Howell at the Chamber of Commerce obviously knew the difference between the two companies because his son-in-law worked for Actel, and he commented only that the names "sounded kind of similar." Cindy McCrory, the AMSTAFF manager who spoke to Carl at the Chamber of Commerce meeting, said only that she though he was Actel. She did not indicate that she did not know the difference between the two. Similarly, Ms. Howell's experience at OEC does not indicate that the woman at OEC did not know the difference between Actel and Alltel or their services. She just did not know which of the two Howell worked for. Likewise, other incidents testified about--such as the Chamber of Commerce mistake about reserving advertising space for Alltel and a person walking into Alltel when she had an appointment at Actel--do not demonstrate that the person did not know the difference between the two companies and their services.

In discounting the probative value of the confusion evidence plaintiff has proffered, it is important to consider that there has been virtually no opportunity for product identity to have developed among consumers. Of the two companies, only Alltel has actually opened for business in this area. Neither company had begun to develop a business in Mobile until October 1998, less than six months ago. [FN10] Actel has had very limited advertising, and Alltel did not begin its advertising until about February 22, 1998, the date it opened its retail stores in Mobile. Most of the confusion testimony relates to incidents that took place before there was any advertising or any Alltel retail outlet in Mobile. Consequently, the vast majority of people in Mobile likely know nothing about either Alltel or Actel or the products or services offered by either company. Logically, one would have to know something about one company's services to confuse them with those of another company.

Although survey evidence is considered relevant in determining whether there is a likelihood of confusion, the survey proffered by the plaintiff in this case was of little evidentiary value. The results simply were not reliable. The sample was too small, the margin of error too large and the sample not representative of the population surveyed. Furthermore, the survey universe was not limited to the likely users of the common services to be offered by both companies, i.e., business people. See Amstar

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Corp. v. Domino's Pizza, Inc., 615 F.2d 252 (5th Cir.1980) (discounting evidentiary value of survey because survey universe was not limited to likely users of the product).

***8** In sum, of the seven factors to be considered, only one--similarity of services--actually weighs in favor of Alltel. The remaining factors either favor Actel or are neutral. Consequently, Alltel has failed to persuade the Court that there is a the likelihood of confusion between the two companies.

2. False Designation

Likelihood of confusion is also a key element of plaintiff's claim for false designation of origin under 15 U.S.C. § 1125(a). See Boston Prof. Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc., 510 F.2d 1004, 1012 (5th Cir.1975). Therefore, plaintiff's failure to prove a likelihood of confusion is also fatal to its false designation claim.

3. Service Mark Dilution

" 'Dilution' is defined as 'the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion mistake or deception." ' Panavision Internat'l, L.P. v. Toeppen, 141 F.3d 1316, 1326 (9th Cir.1998) (quoting 15 U.S.C. § 1127). To succeed on its claim for service mark dilution under 15 U.S.C. § 1125(c), plaintiff must prove that its service is famous within the meaning of the statute. The following factors are relevant in determining whether a mark is famous and, therefore, deserving of protection from dilution: (i) the degree of inherent or acquired distinctiveness; (ii) the duration and extent of use of the mark; (iii) the duration and extent of advertising and publicity; (iv) the geographical extent of the area in which the mark is used; (v) the channels of trade in which the mark is used; (vi) the degree of recognition of the mark in the areas and channels of trade used by the owner and the entity allegedly diluting the mark; and (vii) the nature and extent of use of the same or similar marks by third parties; and (viii) whether the mark is registered on the principal register. 15 U.S.C. § 1125(c)(1).

"Few marks are ever famous [and] the short life of a plaintiff's mark makes it highly unlikely that the mark has become ingrained in the collective mind of consumers..." Lane Capital Management, Inc. v. Lane Capital Management, Inc., 15 F.Supp.2d 389, 400 (S.D .N.Y.1998). Alltel's superficial discussion of the factors set forth above, underscores the Lane court's observation. Basically, Alltel contends that its mark is famous because it is strong and distinctive and Alltel has engaged in substantial advertising. However, there is no evidence regarding the mark's distinctiveness, the duration and extent of the use of the mark, the geographical area in which the mark is used, or the degree of recognition of the mark. Based on the evidence presented, the Court cannot conclude that the mark is famous. Consequently, plaintiff has failed to establish a substantial likelihood of success on the dilution claim.

B. Irreparable Injury

***9** Alltel contends that it has proven irreparable injury by proving a substantial likelihood of confusion. See McDonald's Corp. v. Robertson, 147 F.3d 1301, 1310 (11th Cir.1998) (sufficiently strong showing of likelihood of confusion constitutes proof of irreparable injury). Because the Court has not found a likelihood of confusion, Alltel's proof of irreparable injury also falls short.

C. Balance of Harms

The balance of harms very clearly weighs in favor of the defendant, Actel. Although Actel is a new company, it already has a considerable investment in its name. It has spent a substantial amount of its limited resources on advertising, marketing and start-up costs using the name "Actel". Actel has a sales force ready to sell, billboards waiting for advertisements and customers waiting to sign contracts. If the company is prevented from using the name, then several months work will be lost. Start up will be delayed as the company goes through the naming process once again, [FN11] then reworks its logo and advertising. Customers cannot be signed until the company has a name. Advertising dollars, many of which are already committed, will be wasted until a new name has been approved. Most importantly, as a start-up company it is highly possible that the costs associated with these unplanned expenditures will force the company out of business before it ever has a chance to get off the ground.

In contrast, Alltel's injury is loss of reputation, trade and goodwill which arises from the likelihood of confusion of the products. [FN12] McDonald's, 147 F.3d at 1314. Although such injury cannot be quantified, the threat is minimal in this case, given the

current lack of overlap in competition between Alltel and Actel. At worst, Alltel will suffer injury from confusion with Actel in only one small segment of its current market--providing wireline long distance to businesses in the Mobile area. Furthermore, Alltel is a large, well-financed corporation that operates in many markets. Consequently, any damage that may result from customer confusion in the Mobile market during the course of these proceedings will not have a significant impact on the company.

D. Public Interest

In addition to the greater harm that would befall Actel, the public interest would not be served by a preliminary injunction. While some courts have defined the public interest in a trademark case as the public's right not to be deceived or confused, e.g., Pappan Enterprises v. Hardee's Food Systems, Inc., 143 F.3d 800, 807 (3d Cir.1998), others have recognized a countervailing public interest in free competition, low prices and avoiding monopolies. E.g., August Storck K.G. v. Nabisco, Inc., 59 F.3d 616, 619 (7th Cir.1995); Calvin Klein Cosmetics Corp. v. Lenox Laboratories, Inc., 815 F.2d 500, 505 (8th Cir.1987). Here, plaintiff has offered nothing that would persuade the Court that the former outweighs the latter. Whether Actel competes directly with Alltel or with other companies, the effect of a preliminary injunction would be to prevent competition. An injunction would keep Actel completely out of competition for a number of months, if not altogether. To prevent a small company from competing on the chance that some consumers in a small segment of the market might confuse it with a much larger potential competitor serves no public interest.

Conclusion

*10 For the reasons set forth above, the Court finds that the plaintiff has failed to meet its burden of proving each of the prerequisites necessary to obtain preliminary injunctive relief. Accordingly, it is ORDERED that the motion for a preliminary injunction be and hereby is DENIED.

FN1. In 1990 Alltel filed an affidavit with the United States Patent and Trademark Office establishing the incontestability of its trademark.

FN2. According to Beck, the phrase "Ac" was meant to invoke the word "active". Consequently, the word "active" has been used in branding products to be offered by Actel, such as "Active Link" and "Active Choice".

FN3. Actel's total 1999 advertising and marketing budget for Mobile and New Orleans is $860,000. Of this, $375,000 is reserved for the Mobile market.

FN4. "Slamming" is when a consumer's long distance service is changed from one company to another without the consumer's knowledge and approval.

FN5. Alltel's regional vice-president, Harry Bruns, testified that Alltel plans to offer local exchange service in the future. Bruns also testified that Alltel currently offers internet access, although it is not at all clear that this service directly competes with Actel's Bulk IP service. Offering internet access could mean at least two things. It could mean that Alltel is an internet service provider, linking individual consumers to the internet access provider. Alternatively, it could mean that Alltel itself is the internet access provider. Alltel would compete with Actel in the latter situation but not in the former. Perhaps there are possibilities for providing internet access as well.

FN6. For instance, respondents were given the names "Alltel" and "Actel" and asked whether they strongly agreed, agreed, disagreed or strongly disagreed with the following statements: "The names sound too much alike." It would be easy to confuse names sounding ..." "Competing companies should not have names that sound too much alike."

FN7. Such a presumption has been rejected by most circuits, see, e .g., Lone Star Steakhouse, 43 F.3d at 934 (collecting cases) and criticized by commentators. See 4A Callman, Unfair Competition, Trademarks and Monopolies § 25.08 (4th ed.1983); 1 Gilson, Trademark Protection and Practice § 2.01 (1994).

FN8. Alltel argues that this evidence is not probative because the companies, with one exception, are in different classifications, apparently meaning that they not operate in the same industry. However, the court's discussion in Data Concepts implies that this is immaterial. Data Concepts, 150 F.3d at 625 n. 2 (discussing numerous diverse internet cites using same mark as plaintiff's).

FN9. It was not entirely clear from the testimony at the hearing whether the same type of internet access service is offered by the two companies.

FN10. Actel actually was in existence before then but did not adopt its name until late October.

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FN11. The testimony at the hearing established that naming a company is not a simple process but a rather complicated one involving trademark searches and registrations applications. It involves more than simply coming up with a new logo and painting it on the sports cruiser.

FN12. The Court assumes for the purposes of argument that there is likelihood of confusion but makes no finding as to this issue.

END OF DOCUMENT

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C

FINANCIAL QUALIFICATIONS

Exhibit "C"

1509 Government Street
Suite 300
Mobile, Alabama 36604

As of 02/28/99

BALANCE SHEET

Account	Account Name	General Acct	Detail Acct
1	Assets	880569.30	
11	Current Assets	50643.73	
1101	Cash	1260.00	
11011	Petty Cash		1260.00
1102	Cash In Banks	49383.73	
11021	Compass Bank-Operating		48293.54
11022	Compass Bank-Payroll		100.00
11023	Compass Bank-Money Mkt.		990.19
12	Fixed Assets	474988.60	
1202	Furniture & Fixtures	21363.19	
120201-01	Furn & Fix-Orig Value-Crp		18432.99
120201-03	Furn & Fix-Orig Val-NOLA		3578.71
120202-01	Accum Dep-Furn & Fix-Corp		-623.52
120202-03	Accum Dep-Furn & Fix-NOLA		-24.99
1204	Office Equipment	3076.58	
120401-01	Ofc Equip-Orig Val-Corp		3296.34
120402-01	Accum Dep-Ofc Equip-Corp		-219.76
1205	Inside Plant Equip.	207008.32	
1^^501-02	Inside Plant-OriVal-Mob		208953.68
1 ,02-02	Accum Dep-Inside Plnt-Mob		-1945.36
1206	Outside Plant Equip.	10552.85	
120601-01	Outside Plant-OriVal-Corp		10552.85
1208	MIS Equipment	232987.66	
120801-01	MIS Equip-OriVal-Corp		233404.44
120801-03	MIS Equip-OriVal-NOLA		2501.50
120802-01	Accum Dep-MIS Eq-Corp		-2751.52
120802-03	Accum Dep-MIS Eq-NOLA		-166.76
13	Deferred Assets	158036.37	
1301	Leasehold Improvements	95793.39	
13011	Orig Value -Lease Improve		100102.04
13012	Accum. Amort.- Lease		-4308.65
1302	Tariffs & Certifications	62242.98	
13023-01	Orig Val-Tarif & Cert-Crp		66465.97
13023-02	Orig Val-Tarif & Cert-Oth		0.00
13024-01	Accum Amort-Def Tariff-AL		-4222.99
14	Other Assets	196900.60	
1401	Deposits	196900.60	
14012	Lease Deposit		1500.00
14014	Switch Equip. Deposit		177000.00
14015	Other Equipment Deposit		18400.60
	Total Assets		880569.30

AcTel Ingegrated Communications, Inc.
1509 Government Street
Suite 300
Mobile, Alabama 36604

As of 02/28/99

BALANCE SHEET

Account	Account Name	General Acct	Detail Acct
2	Liabilities	408670.60	
21	Short Term Liabilities	408670.60	
2101	Accounts Payable	370340.42	
21011	Accounts Payable - Vendor		370340.42
2104	Taxes Payable	38330.18	
21041	Payroll Taxes Payable	38330.18	
210411	Federal Payroll Taxes		14885.99
210412	State Payroll Tax W/Held		2800.46
2104125	State P/R Taxes W/H-LA		520.89
210413	FICA Payable		11342.20
210414	Medicare Payable		2652.58
210415	FUTA		3297.15
210416	SUTA		2830.91
22	Long Term Liabilities	0.00	
22011	Due to ATN		0.00
	Total Liabilities		408670.60
3	Stockholders Equity	1079079.32	
31	Capital Stock	1079079.32	
3101	Preferred Stock	1078069.32	
31011	SERIES A		1078069.32
3102	Common Stock	1010.00	
31021	Par Value		10.00
31022	Paid In Excess Of Par		1000.00
	Previous Year Earnings		-279056.19
	Current Year Earnings		-328124.43
	Total Equity		471898.70
	Total Liabilities plus Equity		880569.30

[?]cTel Ingegrated Communications, Inc.
1509 Government Street
Suite 300
Mobile, Alabama 36604

From 01/01/99 to 02/28/99

INCOME STATEMENT

Account	Account Name	This Period General Acct	This Period Detail Acct	Year to Date General Acct	Year to Date Detail Acct
4	Revenues	1.60		2.69	
43	Financial Income	1.60		2.69	
4301	Interest From Investments		1.60		2.69
	Total Revenue		1.60		2.69
5	Total Expenses	187255.25		328127.12	
51	Cost of Goods Sold	1400.00		2565.60	
5101	COGS: Dept 01		750.00		750.00
5105	COGS: DEPT 02		0.00		515.60
5109	COGS: ACCESS FEES		650.00		1300.00
52	General & Admin. Expenses	185791.12		325375.65	
5201	Payroll Expense	109900.27		199507.39	
52011	Wages	93519.97		169269.93	
520111	Salaries		89968.87		164218.83
520114	Bonuses		0.00		1500.00
520115	Contract Labor		0.00		0.00
520115-03	Contract Labor (BEAM)		3333.34		3333.34
520117	COMMISSIONS		1500.00		3000.00
520118	RELOCATION FEES		217.76		217.76
52012	Co. Sponsored Benifits	3888.60		8202.30	
520121	Health/Dental Insurance		0.00		0.00
520121-01	HEALTH/DENTAL INS (AL)		2510.16		5689.88
520121-02	HEALTH/DENTAL INS (NO)		1378.44		2512.42
52013	Payroll Taxes	10991.70		19035.16	
520131	FICA Employer		6997.39		12907.06
520132	FUTA		2733.82		3297.15
520133	SUTA		1260.49		2830.95
5202	Maintenance	480.42		1500.97	
52022	Furn. & Fixtures Maint.		0.00		0.00
52025	Office Equipment Maint.		480.42		1500.97
5203	Depreciation	1664.08		4013.45	
520302-01	Furn & Fix Dep-Corp		307.22		614.44
520302-03	Furn & Fix Depr-NOLA		8.33		16.66
520304-01	Ofc Equip Dep-Corp		54.94		109.88
520305-02	Inside Plant Depr-Mob		374.58		1434.45
520308-01	MIS Equip-Depr Exp-Corp		877.32		1754.64
520308-03	MIS Equip Depr-NOLA		41.69		83.38
5204	Amortization	2781.68		5438.87	
52041	Leasehold Improvements		1671.70		3255.50
52043	TARIFF & CERT AMORT		1109.98		2183.37
5205	Rents & Leases	5214.85		7058.43	
52051	Vehicle Lease		0.00		0.00
52055	Office Equipment Lease		5214.85		7058.43
52056	Diag. Equipment Lease		0.00		0.00

AcTel Ingegrated Communications, Inc.
1509 Government Street
Suite 300
Mobile, Alabama 36604

From 01/01/99 to 02/28/99

INCOME STATEMENT

Account	Account Name	This Period General Acct	This Period Detail Acct	Year to Date General Acct	Year to Date Detail Acct
5207	Travel & Entertainment	14474.87		23202.23	
52071	Lodging		0.00		0.00
52071-01	LODGING (AL)		1550.79		2609.52
52071-02	LODGING (NO)		494.48		494.48
52071-04	LODGING (BR)		53.77		53.77
52072	Transportation (corp)		2854.33		3854.33
52072-01	TRANSPORTATION (AL)		4345.10		6581.24
52072-02	TRANSPORTATION (NO)		2555.65		3600.36
52072-03	TRANSPORTATION)BHAM)		378.02		378.02
52073	Meals		0.00		1805.68
52073-01	MEALS (AL)		953.47		1794.33
52073-02	MEALS (NO)		556.37		669.62
52073-03	MEALS (BHAM)		37.30		37.30
52074	Entertainment		0.00		0.00
52074-01	ENTERTAINMENT (AL)		545.59		1173.58
52074-02	ENTERTAINMENT (NO)		150.00		150.00
5208	Shipping	461.50		603.00	
52082	Federal Express		461.50		603.00
5210	Consulting Fee	8324.45		12862.59	
52103	Legal		0.00		0.00
52103-01	LEGAL FEES (AL)		0.00		685.90
52104	Consulting/Employment Ser		8324.45		12176.69
5211	Overhead Expenses	6672.78		18015.98	
52111	Office Supplies		1114.44		2495.41
52111-01	OFFICE SUPPLIES (AL)		91.70		771.57
52111-02	OFFICE SUPPLIES (NO)		620.35		620.35
521111	PRINTING EXPENSE		717.36		1126.85
521111-01	PRINTING EXPENSE (AL)		292.55		292.55
52112-01	TELEPHONE EXP (AL)		359.99		939.02
52112-02	TELEPHONE EXP (NO)		150.00		352.99
52112-03	TELEPHONE EXP (BHAM)		77.79		77.79
521121-01	CELLULAR PHONE EXP (AL)		1651.33		3160.97
521121-02	CELLULAR PHONE EXP (NO)		50.00		50.00
521121-03	Cellular Phone Exp (Bham)		77.79		77.79
521122-01	PAGING EXP (AL)		0.00		123.62
521122-02	PAGING EXP (NO)		34.78		34.78
521123	Radiofone paging		343.52		670.69
52113	Mail/Postage		30.00		30.00
52113-03	MAIL/POSTAGE (BHAM)		30.00		30.00
52116	Licenses / Permits		0.00		427.19
52119	Dumpster/Waste Removal		611.68		909.91
5212	Miscellaneous Expenses		0.00		0.00
52120	MEMBERSHIP		419.50		824.50
52121	CORP OH ALLOCATIONS		0.00		5000.00
52122	DONATIONS/CHAR CONTRIB		0.00		0.00

AcTel Ingegrated Communications, Inc.
1509 Government Street
Suite 300
Mobile, Alabama 36604

From 01/01/99 to 02/28/99

INCOME STATEMENT

Account	Account Name	This Period General Acct	This Period Detail Acct	Year to Date General Acct	Year to Date Detail Acct
5214	Continued Education	419.00		2659.00	
52142	EMPLOYEE TRAINING		419.00		2659.00
5215	Advertising	35397.22		50513.74	
52151	Newspaper Ad		1166.60		1283.12
52152	Yellow Page Ad		0.00		0.00
52153	Other Advertising		16800.00		16800.00
52154	PROMOTIONAL		16605.62		31605.62
52155	RADIO ADVERTISING		0.00		0.00
52156	TELEVISION ADVERTISING		825.00		825.00
53	Financial Expenses	64.13		185.87	
5302-01	FINANCE CHARGES		21.63		21.63
5303	Bank Charges		42.50		164.24
	Total Expenses		187255.25		328127.12
	NET INCOME		-187253.65		-328124.43

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Originator-Name: webmaster@www.sec.gov
Originator-Key-Asymmetric:
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(Mark One)

[x] Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 1998.

[ ] Transition Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ___ to ____.

Commission file number 000-21463

Murdock Communications Corporation

(Exact name of small business issuer as specified in its charter)

Iowa	42-1337746
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1112 29th Avenue S.W., Cedar Rapids, Iowa	52404
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: 319-362-6900

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
NA	NA

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, No Par Value

(Title of class)

Redeemable Common Stock Purchase Warrants

(Title of class)

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

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

State the issuer's revenues for its most recent fiscal year. $33,988,099.

The aggregate market value of the common stock held by nonaffiliates of the issuer as of March 15, 1999 was $17,941,805. Shares of common stock held by any executive officer or director of the issuer and any person who beneficially

owns 10% or more of the outstanding common stock have been excluded from this computation because such persons may be deemed to be affiliates. This determination of affiliate status is not a conclusive determination for other purposes.

On March 15, 1999, there were outstanding 10,329,867 shares of the issuer's no par value common stock.

Transitional Small Business Disclosure Format (check one):
Yes ___ No X

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 1999 Annual Meeting of the Shareholders of the issuer are incorporated by reference into Part III of this report.

PART I

Unless indicated otherwise, the information in this report with respect to Murdock Communications Corporation and its subsidiaries ("MCC" or the "Company") gives effect to (i) the acquisition (the "PIC Acquisition") by MCC on October 31, 1997 of two affiliated companies, Priority International Communications, Inc. ("PIC") and PIC Resources Corp. ("PIC Resources"), and PIC Resources' wholly owned subsidiary ATN Communications, Inc. ("ATN"), and (ii) the acquisition (the "Incomex Acquisition") by MCC on February 13, 1998 of Incomex, Inc. ("Incomex"). Effective January 1, 1999, PIC Resources was merged into PIC, and all references in this report to "PIC" include PIC Resources and ATN.

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

MCC is a provider of operator services and call processing to North American payphones, hotels and institutions, database profit management services and telecommunications billing and collection services for the hospitality industry, outsourced operator services for the telecommunications industry, and telecommunications systems and services to the lodging industry. Through a series of acquisitions and new product developments, the Company has transformed itself during 1998 from a reseller of AT&T network services to U.S. hotels to a provider of a wide range of complementary telecommunications services in North America. The Company operates through three principal business units:

- Murdock Technology Services ("MTS") is a division of the Company which provides database profit management services and other telecommunications management and consulting services;
- PIC and ATN (collectively, "PIC/ATN") are wholly owned subsidiaries of the Company which provide operator services, call processing and related valued added services; and
- Incomex is a wholly owned subsidiary of the Company which provides billing and collection services for calls to the United States from resort hotels in Mexico.

MCC was incorporated as an Iowa corporation in 1989.

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THE COMPANY'S PRINCIPAL BUSINESS UNITS

MURDOCK TECHNOLOGY SERVICES. MTS was formed as a division of the Company in 1998 to provide database profit management services and other value added services to the hospitality telecommunications management market.

MTS's principal product, the MCC Telemanager(TM), is a proprietary software and hardware product created to help manage telecommunication installations and services in the hospitality market. The Telemanager was introduced to the market in September 1997 and there were 174 units installed as of December 31, 1998 as compared to 80 units as of December 31, 1997. The Telemanager uses proprietary computer software to monitor telephone activity at a hotel and enable the hotel to identify problems and opportunities for revenue growth by producing reports reflecting an analysis of the costs and revenues derived from the hotel's telecommunications system. The Telemanager provides the Company's customers with information regarding the hotel's telecommunications system in management reports which are easy to read and understand by persons lacking specialized expertise in telecommunications. MTS generates this information by remotely accessing information from the customer's premise-based call processing equipment. The information is then analyzed based on proprietary computer software programs developed by MCC. The results of this analysis are summarized in reports and graphs that are remotely transmitted to the customer. The Telemanager generates revenues through a one-time fee for the initial installation and audit and a monthly service fee.

The Company has initially focused its marketing of the Telemanager to the North American hospitality industry with special emphasis toward hotels which participated in the AT&T Lodging Partnership program, hotels and resorts in Mexico under contract with Incomex and hotels using the Company's operator services. In future periods, the Company anticipates expanding the market for the MCC Telemanager and its other telecommunications consulting services outside of the hospitality industry to include other businesses. See "Forward-Looking Statements."

MTS is the successor to the Company's historical operating unit which marketed AT&T operator services to the hospitality market through the AT&T Lodging Partnership. The Company and AT&T terminated the Lodging Partnership arrangement in the fourth quarter of 1998. See "Recent Developments - Termination of AT&T Lodging Partnership" below. MTS also continues to offer one-plus long distance services and automated call processing services ("OSP Services") on a limited basis and telecommunications equipment to its customers in the hospitality industry.

PIC/ATN OPERATOR SERVICES. PIC/ATN offers telecommunications services to payphone operators, consumer service providers, hotels and other

<PAGE> 5

institutions in the United States and Mexico. PIC and ATN operate in concert to provide marketing, service delivery and customer support for owners and aggregators of telecommunications services. PIC/ATN provides both live operator services and automated call processing services. The operator center, located in Mobile, Alabama, features 50 live operator stations and automated call platforms currently generating approximately 220,000 completed calls and 2 million minutes

monthly. PIC/ATN also offers credit card billing services, automated collection and messaging delivery services, voice mail services and telecommunications consulting. At December 31, 1998, PIC/ATN provided telecommunications services to and maintained site contracts with approximately 207 customers throughout the United States, compared to 257 customers at December 31, 1997. Each customer may represent from one to 2,000 telephone numbers that are processed by PIC/ATN. The total size of PIC's database increased substantially in 1998 to approximately 17,000 telephone numbers at December 31, 1998.

INCOMEX TELECOMMUNICATIONS SERVICES. Incomex contracts with Mexican resort hotels to provide billing and collection services for calls to the United States. As of December 31, 1998, Incomex provided telecommunications services to more than 95 hotel and motel resort properties representing approximately 15,000 rooms, compared to approximately 80 hotel and motel resort properties representing approximately 10,600 rooms at February 13, 1998. Incomex's target market includes 1,300 Mexican resort hotels representing approximately 325,000 rooms. Incomex offers value added customer services, training and technology to enhance the profitability of the telephone departments of Mexican resort hotels.

RECENT DEVELOPMENTS

TERMINATION OF AT&T LODGING PARTNERSHIP. In light of the declining call volumes and narrow profit margins experienced by the Company under the Lodging Partnership with AT&T, the Company and AT&T agreed to terminate the Lodging Partnership arrangement effective October 15, 1998. AT&T agreed to purchase all of the customer contracts under the Lodging Partnership and to directly manage the existing customers under the contracts. As a result, the Company recorded a one-time gain in the fourth quarter of $453,396. Revenues to the Company from the AT&T agreement ended in the fourth quarter of 1998.

PIC EARN-OUT SETTLEMENT. The Company's agreement for the PIC Acquisition contained an earn-out provision (the "PIC Earn-Out") which required that the Company issue additional shares of Common Stock to the former shareholders of PIC to the extent that the combined earnings before interest, taxes, depreciation and amortization ("EBITDA") of PIC for either of the first two full twelve-month periods after closing exceeds $1,000,000. Shares of Common Stock with a market value of $1.25 per share based on average trading value would be issued for each dollar of EBITDA over $1,000,000 during either of the twelve-month periods. In December 1998, the Company and the former shareholders of PIC agreed to settle the PIC Earn-Out based on historical and projected financial information with respect to PIC. Pursuant to the settlement, the Company issued an aggregate of 2,300,000 shares of Common Stock to the former shareholders of

PIC in December 1998. The Company agreed to file a registration statement covering these shares following the filing of this Form 10-KSB.

The Company also agreed with two of the former PIC shareholders who had received promissory notes (the "PIC Notes") pursuant to the PIC Acquisition that the PIC Notes would bear interest at an annual rate of 14% from the date of the settlement agreement. At December 31, 1998, an aggregate of $317,203 was outstanding under these notes. In January 1999, the notes were paid in full. The Company also entered into a deferred payment arrangement with Wayne Wright, one of the former PIC shareholders who is also a member of the Company's Board of Directors, pursuant to which Mr. Wright will receive $300,000 payable in 24 equal monthly installments commencing in January 1999.

INCOMEX EARN-OUT SETTLEMENT. The Company's agreement for the Incomex Acquisition contained an earn-out provision (the "Incomex Earn-Out") which required that the Company make a cash payment to the Incomex shareholders equal to 60% of Incomex's net income before income taxes ("IBT") during the period from February 1, 1998 through July 31, 1998, and issue additional shares of Common Stock at the end of each of the two periods of 12 consecutive full calendar months during the 24 month period beginning August 1, 1998 to the extent that Incomex's IBT exceeds $400,000 during either such 12 month period. Shares of Common Stock with a market value of $1.50 per share based on average trading value would be issued for each dollar of IBT over $400,000 during either of the twelve month periods. In December 1998, the Company and the shareholders of Incomex agreed to settle the Incomex Earn-Out based on historical and projected financial information with respect to Incomex. Pursuant to the settlement, the Company agreed to issue an aggregate of 1,500,000 shares of Common Stock to the shareholders of Incomex and cash consideration in the amount of $861,432. Each Incomex shareholder could elect to receive the cash consideration in the form of either an immediate cash payment or the issuance of a note and warrants. The notes (the "Incomex Notes") bear interest at an annual rate of 14% and all interest and principal on the Incomex Notes are due on November 15, 1999. Warrants (the "Incomex Warrants") to purchase 200 shares of Common Stock at an exercise price of $3.25 per share were issued for each $1,000 of principal under the Incomex Notes. In December 1998, the Company committed to make cash payments of $84,515 (excluding a prior advance of $32,000) and issued Incomex Notes in the aggregate principal amount of $744,917 and Incomex Warrants to purchase an aggregate of 155,384 shares of Common Stock. The Company also agreed with three of the former Incomex shareholders to issue $340,000 in notes payable due no later than April 1, 1999.

COMPETITION

Competition in the telecommunications industry is intense. PIC/ATN competes with numerous other providers of alternative operator services and call

processing services. PIC/ATN's customers, which include telephone owners and aggregators, are extremely attentive to the competitive environment and the competitive efforts of alternative operator service providers to acquire new customers. Incomex competes with several competitors who also focus on the hotel and payphone markets in Mexico. MTS competes with up to nine telecommunications consulting companies which target the lodging industry. The Company's operator and call processing services also compete with a variety of long distance interexchange carriers, including Sprint, MCI and AT&T. Each of the major long distance interexchange carriers provide callers with the ability to "dial around" payphones, hotel and other telephone systems by using special codes such as 10-ATT, 10-10 or 1-800 phone numbers. The Company believes that competition in its markets is based principally on price, quality, reliability and customer service. Each of the Company's business units may face competition from companies with greater financial, technical, marketing and other resources than the Company. There can be no assurance that the Company will be able to compete successfully in its markets.

SIGNIFICANT CUSTOMERS

Prior to 1998, the Company derived a substantial part of its revenues from the AT&T Lodging Partnership. The Company and AT&T terminated the Lodging Partnership arrangement in the fourth quarter of 1998. See "Recent Developments - - Termination of AT&T Lodging Partnership" above. During 1998, the Company derived approximately 12% and 24% of its revenues from two customers for

PIC/ATN's call processing services.

SALES AND MARKETING

The Company will seek to expand its business based on the development and delivery to its customers of value-added services, proprietary software technology and value-added equipment and management offerings.

VALUE-ADDED EQUIPMENT AND MANAGEMENT OFFERINGS. By including value-added equipment offerings as a part of its long distance offerings, MCC believes that it is able to meet the total telecommunications needs of payphone operators, hotel properties and other institutions and businesses more fully than either the interexchange carriers or the OSP Service companies. The Company offers its customers a single point of contact telecommunications management program.

MTS'S SALES FORCE. MTS has an internal sales staff which consisted of two full-time sales managers and one full-time sales agent as of December 31, 1998. This sales force generally concentrates on the largest management and franchise companies in the lodging industry. MTS also uses strategic relationships

with other lodging technology suppliers to market its management and consulting services.

PIC/ATN. PIC/ATN has an internal sales staff which consisted of three persons as of December 31, 1998. PIC/ATN's sales force concentrates its sales efforts on direct marketing and referral based marketing. PIC/ATN also participates in trade organizations to maintain its presence in the industry.

INCOMEX. Incomex has an internal sales staff which consisted of three persons as of December 31, 1998. Incomex's internal sales force is supplemented by six external sales agents.

INTELLECTUAL PROPERTY

The Company does not currently have any material patent or trademark registrations. The Company principally relies on trade secrets and proprietary know-how in the operation of its business.

REGULATION

OVERVIEW. The Company's services are subject to federal and state regulation. The Federal Communications Commission (the "FCC") exercises jurisdiction over all facilities of, and services offered by, telecommunications common carriers to the extent those facilities are used to provide, originate or terminate interstate or international communications. State regulatory commissions retain some jurisdiction over the same facilities and services to the extent they are used to originate or terminate intrastate common carrier communications. The Company holds various federal and state regulatory authorizations.

FEDERAL REGULATION. The Telecommunications Act of 1996 (the "Telecommunications Act") became effective February 8, 1996. The Telecommunications Act preempts state and local laws to the extent that they prevent competitive entry into the provision of any telecommunications service. Subject to this limitation, however, state and local governments retain most of their existing regulatory authority. The Telecommunications Act imposes a

variety of new duties on incumbent local exchange carriers in order to promote competition in local exchange and access services. The Company does not believe that the Telecommunications Act has had a significant effect on the Company's operations.

The Company also makes informational filings with the FCC with respect to all tariffs charged for OSP services. The FCC may request further information with respect to, or otherwise challenge, any tariffs that the FCC considers to be unreasonably high. As of December 31, 1998, the FCC had not commented on or challenged the Company's tariffs.

STATE REGULATION. The Company is also subject to various state laws and regulations. Most public utilities commissions subject alternative operator and call processing service providers such as the Company to some form of certification requirement, which requires providers to obtain authority from the state public utilities commission prior to the initiation of service. In most states, the Company also is required to file tariffs setting forth the terms, conditions and prices for services that are classified as intrastate (for example, inter-LATA calls that are within a single state). The Company also is required to update or amend its tariffs when it adjusts its rates or adds new products, and is subject to various reporting and record-keeping requirements. Accordingly, each time the Company changes its tariffs with respect to intrastate services, it must obtain the necessary regulatory approvals from the state. The length of time required to obtain certification or approval for a tariff varies from state to state, but generally does not exceed a period of between 90 days and 6 months.

Many states also require prior approval for transfers of control of certified carriers, corporate reorganizations, acquisitions of telecommunications operations, assignment of carrier assets, carrier stock offerings and incurrence by carriers of significant debt obligations. Certificates of authority can generally be conditioned, modified, canceled, terminated or revoked by state regulatory authorities for failure to comply with state laws and/or the rules, regulations and policies of state regulatory authorities. Fines or other penalties also may be imposed for such violations. There can be no assurance that state utilities commissions or third parties will not raise issues with regard to the Company's compliance with applicable laws or regulations.

EMPLOYEES

As of December 31, 1998, MCC had 124 full-time employees and 39 part-time employees, including 90 full-time employees and 39 part-time employees at PIC/ATN, five full-time and no part-time employees at Incomex and 26 full-time and no part-time employees at MTS. The Company believes its relationships with its employees are good. None of the Company's employees is subject to a collective bargaining agreement.

ITEM 2. DESCRIPTION OF PROPERTY

MCC maintains its principal business offices in Cedar Rapids, Iowa, where it owns and occupies approximately 8,000 square feet of combined office and warehouse space, subject to a first mortgage held by Venture Investments, an unrelated third party. The Company believes that this space is adequate for the Company's present needs.

The Company also has a Harris Model 2020 switching center in Mobile, Alabama, where it has purchased an office building with 33,000 square feet,

subject to a first mortgage held by Sunmed Management, Inc., of which 12,500 square feet is currently occupied.

The following sets forth certain information with respect to the significant facilities leased by the Company through PIC/ATN and Incomex.

<TABLE>
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LOCATION	APPROX. SQUARE FOOTAGE	CURRENT MONTHLY RENT	LESSOR
<S>	<C>	<C>	<C>
Austin, Texas	2,100	$3,240	Kucera
Huntington Beach, California	850	$1,223	MUAA, Inc.

</TABLE>

ITEM 3. LEGAL PROCEEDINGS

Incomex and EILCO Leasing Services, Inc. ("Eilco"), a creditor of Incomex, have commenced an arbitration proceeding to resolve a dispute regarding a loan agreement between Incomex and Eilco. Eilco claims that Incomex is in violation of certain covenants of the loan agreement, including provisions relating to certain obligations of Incomex to make payments to Eilco based on Incomex's income from telecommunications services provided to a group of hotels in Mexico. This matter is scheduled for an arbitration hearing on April 21, 1999. Eilco is seeking the amount due on the loan and additional damages which may be in excess of $1,000,000 plus legal fees. The Company's position is that it owes only the amount due on the loan. The Company intends to defend the claims against it and Incomex vigorously, but no assurance can be given as to the outcome of this matter.

On July 20, 1998, Operator Communications, Inc. ("Oncor") filed a lawsuit in the District Court of Dallas County, Texas against the Company, Incomex, and an unrelated third party. Oncor alleges that the defendants improperly terminated a long distance service agreement with Oncor and claims damages based on amounts which Oncor alleges to have advanced to the Company, lost profits for the period in which the Company is alleged to have breached the contract, attorneys' fees and for interference with contractual relations in an unspecified amount. The Company has asserted a counterclaim for accounting, breach of contract, misrepresentation and payment of attorneys' fees. This case is at a preliminary stage and it is not possible to assess fully the merits of the Oncor's claims. The Company intends to defend the claims against it and Incomex vigorously, but no assurance can be given as to the outcome of this matter.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 1998.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

HISTORICAL TRADING INFORMATION AND DIVIDEND POLICY

During all of 1997, the Common Stock was traded on the Nasdaq SmallCap Market under the symbol "MURC" and the Company's Redeemable Common Stock Purchase Warrants ("Warrants") were traded on the Nasdaq SmallCap Market under the symbol "MURCW." Effective January 2, 1998, the Common Stock and the Warrants were delisted from the Nasdaq SmallCap Market and commenced trading on the Nasdaq Bulletin Board under the same trading symbols. The following table sets forth the high and low bid quotations for the Common Stock and Warrants as reported by Nasdaq. Such transactions reflect interdealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

<TABLE>
<CAPTION>

	Common Stock		
Quarter	High	Low	High
<S>	<C>	<C>	<C>
FISCAL 1997			
First	$4.75	$3.13	$1.50
Second	4.69	2.88	1.13
Third	3.50	2.44	0.94
Fourth	3.81	0.69	0.88
FISCAL 1998			
First	$2.63	$0.69	$0.31
Second	3.31	2.25	0.25
Third	4.50	2.75	0.44
Fourth	4.25	2.13	0.25

</TABLE>

At December 31, 1998, there were approximately 155 holders of record of Common Stock.

The Company has not paid any cash dividends on the Common Stock in the last three years. The Company intends to retain any earnings for use in the operation and expansion of its business and, therefore, does not anticipate paying any cash dividends in the foreseeable future.

RECENT SALES OF UNREGISTERED SECURITIES

In December 1998, the Company issued 2,300,000 shares of Common Stock to the former shareholders of PIC pursuant to the PIC Earn-Out. The shares were issued in a private placement exempt from the registration requirements of

the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(2) of the Securities Act.

In December 1998, the Company issued 1,500,000 shares of Common Stock to the former shareholders of Incomex pursuant to the Incomex Earn-Out. The Company also issued Incomex Notes in the aggregate principal amount of $744,918 and Incomex Warrants to purchase an aggregate of 155,384 shares of Common Stock to certain of the former shareholders of Incomex pursuant to the Incomex Earn-Out. The Incomex Notes bear interest at an annual rate of 14% and all interest and principal on the Incomex Notes are due on November 15, 1999. The Incomex Warrants may be exercised at any time between December 1998 and December 2003 to purchase shares of Common Stock at an exercise price of $3.25 per share. The shares of Common Stock, the Incomex Notes and the Incomex Warrants were issued in a private placement exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act.

During the fourth quarter of 1998, the Company completed an offering of notes and warrants to certain of its directors and executive officers and to a limited number of outside investors. The notes bear interest at an annual rate of 14% and all principal and all interest on the notes are due on November 30, 1999. The Company paid the purchasers of the notes an origination fee of 1% and issued warrants to purchase 10,000 shares of Common Stock for each $50,000 in principal amount of the notes. The warrants are exercisable at an exercise price of $3.25 per share (although one outside investor received warrants to purchase 80,000 shares of Common Stock at an exercise price of $2.50 per share) and may be exercised at any time on or before November 30, 2003. The Company issued $3,420,000 aggregate principal amount of the notes and warrants to purchase 684,000 shares of Common Stock, and the Company received net proceeds of $3,380,800. The notes and the warrants were issued in a private placement exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act.

During the fourth quarter of 1998, the Company entered into an agreement with a consultant to provide advisory services to the Company. Pursuant to this agreement, the Company issued two warrants to the consultant to purchase up to 10,000 shares of Common Stock each at exercise prices of $3.60 per share and $3.00 per share, respectively. The warrants may be exercised at any time between November 30, 1999 and November 30, 2003. The warrants were issued in a private placement exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act.

Effective December 31, 1998, certain subsidiaries and affiliated leasing partnerships of Berthel Fisher & Company ("Berthel") exercised warrants to purchase an aggregate of 1,100,000 shares of Common Stock at an exercise price

of $1.30 per share, resulting in total proceeds to the Company of $1,430,000. The shares of Common Stock were issued to Berthel in a private placement exempt from the registration requirements of the Securities Act pursuant to Section 4(2) of the Securities Act.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

MCC is a provider of operator services and call processing to North American payphones, hotels and institutions, database profit management services and telecommunications billing and collection services for the hospitality industry, outsourced operator services for the telecommunications industry, and telecommunications systems and services to the lodging industry.

From its inception in 1989 through 1994, the Company's primary source of revenue was generated by providing operator services to the hospitality industry as an OSP Services provider. Due to declining call volumes, caused in part by the use of proprietary calling cards and other dial-around activities (such as 1-800-CALL ATT), the Company entered into a contract with AT&T in October 1994 to route operator services traffic to AT&T through the Lodging Partnership program. Under the Lodging Partnership, AT&T processed the calls, carried call traffic and billed the end user. In return, AT&T paid MCC commissions on the calls dialed.

In light of the declining call volumes and narrow profit margins experienced by the Company under the Lodging Partnership with AT&T, the Company and AT&T agreed to terminate the Lodging Partnership arrangement effective October 15, 1998. AT&T agreed to purchase all of the customer contracts under the Lodging Partnership and to directly manage the existing customers under the contracts. As a result, the Company recorded a one-time gain in the fourth quarter of $453,396. Revenues to the Company from the AT&T agreement ended in the fourth quarter of 1998. The decision to end the AT&T relationship followed the Company's growth in 1998 as a provider of telecommunications services as a result of the commercial introduction of the Telemanager in September 1997, the completion of the PIC Acquisition in October 1997 and the completion of the Incomex Acquisition in February 1998. The Company currently conducts its business through three principal business units: (i) MTS, which provides telecommunications management and consulting services, (ii) PIC/ATN, which provides operator services and related valued added services, and (iii) Incomex, which provides billing and collection services for calls to the United States from resort hotels in Mexico.

RESULTS OF OPERATIONS

The following table sets forth statements of operations items and the percentages that such items bear to revenues:

<TABLE>
<CAPTION>

<S>	Years ended December 31, 1998 <C>	1997 <C>
Revenues	100%	100%
Cost of sales	67	75
Selling, general, and administrative	22	56
Depreciation and amortization	5	25
Loss from impairment of property, equipment and intangible assets	-	16
Total operating expenses	27	172
Operating income (loss)	6	(72)

Interest expense..........................	7	10
Loss from joint venture...................	-	12
Income taxes..............................	-	-
Net loss..................................	(1)%	(94)%

</TABLE>

The information for the year ended December 31, 1997 in the preceding table includes statement of operations data for PIC after the consummation of the PIC Acquisition on October 31, 1997. The information for the year ended December 31, 1998 in the preceding table includes statement of operations data for Incomex after the consummation of the Incomex Acquisition on February 13, 1998.

REVENUES. Consolidated revenues increased $25.6 million, or 305%, to $34.0 million for the twelve months ended December 31, 1998 from $8.4 million for the twelve months ended December 31, 1997. Revenues during the twelve months ended December 31, 1998 consisted of $5.2 million attributable to MTS, $20.8 million attributable to PIC/ATN compared with $1.9 million in the previous year following its acquisition on October 31, 1997, and $8.0 million attributable to the Incomex following its acquisition in February 1998. Call processing revenues generated from MTS through its Lodging Partnership program decreased $2.5 million, or 54%, to $2.1 million for the twelve months ended December 31, 1998 from $4.6 million for the twelve months ended December 31, 1997. This decrease was the result of declining room counts contracted under the Lodging Partnership program, decreased call counts per room from the previous year and the termination of the AT&T agreement effective October 1998. Revenues from other service income generated by MTS increased $790,000, or 642%, to $913,000 for the twelve months ended December 31, 1998 from $123,000 for the twelve months ended December 31, 1997. Telemanager revenues were $635,000 for the twelve months ended December 31, 1998, compared to none for the twelve months ended December 31, 1997.

In October 1998, the Company and AT&T agreed to end the Lodging Partnership. Under this agreement, AT&T will directly manage all customers in the Lodging Partnership. The Company reported a one-time gain of $453,396 during the fourth quarter of 1998 relating to the termination of its agreement with AT&T. Revenues of $2.0 million and marginal net profits have been recognized by the Company from the AT&T agreement for the twelve months ended December 31, 1998. These revenues and net profits will not be present in future periods.

COST OF SALES. Consolidated cost of sales increased $16.5 million, or 262%, to $22.8 million for the twelve months ended December 31, 1998 from $6.3 million for the twelve months ended December 31, 1997. Cost of sales during the twelve months ended December 31, 1998 consisted of $3.4 million attributable to MTS, $14.7 million attributable to PIC/ATN and $4.7 million attributable to Incomex following its acquisition in February 1998. Costs associated with call processing revenues for MTS decreased $1.9 million, or 40%, to $2.9 million for the twelve months ended December 31, 1998 from $4.8 million for the twelve months ended December 31, 1997.

A nonstandard charge of $390,000 was taken in the fourth quarter of 1998 as a result of a dispute in collection procedures and policies with a billing and collection processor for Incomex. The Company has changed vendors and does not expect a reaccurance of this issue, except for approximately $100,000 in the first two months of 1999.

GROSS PROFIT. Consolidated gross operating profit increased $9.1 million, or 423%, to $11.2 million for the twelve months ended December 31, 1998 from $2.1 million for the twelve months ended December 31, 1997. Gross operating profit during the twelve months ended December 31, 1998, consisted of $1.9 million attributable to MTS compared to $1.6 million in 1997, $6.1 million attributable to PIC/ATN compared to $500,000 in 1997, and $3.2 million attributable to Incomex following its acquisition in February 1998.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Consolidated selling, general and administrative expense increased $2.8 million, or 59%, to $7.5 million for the twelve months ended December 31, 1998 from $4.7 million for the twelve months ended December 31, 19997. Selling, general and administrative expense during the twelve months ended December 31, 1998 consisted of $3.5 million attributable to MTS and Corporate compared to $4.3 million in 1997, $2.7 million attributable to PIC/ATN compared to $403,000 in 1997, and $1.3 million attributable to Incomex following its acquisition in February 1998. MTS and Corporate selling, general and administrative expense decreased $500,000, or 13%, to $3.5 million for the twelve months ended

December 31, 1998 from $4.0 million for the twelve months ended December 31, 1997. The decrease was primarily due to a reduction in commissions and costs associated with the termination of the AT&T agreement in October 1998.

DEPRECIATION AND AMORTIZATION EXPENSE. Consolidated depreciation and amortization expense decreased $0.3 million, or 14%, to $1.8 million for the twelve months ended December 31, 1998 from $2.1 million for the twelve months ended December 31, 1997. Depreciation and amortization expenses during the twelve months ended December 31, 1998 consisted of $1.4 million attributable to MTS and Corporate, $436,000 attributable to PIC/ATN and $12,000 attributable to Incomex. The completion of the PIC Acquisition in October 1997 resulted in additional goodwill and acquisition cost amortization of $406,000 for the twelve months ended December 31, 1998. The completion of the Incomex Acquisition in February 1998 resulted in goodwill and acquisition cost amortization of $162,000 for the twelve months ended December 31,1998. Such increases were offset by a decrease in depreciation of property and equipment due to the impairment loss recorded in 1997 of $1.4 million. As a result of the PIC Earn-Out settlement and the Incomex Earn-Out settlement recorded in the fourth quarter of 1998 (see Notes 3 and 4 to Notes to Consolidated Financial Statements) the Company recorded additional goodwill of $4.4 million which will be amortized over the remaining life of the original goodwill. This will result in higher amortization expense in future periods.

GAIN ON AT&T AGREEMENT BUYOUT. The Company's agreement with AT&T was amended during 1998 to terminate as of October 15, 1998. Under the amendment, AT&T will directly manage the existing customers under the contracts and AT&T assumed liability for all commissions owed to the existing customers for the period March 1, 1998 to October 15, 1998. As a result, the Company recorded a one-time gain in the fourth quarter of 1998 of $453,396 representing the commissions assumed by AT&T less the write-off of owned equipment at the existing customers properties.

INTEREST EXPENSE. Consolidated interest expense, including amortization of debt discount, increased $1.6 million, or 186%, to $2.4 million for the twelve months ended December 31, 1998 from $847,000 for the twelve months ended December 31, 1997. The primary reason for the increased interest expense was due to additional debt incurred related to the PIC Acquisition and the acquisition of fixed assets. Interest expense during the twelve months ended December 31,

1998 consisted of $1.5 million attributable to MTS and Corporate, $524,000 attributable to PIC/ATN and $356,000 attributable to Incomex following its acquisition in February 1998. Interest expense incurred by MTS and Corporate increased $790,000 or 102%, to $1.5 million for the twelve months ended December 31, 1998 from $775,000 for the twelve months ended December 31, 1997.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1998, the Company's current liabilities of $12.6 million exceeded current assets of $3.8 million resulting in a working capital deficit of $8.8 million. During 1998, the Company used $0.7 million in cash for operating activities and $2.8 million in investing activities. The Company received proceeds from new debt financing of $7.6 million and repaid borrowings on notes payable and made payments on capital lease obligations of $2.9 million. These activities resulted in an increase in available cash of $1.2 million for the twelve months ended December 31, 1998.

The Company's principal sources of capital to date have been public and private offerings of debt and equity securities and lease and debt financing arrangements with Berthel to purchase telecommunications equipment. The total amount of lease and debt financing with Berthel at December 31, 1998 was $6.2 million. The Company currently makes monthly lease and debt payments of approximately $163,000, in the aggregate, pursuant to these financing arrangements. As of December 31, 1998, the Company was current on all lease payments to Berthel. However, subsequent to year-end, the Company has not made the February and March 1999 payments. Berthel only has the right to demand that the Company cure this violation, but has not made such a demand as of March 22, 1999.

As of December 31, 1998, the Company had total current debt of $9.3 million.

During the first quarter of 1999, the Company raised $1.5 million from debt financing. The Company does not believe that its existing capital and anticipated funds from operations will be sufficient to meet its anticipated cash needs for working capital, capital expenditures, debt obligations and investments in acquisitions in 1999. The Company currently estimates that it will need at least $8.5 million in debt or equity financings in 1999 in addition to the $1.5 million debt financing discussed above, and in addition to cash flows from operations, to fund its cash requirements, including its initial investments in ACTEL Integrated Communications, Inc. and AcNet de C.V. In addition, the Company may be required to obtain additional financing in the event of new acquisition opportunities. The Company has engaged in discussions with a number of potential investors regarding proposed debt or equity financings. However, no assurance can be given that the Company will be able to raise adequate funds through such financings or generate sufficient cash flows to meet the Company's cash needs. Insufficient funds may require the Company to delay, scale back or eliminate some or all of its market development plans or otherwise may have a material adverse effect on the Company. See "Forward-Looking Statements" below.

YEAR 2000 PREPARATIONS

The Year 2000 issue relates to computer hardware and software and other systems designed to use two digits rather than four digits to define the applicable year. As a result, the Year 2000 would be translated as two zeroes. Because the Year 1900 could also be translated as two zeroes, systems which use

two digits could read the date incorrectly for a number of date-sensitive applications, resulting in potential calculation errors or the shutdown of major systems. The Company has undertaken various initiatives intended to ensure that its computer hardware and software and other systems will function properly with respect to

dates in the Year 2000 and thereafter. The systems subject to potential Year 2000 issues include not only information technology ("IT") systems, such as accounting and data processing, communications systems and the Company's telecommunications switches, but also non-IT systems, such as alarm systems, fax machines or other miscellaneous systems.

THE COMPANY'S STATE OF READINESS. The Company's main internal systems, including IT systems such as financial systems, the Telemanager and the Company's telecommunications switches, and non-IT systems have been tested and are either currently believed to be Year 2000 compliant or are expected to be Year 2000 compliant by the end of the second quarter of 1999, with the exception of the internal accounting software system of a subsidiary which is expected to be integrated with the Company's system in the third quarter of 1999. The Company anticipates completing surveys to its key customers and vendors during the second quarter of 1999.

COSTS TO ADDRESS THE COMPANY'S YEAR 2000 COMPLIANCE. The majority of the Company's internal Year 2000 issues have been or will be corrected through systems upgrades, including an upgrade of the Company's telecommunications switches, some of which are being made for other business purposes. The Company has estimates that the costs of all such upgrades will not exceed $200,000, of which approximately $100,000 had been incurred through December 31, 1998.

RISKS TO THE COMPANY RELATING TO THE YEAR 2000 ISSUE. The Company believes that its reasonably likely worse case scenario would involve malfunctions of the Company's telecommunications switches or the internal systems of the Company's customers and key vendors. Any such malfunctions which result in serious disruption of the Company's ability to process calls could have a material adverse effect on the Company's results of operations and financial condition. The Company plans to monitor the Year 2000 compliance of its significant customers and vendors. However, a number of risks relating to the Year 2000 issue may be out of the Company's control, including the compliance status of the Company's customers and vendors and the Company's reliance on outside links for essential services such as power. There can be no assurance that a failure of systems of third parties on which the Company's systems and operations will rely to be Year 2000 compliant will not have a material adverse effect on the Company's business, financial condition or operating results.

THE COMPANY'S YEAR 2000 CONTINGENCY PLANS. By the end of the second quarter of 1999, the Company expects to be substantially Year 2000 compliant. To the extent that any of the Company systems are not Year 2000 compliant by the end of the second quarter of 1999, the Company believes that it will have time to implement alternative systems. The Company's ability to respond to non-compliance by its customers and vendors will be limited.

FORWARD-LOOKING STATEMENTS

This report contains statements, including statements of management's belief or expectation, which may be forward-looking within the meaning of applicable securities laws. Such statements are subject to known and unknown risks and uncertainties that could cause actual future results and developments to differ materially from those currently projected. Such risks and uncertainties include, among others, the following:

- the Company's access to adequate debt or equity capital to meet the Company's operating and financial needs;
- the Company's ability to integrate and assimilate the businesses of PIC/ATN and Incomex;
- the Company's ability to respond to competition in its markets;
- the Company's ability to expand into new markets and to effectively manage its growth;
- customer acceptance and effectiveness of the Telemanager and the Company's ability to develop new technology and to adapt to technological change in the telecommunications industry;
- the risk that the Company's assessment of the Year 2000 issue, including its identification, assessment, remediation and testing efforts, the dates on which the Company believes it will complete such efforts and the costs associated with such efforts, may be incorrect because it is based upon management's estimates, which were derived from numerous assumptions regarding future events, available resources, third-party remediation plans, the accuracy of testing of the affected systems and other factors;
- changes in, or failure to comply with, governmental regulation, including telecommunications regulations;
- the Company's reliance on its key personnel and the availability of qualified personnel;
- general economic conditions in the Company's markets;

- the risk that the Company's analyses of these risks could be incorrect and/or the strategies developed to address them could be unsuccessful; and
- various other factors discussed in this Annual Report on Form 10-KSB.

The Company will not update the forward-looking information to reflect actual results or changes in the factors affecting the forward-looking information.

The forward-looking information referred to above includes any matters

preceded by the words "anticipates," "believes," "intends," "plans," "expects" and similar expressions as they relate to the Company and include, but are not limited to:

- expectations regarding the Company's financial condition and liquidity, as well as future cash flows;
- expectations regarding sales growth, sales mix, gross margins and related matters with respect to operating results;
- expectations regarding the expansion of the Company's business;
- the estimated costs to bring the Company's IT and non-IT systems into compliance with respect to the Year 2000 issue and the consequences to the Company of non-compliance by the Company or third parties; and
- expectations regarding capital expenditures and investments in new acquisition opportunities.

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements of the Company and notes thereto are filed under this item beginning on page F-1 of this report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Information regarding the executive officers and directors of the Company is incorporated herein by reference to the discussions under "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for the 1999 Annual Meeting of Shareholders which will be filed on or before April 30, 1999.

ITEM 10. EXECUTIVE COMPENSATION

Incorporated herein by reference to the discussion under "Executive Compensation" in the Company's Proxy Statement for the 1999 Annual Meeting of Shareholders which will be filed on or before April 30, 1999.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference to the discussion under "Security Ownership" in the Company's Proxy Statement for the 1999 Annual Meeting of Shareholders which will be filed on or before April 30, 1999.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference to the discussions under "Executive Compensation--Employment Agreements" and "Certain Relationships and Related

Transactions" in the Company's Proxy Statement for the 1999 Annual Meeting of Shareholders which will be filed on or before April 30, 1999.

ITEM 13. EXHIBITS, LIST AND REPORTS ON FORM 8-K

a. Exhibits:

EXHIBIT NUMBER	DOCUMENT DESCRIPTION
3.1	Restated Articles of Incorporation of the Company. (1)
3.2	First Amendment to Restated Articles of Incorporation of the Company. (2)
3.3	Second Amendment to Restated Articles of Incorporation of the Company. (2)
3.4	Amended and Restated By-Laws of the Company. (3)
4.1	Form of Warrant Agreement between the Company and Firstar Trust Company. (1)
4.2	Form of Redeemable Warrant. (1)
10.1	AT&T Management Company Commission Agreement, dated a of December 16, 1995, by and between the Company and AT&T Communications, Inc. ("AT&T"). (1) (4)
10.2	Amendment No. 1 to AT&T Management Company Commission Agreement, dated as of January 16, 1996, by and between the Company and AT&T. (1)
10.3	Amendment No. 2 to AT&T Management Company Commission Agreement, dated as of January 16, 1996, by and between the Company and AT&T. (1) (4)
10.4	Amendment No. 3 to AT&T Management Company Commission Agreement, executed on December 13, 1996, by and between AT&T and the Company. (5)
10.5	AT&T Management Company Commission Agreement, effective as of January 16, 1998, by and between the Company and AT&T. (4) (6)
10.6	Amendment to AT&T Management Company Commission Agreement, effective as of October 15, 1998, by and between the Company and AT&T.

10.7	Stock Purchase Agreement, dated as of August 22, 1997, among MCC Acquisition Corp., Priority International Communications, Inc. and certain shareholders of Priority International Communications, Inc. (7)
10.8	First Amendment to Stock Purchase Agreement, dated as of October 31, 1997, among MCC Acquisition Corp., Priority International Communications, Inc. and certain shareholders of Priority International Communications, Inc. (7)
10.9	Second Amendment to Stock Purchase Agreement, dated as of February 27, 1998, among MCC Acquisition Corp., Priority International Communications, Inc. and certain shareholders of Priority International Communications, Inc. (6)
10.10	Stock Purchase Agreement, dated as of August 22, 1997, among MCC Acquisition Corp., PIC Resources Corp., the shareholders of PIC Resources Corp. and ATN Communications Inc. (7)
10.11	First Amendment to Stock Purchase Agreement dated as of October 31, 1997, among MCC Acquisition Corp., PIC Resources Corp., the shareholders of PIC Resources Corp. and ATN Communications Inc. (7)
10.12	Second Amendment to Stock Purchase Agreement, dated as of February 27, 1998, among MCC Acquisition Corp., PIC Resources Corp., the shareholders of PIC Resources Corp. and ATN Communications, Inc. (6)
10.13	Amended and Restated Short-Term Note dated February 27, 1998 issued by MCC Acquisition Corp. to Bonner B. Hardegree, trustee for the benefit of Wayne Wright, and Bonner B. Hardegree. (6)
10.14	Form of Long-Term Note (7)
10.15	Agreement, dated as of May 21, 1998, among the Company, MCC Acquisition Corp., Priority International Communications, Inc., PIC Resources Corp., Wayne Wright, Bonner Hardegree and ATN Communications, Inc. (8)

10.16	Earn-Out Settlement Agreement, dated as of December 7, 1998, among the Company, MCC Acquisition Corp., Priority International Communications, Inc., PIC Resources Corp., Wayne Wright, Bonner Hardegree and ATN Communications, Inc.
10.17	Stock Purchase Agreement, dated as of February 13, 1998, among MCC Acquisition Corp., Incomex, Inc. and the Shareholders of Incomex, Inc. (9)
10.18	Earn-Out Settlement Agreement, dated as of December 1, 1998, among the Company, MCC Acquisition Corp., Incomex, Inc. and the Shareholders of Incomex, Inc.

10.19	Murdock Communications Corporation 1993 Stock Option Plan. (1) (10)
10.20	Murdock Communications Corporation 1997 Stock Option Plan, as amended. (10)
10.21	Amended and Restated Employment Agreement, dated as of October 1, 1998, by and between the Company and Guy O. Murdock. (10)
10.22	Employment Agreement, dated as of January 1, 1999, by and between the Company and Colin P. Halford. (10)
10.23	Amended and Restated Employment Agreement, dated as of October 1, 1998, by and between the Company and Thomas E. Chaplin. (10)
10.24	Employment Agreement, dated as of January 1, 1999, by and between the Company and Bill R. Wharton. (10)
10.25	Employment Agreement, dated as of November 1, 1998, by and among the Company, Priority International Communications, Inc., PIC Resources Corp. and Bonner B. Hardegree. (10)
10.26	Employment Agreement, dated as of November 16, 1998, by and between the Company and Paul C. Tunink. (10)
10.27	Credit Agreement, dated as of May 31, 1994, by and between the Company and Telecommunications Income Fund X, L.P. (1)

10.28	Credit Agreement, dated as of May 31, 1994, by and between the Company and Telecommunications Income Fund IX, L.P. (1)
10.29	Lease Agreement for Lease #076-18000-012, dated as of February 27, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund X, L.P. (1)
10.30	Lease Agreement for Lease #074-18000-016, dated as of June 14, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund IX, L.P. (1)
10.31	Lease Agreement for Lease #076-18000-017, dated as of July 3, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund X, L.P. (1)
10.32	Modification Agreement for 21 Leases, dated as of May 30, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund IX, L.P. (1)

10.33	Modification Agreement for Lease #063-17000-001, dated as of May 30, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. (1)
10.34	Modification Agreement for Lease #076-17000-443, dated as of May 30, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund X, L.P. (1)
10.35	Modification Agreement for Lease #076-17000-943, dated as of May 30, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund X, L.P. (1)
10.36	Modification Agreement for Lease #076-18000-012, dated as of May 30, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund X, L.P. (1)

10.37	Modification Agreement for Lease #076-46698-000, dated as of May 30, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund X, L.P. (1)
10.38	Equipment Lease #076-17000-443, dated as of May 31, 1994, by and between the Company and Berthel Fisher & Company Leasing, Inc. (1)
10.39	Equipment Lease #076-46698-000, dated as of January 18, 1995, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund X, L.P. (1)
10.40	Equipment Lease/Purchase Agreement #063-18000-000, dated as of May 30, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. (1)
10.41	Assignment of Lease of Security Agreement, dated as of May 31, 1994, from Berthel Fisher & Company Leasing, Inc. to Telecommunications Income Fund X, L.P. (1)
10.42	Demand Note for $50,000, dated as of December 26, 1995, between the Company and Berthel Fisher & Company Leasing, Inc. (1)
10.43	Demand Note for $200,000, dated as of January 25, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. (1)
10.44	Demand Note for $200,000, dated as of January 31, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. (1)
10.45	Demand Note for $100,000, dated as of February 27, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. (1)

10.46	Equipment Lease, dated as of August 16, 1995, by and between the Company and Harvey Leasing. (1)
10.47	Lease Agreement for Lease #074-18000-004, dated as of November 30, 1995, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund IX, L.P. (1)

10.48	Lease Agreement for Lease #074-18000-005, dated as of November 30, 1995, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund IX, L.P. (1)
10.49	Lease Agreement for Lease #074-18000-006, dated as of November 30, 1996, by and between the Company and Berthel Fisher & Company Leasing, Inc. as agent for Telecommunications Income Fund IX, L.P. (1)
21	Subsidiaries
24	Power of Attorney (included as part of the signature page hereof)
27	Financial Data Schedule

(1) Filed as an exhibit to the Company's Registration Statement on Form SB-2 (File No. 333-05422C) and incorporated herein by reference.

(2) Filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 1997 (File No. 000-21463) and incorporated herein by reference.

(3) Filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended March 31, 1997 (File No. 000-21463) and incorporated herein by reference.

(4) Portions of these exhibits were granted confidential treatment by the Securities and Exchange Commission.

(5) Filed as an exhibit to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1996 (File No. 000-21463) and incorporated herein by reference.

(6) Filed as an exhibit to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997 (File No. 000-21463) and incorporated herein by reference.

(7) Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 000-21463) filed with the Securities and Exchange Commission on November 7, 1997 and incorporated herein by reference.

(8) Filed as an exhibit to the Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 1998 (File No. 000-21463) and incorporated herein by reference.

(9) Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 000-21463) filed with the Securities and Exchange Commission on February 13, 1998 and incorporated herein by reference.

(10) Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

The Company did not file any reports on Form 8-K for the three months ended December 31, 1998.

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 to be signed on its behalf by the undersigned thereunto duly authorized.

MURDOCK COMMUNICATIONS CORPORATION

By /s/ Thomas E. Chaplin

Thomas E. Chaplin
Chief Executive Officer

Date: March 30, 1999

Each person whose signature appears below hereby appoints Guy O. Murdock and Thomas E. Chaplin, and each of them individually, his true and lawful attorney-in-fact, with power to act with or without the other and with full power of substitution and resubstitution, in any and all capacities, to sign any or all amendments to the Form 10-KSB and file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated

<TABLE>
<CAPTION>

<S>	<C>
/s/ Guy O. Murdock	Chairman of the Board of Directors

- ------------------------------------ Guy O. Murdock	(Principal Executive Officer)
/s/ Colin P. Halford - ------------------------------------ Colin P. Halford	President and Director
/s/ Thomas E. Chaplin - ------------------------------------ Thomas E. Chaplin	Chief Executive Officer and Director (Principal Financial Officer and Principal Accounting Officer)

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<S>	<C>
/s/ John C. Poss - ------------------------------------ John C. Poss	Director
/s/ Steven R. Ehlert - ------------------------------------ Steven R. Ehlert	Director
/s/ Larry A. Erickson - ------------------------------------ Larry A. Erickson	Director
/s/ Wayne Wright - ------------------------------------ Wayne Wright	Director

</TABLE>

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MURDOCK COMMUNICATIONS
CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS FOR THE
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MURDOCK COMMUNICATIONS CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Murdock Communications Corporation
Cedar Rapids, Iowa

We have audited the accompanying consolidated balance sheets of Murdock Communications Corporation and subsidiaries (the "Company") as of December 31, 1998 and 1997, and the related consolidated statements of operations, redeemable securities, shareholders' equity (deficiency) and cash flows for the years then ended. 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, such consolidated financial statements present fairly, in all material respects, the financial position of Murdock Communications Corporation and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company's recurring losses from operations and deficit working capital raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ DELOITTE & TOUCHE LLP

Cedar Rapids, Iowa
March 22, 1999

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MURDOCK COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

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ASSETS (Notes 6 and 7)	1
<S>	<C>
CURRENT ASSETS:	
Cash	$ 1,72
Accounts receivable, less allowance for doubtful accounts: 1998 - $654,793, 1997 - $376,589	1,69
AT&T commission receivable (Note 2)	6
Prepaid expenses and other current assets	28
Total current assets	3,75
PROPERTY AND EQUIPMENT:	
Land and building	1,17
Telecommunications equipment	9,01
Furniture and equipment	74
	10,93
Accumulated depreciation	(8,09
	2,83
Telecommunications equipment under capital lease,	

net of accumulated amortization: 1998 - $3,326,300 1997 - $3,209,405	18
Property and equipment, net	3,01
OTHER ASSETS:	
Goodwill, net of accumulated amortization: 1998 - $697,324; 1997 - $70,061	11,64
Cost of purchased site contracts, net of accumulated amortization: 1998 - $669,597, 1997 - $740,330	17
Other intangible assets, net of accumulated amortization: 1998 - $348,208, 1997 - $22,911	65
Investments, at cost (Note 17)	1,50
Prepaid commissions	1,70
Other noncurrent assets	22
Total other assets	15,90
TOTAL	$ 22,67

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	199
<S>	<C>
CURRENT LIABILITIES:	
Notes payable (Note 6)	$ 7,401,
Outstanding checks in excess of bank balances	-
Accounts payable	1,204,
Accrued expenses	2,059,
Current portion of capital lease obligations principally with a related party (Note 12)	868,
Current portion of long-term debt with related parties (Note 7)	828,
Current portion of long-term debt, others (Note 7)	199,
Total current liabilities	12,561,
LONG-TERM LIABILITIES:	
Capital lease obligations principally with a related party, less current portion (Note 12)	3,133,
Long-term debt with related parties, less current portion (Note 7)	2,105,
Long-term debt, others, less current portion (Note 7)	725,
Accumulated loss of joint venture in excess of initial investment (Note 5)	60,
Deferred income	15,
Total liabilities	18,601,
COMMITMENTS AND CONTINGENCIES (Note 12)	
SHAREHOLDERS' EQUITY (DEFICIENCY) (Note 1):	
8% Series A Convertible Preferred Stock, $100 stated value (Note 8): Authorized - 50,000 shares Issued and outstanding: 1998 - 18,920 ($1,892,000 liquidation value); 1997 - 16,250 shares	1,837,
Common stock, no par or stated value (Note 10): Authorized - 20,000,000 shares	

Issued and outstanding: 1998 - 10,329,867 shares; 1997 - 4,458,439 shares	19,834,
Common stock warrants (Note 9):	
Issued and outstanding: 1998 - 4,420,763; 1997 - 2,149,279	438,
Additional paid-in capital	134,
Accumulated deficit	(18,167,
Total shareholders' equity (deficiency)	4,077,
TOTAL	$ 22,678,

</TABLE>

See notes to consolidated financial statements.

MURDOCK COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

<S>	<C> 1998
REVENUES:	
Call processing	$ 32,386,570
Other revenue	1,601,529
Total revenues	33,988,099
COST OF SALES:	
Call processing	21,859,097
Other cost of sales	516,220
Nonstandard international bad debt expense	390,276
Total cost of sales	22,765,593
GROSS PROFIT	11,222,506
OPERATING EXPENSES:	
Selling, general and administrative expense	7,468,246
Depreciation and amortization expense	1,848,748
Loss from impairment of property, equipment and intangible assets	--
Total operating expenses	9,316,994
INCOME (LOSS) FROM OPERATIONS	1,905,512
NONOPERATING INCOME (EXPENSE):	
Gain on AT&T contract buyout (Note 2)	453,396
Interest expense	(2,426,140)

Other income	8,906
Total nonoperating income (expense)	(1,963,838)
LOSS BEFORE INCOME TAX EXPENSE AND JOINT VENTURE LOSS	(58,326)
Loss from joint venture (Note 5)	41,546
Income tax expense (Note 11)	74,466
NET LOSS	(174,338)
Dividends and accretion on 8% Series A Convertible Preferred Stock	(174,513)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	(348,851)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$ (.06)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	5,422,783

</TABLE>

See notes to consolidated financial statements.

F-5

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MURDOCK COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF REDEEMABLE SECURITIES
YEARS ENDED DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

<S>	10% SERIES A REDEEMABLE PREFERRED STOCK <C>
BALANCE AT JANUARY 1, 1997	$ 24,480
Accrued dividends on 10% Series A Redeemable Preferred Stock	170
Repurchase of 200 shares of 10% Series A Redeemable Preferred Stock	(24,650)
BALANCE AT DECEMBER 31, 1997 AND 1998	$ -

</TABLE>

See notes to consolidated financial statements.

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MURDOCK COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)
YEARS ENDED DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

	8% SERIES A CONVERTIBLE PREFERRED STOCK		
	NUMBER OF SHARES	ISSUED	NUMBE OF SHARE
<S>	<C>	<C>	<C>
BALANCES AT JANUARY 1, 1997	--	$ --	4,152,
Issuance of options to directors	--	--	-
Accrued dividends on 10% Series A Redeemable Preferred Stock			
Exercise of common stock warrants	--	--	5,
Conversion of notes payable, accrued interest and long-term debt with a related party into common stock (Note 7)	--	--	465,
Issuance of 8% Series A Convertible Preferred Stock, net of offering costs of $87,636	16,250	1,537,364	-
Issuance of common stock in connection with the acquisition of PIC and PIC-R (Note 3)	--	--	300,
Issuance of warrants to Berthel in connection with lease and note modifications	--	--	-
Recission of conversion of notes payable, accrued interest and long-term debt with a related party into common stock (Note 7)	--	--	(465,
Accretion to conversion price of 8% Series A Convertible Preferred Stock	--	6,782	-
Accrued dividends on 8% Series A Convertible Preferred Stock	--	--	-
Net loss for 1997	--	--	-
BALANCES AT DECEMBER 31, 1997	16,250	$ 1,544,146	4,458,

</TABLE>

<TABLE>
<CAPTION>

	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	S HO E (DEF

<S>	<C>	<C>	<C>
BALANCES AT JANUARY 1, 1997	$ 124,000	$ (9,883,658)	$ 1,17
Issuance of options to directors	10,000	--	1
Accrued dividends on 10% Series A Redeemable Preferred Stock		(170)	
Exercise of common stock warrants	--	--	
Conversion of notes payable, accrued interest and long-term debt with a related party into common stock (Note 7)	--	--	1,33
Issuance of 8% Series A Convertible Preferred Stock, net of offering costs of $87,636	--	--	1,53
Issuance of common stock in connection with the acquisition of PIC and PIC-R (Note 3)	--	--	51
Issuance of warrants to Berthel in connection with lease and note modifications	--	--	20
Recission of conversion of notes payable, accrued interest and long-term debt with a related party into common stock (Note 7)	--	--	(1,33
Accretion to conversion price of 8% Series A Convertible Preferred Stock	--	(6,782)	
Accrued dividends on 8% Series A Convertible Preferred Stock	--	(28,225)	(2
Net loss for 1997	--	(7,900,008)	(7,90
BALANCES AT DECEMBER 31, 1997	$ 134,000	$(17,818,843)	$ (4,48

</TABLE>

(Continued)

MURDOCK COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)
YEARS ENDED DECEMBER 31, 1998 AND 1997 (CONCLUDED)

<TABLE>
<CAPTION>

	8% SERIES A CONVERTIBLE PREFERRED STOCK		
	NUMBER OF SHARES	ISSUED	NUM O SHA
<S>	<C>	<C>	<C>
BALANCES AT DECEMBER 31, 1997	16,250	$ 1,544,146	4,45
Issuance of 8% Series A Convertible Preferred Stock, net of issuance costs of $5,228	2,670	261,772	
Issuance of common stock and warrants in connection with the acquisition of Incomex (Note 4)	--	--	1,90
Exercise of warrants by a related			

party	--	--	1,10
Issuance of warrants in connection with debt financing with a related party (Note 12)	--	--	
Issuance of warrants in connection with debt financing of which 739,000 are with related parties (Note 6)	--	--	
Issuance of warrants in lieu of director and consulting fees	--	--	
Issuance of warrants in lieu of agent fees to a related party (Note 6)	--	--	
Issuance of common stock in connection with the acquisition of PIC (Note 3)	--	--	2,87
Accretion to conversion price of 6% Series A Convertible Preferred Stock	--	31,191	
Accrued dividends on 8% Series A Convertible Preferred Stock	--	--	
Net loss for 1998	--	--	
BALANCES AT DECEMBER 31, 1998	18,920	$ 1,837,109	10,32

<CAPTION>

	ADDITIONAL PAID-IN CAPITAL	ACCUMULAT DEFICI
<S>	<C>	<C>
BALANCES AT DECEMBER 31, 1997	$ 134,000	$(17,818,84
Issuance of 8% Series A Convertible Preferred Stock, net of issuance costs of $5,228	--	--
Issuance of common stock and warrants in connection with the acquisition of Incomex (Note 4)	--	--
Exercise of warrants by a related party	--	--
Issuance of warrants in connection with debt financing with a related party (Note 12)	--	--
Issuance of warrants in connection with debt financing of which 739,000 are with related parties (Note 6)	--	--
Issuance of warrants in lieu of director and consulting fees	--	--
Issuance of warrants in lieu of agent fees to a related party (Note 6)	--	--
Issuance of common stock in connection with the acquisition of PIC (Note 3)	--	--
Accretion to conversion price of 6% Series A Convertible Preferred Stock	--	(31,19
Accrued dividends on 8% Series A Convertible Preferred Stock	--	(143,32
Net loss for 1998	--	(174,33
BALANCES AT DECEMBER 31, 1998	$ 134,000	$(18,167,69

</TABLE>

See notes to consolidated financial statements.

<PAGE> 39
MURDOCK COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

<S>
CASH FLOWS FROM OPERATING ACTIVITIES:
Net loss
Adjustments to reconcile net loss to net cash flows from operating activities:
Loss from impairment of property, equipment and intangible assets
Depreciation and amortization, including amortization of technology license
Noncash interest expense
Noncash compensation expense
Noncash commission expense
Recognition of deferred gains from equipment sales with a related party
Loss from joint venture
Changes in operating assets and liabilities, excluding the effects of acquisit
Receivables
Other current assets
Prepaid commissions
Other noncurrent assets
Outstanding checks in excess of bank balances
Accounts payable
Accrued expenses
Deferred income

Net cash flows from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES:
Purchases of property and equipment
Cash paid for acquisitions
Payments for site contracts
Capitalized software development costs
Cash paid for investments
Cash advanced to joint venture
Cash acquired with acquisitions

Net cash flows from investing activities

CASH FLOWS FROM FINANCING ACTIVITIES:
Payments on capital lease obligations, primarily to a related party
Proceeds from capital lease obligations with a related party
Borrowings on notes payable
Borrowings of long-term debt with related parties
Payments on notes payable
Payments on long-term debt with related parties
Payments on long-term debt, others
Dividends paid on 10% Series A Redeemable Preferred Stock

Repurchase of 10% Series A Redeemable Preferred Stock and common stock warrants
Proceeds from issuance of common stock and warrants
Proceeds from issuance of 8% Series A Convertible Preferred Stock
Payments for offering costs

Net cash flows from financing activities

NET INCREASE (DECREASE) IN CASH

CASH AT BEGINNING OF YEAR

CASH AT END OF YEAR

SUPPLEMENTAL DISCLOSURE:
Cash paid during the year for interest, principally to a related party
Cash paid during the year for income taxes

</TABLE>

See notes to consolidated financial statements.

MURDOCK COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1997 (CONTINUED)

SUPPLEMENTAL DISCLOSURES OF 1998 NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES:

The Company recorded the following increases as a result of its acquisition of Incomex:

<TABLE>

<S>	<C>
Accounts receivable	$178,731
Other current assets	111,097
Telecommunications equipment	3,242
Furniture and equipment	52,787
Accumulated depreciation	(13,851)
Goodwill	920,947
Commission advances	974,175
Other assets	9,964
Notes payable	(821,697)
Outstanding checks over bank balances	(15,803)
Accounts payable	(133,533)
Accrued expenses	(826,985)
Common stock	(422,500)
Cash acquired with acquisition	$ 16,574

</TABLE>

The Company recorded deferred loan costs of $445,901 in connection with the issuance of warrants to purchase 3,171,000 shares of common stock in the Company in connection with debt financing and 155,384 shares of common stock in the Company in connection with the Incomex earnout.

The Company recorded a note payable of $25,000 in exchange for accrued consulting fees.

The Company recorded a note payable of $5,000 in exchange for accrued director fees.

The Company recorded an increase to the carrying value of the 8% Series A Convertible Preferred Stock and a charge to accumulated deficit of $31,191 representing the current year's accretion to its conversion price.

The Company recorded an increase in accrued expense and a charge to accumulated deficit of $143,322 for the cumulative dividends earned by the holders of the 8% Series A Convertible Preferred Stock.

The Company recorded prepaid commissions of $180,000 and accrued expenses of $37,000 in connection with the issuance of 2,170 shares of 8% Series A Convertible Preferred Stock.

The Company recorded long-term debt others and land and building of $525,000 in connection with the purchase of ATN's building.

The Company recorded goodwill of $3,916,889, accounts payable of $135,000, accrued expenses of $153,059, common stock of $4,244,731, decreased long-term debt by $627,389 and issued 571,428 shares of common stock in connection with the PIC earnout as discussed in Note 3.

The Company recorded goodwill of $4,103,776, accrued expenses of $59,187, incurred notes of $1,084,915 and common stock of $2,469,609 in connection with the Incomex purchase as discussed in Note 4.

See notes to consolidated financial statements.

SUPPLEMENTAL DISCLOSURES OF 1997 NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES:

The Company contributed telecommunications equipment with a carrying value of $349,574 as its initial investment in a joint venture (see Note 5).

The Company recorded the following increases as a result of its acquisitions of PIC and PIC-R.

<TABLE>

<S>	<C>
Accounts receivable	$ 403,753
Other current assets	53,894
Telecommunications equipment	1,269,046
Furniture and equipment	193,787
Accumulated depreciation	(244,761)
Goodwill	3,563,553
Purchased equipment location contracts	420,466
Accumulated amortization	(193,125)
Other noncurrent assets	70,421
Notes payable	(840,000)
Outstanding checks in excess of bank balances	(97,260)
Accounts payable	(279,917)
Accrued expenses	(437,780)

Long-term debt with related parties	(1,400,000)
Long-term debt, others	(2,019,916)
Common stock	(511,874)
Cash acquired with acquisitions	$ 49,713

</TABLE>

The Company recorded deferred loan and lease restructuring costs of $207,000 in connection with the issuance of warrants to purchase 979,279 shares of common stock in the Company to Berthel.

In connection with the modification of capital lease obligations with Berthel, the Company recorded additional deferred lease restructuring costs and capital lease obligations of $210,854.

The Company recorded an increase to the carrying value of the 8% Series A Convertible Preferred Stock and a charge to accumulated deficit of $6,782 representing the current year's accretion to its conversion price.

The Company recorded an accrued expense and a charge to accumulated deficit of $28,225 for the cumulative dividends earned by the holders of the 8% Series A Convertible Preferred Stock.

The Company recorded an increase in accrued expense and telecommunications equipment under capital lease for $235,000 representing sales taxes on lease payments.

See Notes to consolidated financial statements.

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MURDOCK COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997

1. BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS - Murdock Communications Corporation (individually, or collectively with its wholly-owned subsidiaries discussed below, referred to herein as the "Company") is engaged in the business of providing operator services and call processing to North American payphones, hotels and institutions, database profit management services and telecommunications billing and collection services for the hospitality industry and outsourced operator services for the telecommunications industry.

Through a series of acquisitions and new product development, the Company has transformed itself over the last year from a long distance reseller of AT&T network services to U.S. hotels to being a communications provider in North America, primarily servicing the hospitality and pay telephone businesses.

The Company operates its business under three business units. Murdock Technology Services ("MTS"), formerly the operating unit of Murdock Communications Corporation, was the unit responsible for marketing of AT&T operator services. In light of the declining volume and narrow margin of the AT&T business, and the Company's refocused business strategy, the Company reached an agreement with AT&T to terminate their marketing agreement effective October 15, 1998. After the effective date of the termination, AT&T directly managed the existing customers under the contract and revenues from the AT&T agreement ended effective in the fourth quarter of 1998. As a result of the termination, the Company recorded a one-time gain in the fourth quarter of $453,396.

The MTS division was created in 1998 to meet the needs of the hospitality telecommunications management market by providing database profit management services and other value added telecommunication services. The division's main product, the Telemanager, is a proprietary software and hardware product, created to help manage telecommunication installations and services in the hospitality market. At December 31, 1998, MTS has installed the Telemanager in approximately 174 locations compared with 80 locations at December 31, 1997.

Effective October 31, 1997, the Company purchased Priority International Communications, Inc. ("PIC") (see Note 3). PIC is primarily engaged in the business of providing long-distance telecommunications services to patrons of hotels and public and private payphone owners with which PIC has contracts to provide such services. Services include, but are not limited to, credit card billing services, live operator services, automated collection and messaging delivery services, voice mail services and telecommunications consulting. At December 31, 1998, PIC maintains site contracts with and provides services for approximately 207 customers throughout the United States (257 customers at December 31, 1997).

Also, on October 31, 1997, the Company purchased PIC Resources Corp. ("PIC-R") (see Note 3). PIC-R, operating through its wholly-owned subsidiary ATN Communications, Incorporated ("ATN"), is primarily engaged in the business of providing carrier services for long-distance telecommunications companies throughout the United States. PIC-R handles incoming operator assisted calls with their operators on location. Together, PIC, PIC-R and ATN comprise the second business unit, known as "PIC/ATN".

On February 13, 1998, the Company purchased Incomex, Inc. ("Incomex"), the Company's third business unit (see Note 4). Incomex is primarily engaged in the business of providing international operator services to the hospitality industry from Mexico to the United States. At December 31, 1998, Incomex maintains contracts with approximately 95 hotel and resort hotel properties located in Mexico compared with approximately 80 at February 13, 1998.

BASIS OF PRESENTATION - The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has an accumulated deficit of $18.2 million, and current liabilities exceed current assets by $8.8 million at December 31, 1998. These factors, among others, indicate that the Company may be unable to continue as a going concern for a reasonable period of time. Management's plans to sustain operations are discussed below.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain additional financing and refinancing as may be required, and ultimately to attain profitable operations. Management's plans to accomplish these objectives include, but are not limited to, the following:

- Continuing integration of the PIC/ATN and Incomex acquisitions (see Notes 3 and 4). Management believes these acquisitions will continue to provide additional positive cash flows as the companies are more fully integrated and generate additional sources of call processing traffic.

- Obtaining a line of credit which would enable the Company to restructure its debt position and finance future growth.

- Successful implementation and market acceptance of the Telemanager system, a new source of revenues to the Company in 1998, that is being marketed to new and existing customers. Telemanager provides the Company's customers with information regarding the hotel's telecommunication system in graphs and reports that are easy to read and understand by persons lacking specialized expertise in telecommunications.

- During the first quarter of 1999, the Company raised $1,500,000 of cash from debt financing (see Note 18). The Company does not believe that its existing capital and anticipated funds from operations will be sufficient to meet its anticipated cash needs for working capital, capital expenditures, debt obligations and investments in acquisitions in 1999. The Company currently estimates that it will need at least $10 million, including the $1,500,000 above, in debt or equity financings in 1999, or in addition to cash flows from operations, to fund its cash requirements and initial investments in AcNet and ACTEL (see note 17).

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company, the accounts of PIC and PIC-R effective October 31, 1997, and effective February 13, 1998, the accounts of Incomex, its wholly-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the collectibility of receivables and impairment of long-lived assets.

CERTAIN RISK CONCENTRATIONS - The Company derived 12% and 24% of its revenues in 1998 from two customers of PIC/ATN and 54% of its revenues

from AT&T in 1997. At December 31, 1998 and 1997, 3% and 12%, respectively, of the Company's receivables were due from AT&T. The Company's agreement with AT&T ended in the fourth quarter of 1998. Also, substantially all of the Company's leasing arrangements are with Berthel Fisher & Company and its subsidiaries, and their affiliated leasing partnerships ("Berthel"). Berthel owned 14.8% and 9.2% of the Company's outstanding common stock at December 31, 1998 and 1997, respectively.

REVENUE RECOGNITION - Revenues derived from the AT&T commission agreement related to calls were recognized as revenues as the calls were placed. Additional bonuses, primarily for reaching the number of contracted rooms or calls specified in the agreement, were recognized when the specified criteria had been met.

A growing portion of the Company's revenues are now derived from processing long-distance telephone calls. The gross charges for these calls are recognized as revenues by the Company as the calls are placed. At the same time, amounts are recorded as cost of services for long distance charges from the carrier of the calls, as well as charges for processing the calls, bad debts and commissions to be paid based on the Company's prior experience for these items.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost. For financial reporting purposes, depreciation and amortization are computed on these assets using the straight-line method over their estimated useful lives ranging from three to 28 years. For income tax purposes, accelerated methods are used. Amortization of telecommunications equipment under capital lease is included with depreciation expense.

The Company accounts for its telecommunications equipment leases as capital leases under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 13. Accordingly, the cost of the leased assets and the related obligations under the lease agreements are recorded at the inception of the lease. The leases are generally for four to five years.

The Company periodically reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. During 1997, the Company recorded an impairment write-down with respect to telecommunications equipment owned and under capital lease, purchased site contracts and a technology license of $1,353,010 based on the estimated discounted future cash flows expected to be generated by such assets. The write-down primarily related to call processing equipment at hotels and a technology license for such equipment which became functionally obsolete upon the acquisition of PIC-R since calls can be processed directly by PIC-R without utilizing such equipment.

GOODWILL - Goodwill is amortized on the straight-line method over 10 years.

COST OF PURCHASED SITE CONTRACTS - The cost of obtaining site contracts is amortized over the term of the related contracts, generally one to three years, using the straight-line method.

OTHER INTANGIBLE ASSETS - Other intangible assets consist of software development costs, a technology license and deferred lease and loan restructuring costs.

Software development costs of $138,013 at December 31, 1998 and 1997 were incurred for products and significant product enhancements subsequent to establishment of their technological feasibility and prior to their general release to customers. These costs were capitalized and stated net of accumulated amortization of $68,915 and $22,911 at December 31, 1998 and December 31, 1997, respectively. The ultimate recovery of the costs is dependent on the Company's ability to achieve a level of market acceptance which will generate revenues and profits in amounts sufficient to permit such recovery. The Company evaluates the recoverability of capitalized software development costs by project on a periodic basis. Capitalized software development costs are amortized using the straight-line method over three years.

The technology license was stated at cost of $500,000 and net of accumulated amortization of $258,333 at December 31, 1996 and was being amortized over the technology's estimated useful life of five years using the straight-line method. Such license was written-off during 1997 as discussed above.

Deferred lease and loan restructuring costs incurred, net of amortization, in connection with lease and loan modification agreements of $869,350 and $282,454 at December 31, 1998 and 1997, respectively, have been deferred and are being amortized over the restructured lease and loan agreement term of five years using the effective interest method. Accumulated amortization related to deferred lease and loan restructuring costs are $279,293 and none at December 31, 1998 and 1997, respectively.

INVESTMENTS - The Company owns a note receivable convertible into preferred stock and convertible preferred stock. Such investments are accounted for at cost and are not readily marketable. Should these investments experience a decline in value that is other than temporary, the Company will recognize a loss to reflect such decline.

INCOMEX FUNCTIONAL CURRENCY - All contracts Incomex has entered into with their customers are denominated in United States dollars.

INVESTMENT IN JOINT VENTURE - The Company's 50% investment in joint venture is accounted for under the equity method. Losses in excess of the Company's investment are recorded when the Company has a legal obligation or is otherwise committed to provide additional financial support. An other than temporary decline in the value of the investment is recognized through a write-down or write-off of the investment.

INCOME TAXES - The Company files a consolidated federal and certain consolidated state income tax returns with its subsidiaries. Some states do not allow the filing of a consolidated state tax return, and therefore, certain subsidiaries file a separate state income tax return. Deferred income taxes are provided for the tax consequences in future years of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts, based on enacted tax laws and tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Income tax expense is the tax payable for the year and the change during the period in deferred tax assets and liabilities.

ACCRETION ON PREFERRED STOCK - Up to the date of conversion, the Company accretes the carrying value of the 8% Series A Convertible Preferred Stock (net of offering costs incurred) to the conversion price by the effective interest method.

CUMULATIVE DIVIDENDS ON PREFERRED STOCK - Cumulative dividends on the 8% Series A Convertible Preferred Stock are deducted from accumulated deficit

as the dividends are earned by the holders and an accrued liability is recorded.

STOCK-BASED COMPENSATION - The Company measures stock-based compensation cost with employees as the excess of the fair value of the Company's common stock at date of grant over the amount the employee must pay for the stock. The Company measures stock-based compensation with other than employees as the fair value of the goods or services received or the fair value of the equity instrument issued, whichever is more reliably measurable.

NET LOSS PER COMMON SHARE - Basic net loss per common share is based on the weighted average number of shares of common stock outstanding during the year. Diluted net loss per common share is the same as basic net loss per share due to the antidilutive effect on net loss per share of any assumed conversion of convertible securities or exercise of options and warrants.

RECLASSIFICATIONS - Certain amounts in the 1997 financial statements have been reclassified to conform with the current year's presentation.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS - In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes standards for derivative instruments and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company has not yet determined if the adoption of SFAS No. 133 will have an impact on the Company's consolidated results of operations, financial position or cash flow.

2. AT&T COMMISSION AGREEMENT

During 1995, the Company entered into an agreement with AT&T with an effective date of December 16, 1995 (the "Old Agreement"). Under the Old Agreement, the Company received commissions based on the number of calls made, management fees based on 10% of the commissions earned, compliance incentive bonuses determined quarterly and paid monthly based on the number of calls processed each month and various additional bonuses, including a $1 million bonus to be paid in four quarterly installments for contracting 100,000 rooms under the Old Agreement by July 1, 1996. Prior to July 1, 1996, the Company had reached the 100,000 room threshold and recognized the $1 million bonus. During 1996, an amended agreement was executed which accelerated the payment dates of the final two quarterly installments to February 28, 1997 and May 1, 1997.

The Old Agreement, as amended, included provisions for the refund of $1,000,000 in bonuses paid to the Company by AT&T should the Company terminate the agreement or fail to comply with the agreement. AT&T had reserved a number of grounds to terminate the Old Agreement, as amended, prior to its expiration, primarily related to certain compliance and quality standards. AT&T was responsible for determining if the Company was in compliance with certain standards set forth in the Old Agreement, as amended, including achieving a 94% compliance rate with respect to AT&T dialing standards. The Company achieved a compliance rate above 94% and, therefore, has not forfeited any compliance bonuses received. Management is not aware of any noncompliance nor has the Company been notified of any

noncompliance with the Old Agreement, as amended.

During 1997, a new agreement was executed with an effective date of January 16, 1998 (the "New Agreement"). By executing the New Agreement, the Company received a signing bonus of $200,000. Under the New Agreement, the Company received monthly commissions based on the number of calls made, bonuses of up to $400,000 based on the number of calls processed during the year and monthly compliance incentive bonuses based on the number of calls processed each month. The New Agreement included provisions for the refund of the bonus payments should the Company terminate the New Agreement or fail to comply with the New Agreement. AT&T was responsible for determining if the Company was in compliance with certain standards, as set forth in the New Agreement. AT&T reserved a number of grounds to terminate the New Agreement prior to its expiration, with or without cause.

During 1998, the Company and AT&T agreed to terminate the agreement with an effective date of October 15, 1998. The Company based this decision on the declining volume and narrow margins of the AT&T business, and on the Company's refocused business strategy. AT&T agreed to pay certain hotel commissions otherwise payable by the Company and, as a result, the Company recorded a one-time gain in the fourth quarter of $453,396.

3. ACQUISITION OF PIC AND PIC-R

Effective October 31, 1997, the Company purchased all of the outstanding capital stock of PIC in exchange for a cash payment at closing of $500,000 and the issuance to certain shareholders of PIC of a promissory note in the principal amount of $840,000 due March 1, 1998, which was subsequently extended to June 30, 1998 (the "Short-Term Note"), and promissory notes with an aggregate principal amount of $1,910,000 due in installments through April 30, 1999 (the "Long-Term Notes" and, collectively with the Short-Term Note, the "PIC Notes"). Concurrently, the Company acquired all of the outstanding capital stock of PIC-R in exchange for a cash payment at closing of $30,000 and the issuance by the Company of an aggregate of 300,000 shares of common stock of the Company valued at $511,874. In connection with the PIC acquisition, the Company also loaned $400,000 to PIC-R for capital expenditures. The acquisitions were recorded under the purchase method for financial reporting purposes. Goodwill of $4,203,709 associated with the acquisitions is being amortized over ten years.

The PIC-R agreement provided that the Company would issue additional shares of common stock to the extent that the combined earnings before interest, taxes, depreciation and amortization ("EBITDA") of PIC and PIC-R for either of the first two full twelve month periods after closing exceeds $1,000,000. Shares of common stock with a quarterly average market value of $1.25 were to be issued for each dollar of EBITDA over $1,000,000 during either of the twelve-month periods. The Company granted piggyback registration rights to the PIC-R shareholders with respect to any secondary offerings of common stock made within three years after the closing of the PIC acquisition.

The Company's obligations under the PIC notes were subject to a collateral interest in the shares of PIC stock and PIC-R stock acquired by the Company pursuant to the PIC acquisition. In the event that the Company defaulted with respect to the repayment of the Short-Term Note, the holders of the PIC notes had the right to rescind the PIC acquisition by

surrendering the shares of common stock issued in the PIC acquisition and the PIC notes to the Company in exchange for the return of all of the shares of PIC and PIC-R stock. In addition, if the PIC acquisition had been rescinded, the shareholders of PIC and PIC-R would retain the $530,000 cash payments made at closing and the $400,000 advanced to PIC-R.

Effective May 21, 1998, the Company and the former shareholders of PIC and PIC-R entered into an agreement to amend the terms of the original Stock Purchase Agreements with respect to the Company's acquisition of PIC and PIC-R. Pursuant to the original Stock Purchase Agreements, the former PIC and PIC-R shareholders received certain special default rights to rescind the acquisitions of PIC and PIC-R. The May 21, 1998 amendment terminated the special default rights. Pursuant to the amendment, the Company also issued 571,428 shares of common stock as a prepayment of $1,000,000 of the Long-Term Notes in reverse order of their maturities of the amounts owed.

Effective December 7, 1998, the Company and the former shareholders of PIC and PIC-R entered into an Earn-Out Settlement Agreement. This Agreement terminated the May 21, 1998 Agreement. Pursuant to the Earn-Out Settlement Agreement, in full and final settlement of the earn-out rights for the former shareholders of PIC and PIC-R, the Company issued 2,300,000 shares of common stock; issued a $300,000 note payable in 24 monthly installments commencing January 7, 1999; assumed $135,000 of costs associated with the defense and settlement of a suit related to brokerage fees in connection with the PIC acquisition; and agreed to pay in full the total outstanding balances on the long-term notes issued to the principal shareholders. The principal balances on the long term notes as of December 31, 1998 was $338,138 of which $317,203 was subsequently paid in January 1999. Goodwill of $3,916,889 associated with the amended terms of the agreement is being amortized over the remaining life of the original goodwill which is eight years and eleven months. Concurrent with the Earn-Out Settlement Agreement, the Company entered into a consulting agreement with PIC's President for two years and an employment agreement with PIC's Executive Vice President for three years.

Pro forma results of operations (unaudited) for the Company reflecting the PIC and PIC-R acquisitions for the year ended December 31, 1997 as if the acquisitions had occurred on January 1, 1997 are as follows:

<TABLE>
<CAPTION>

<S>	<C>
Total revenues	$ 15,745,211
Cost of sales	11,640,553

Gross operating profit	4,104,658
Selling, general and administrative expense	6,624,572
Depreciation and amortization expense	3,128,578
Loss from impairment of property, equipment and intangible assets	1,353,010

Loss from operations	(7,001,502)

Interest expense	(1,057,519)
Loss before income tax expense and joint venture loss	(8,059,021)
Loss from joint venture	993,329
Income tax expense	5,620
Net loss	$ (9,057,970)
Pro forma net loss attributable to common shareholders	$ (9,092,977)
Pro forma net loss per common share	$ (1.24)
Pro forma weighted average common shares outstanding	7,329,867

</TABLE>

4. ACQUISITION OF INCOMEX

On February 13, 1998, the Company entered into an agreement to purchase all of the outstanding shares of common stock of Incomex, in exchange for 400,000 shares of common stock of the Company, valued at $422,500. The agreement also provided for the Company to pay the selling shareholders an aggregate amount equal to 60% of the income before income taxes of Incomex, as defined, during the period from February 1, 1998 through July 31, 1998. The Company had also agreed to issue common stock of the Company equal to an aggregate quarterly average market value of $1.50 for each dollar of income before taxes of Incomex, as defined, earned in excess of $400,000 during the two 12 month periods beginning August, 1998. The Incomex acquisition has been recorded under the purchase method. Goodwill of $901,219 associated with the acquisition is being amortized over ten years.

Concurrent with the purchase, the Company entered into employment agreements with Incomex's Chief Executive Officer and Vice President for three years.

Effective December 7, 1998, the Company and the former shareholders of Incomex entered into an Earn-Out Settlement Agreement. This Agreement amended certain provisions of the Purchase Agreement to provide full and final settlement of the earn-out rights for the former shareholders of Incomex. Under the terms of the Earn-Out Settlement Agreement, the Company issued 1,500,000 shares of common stock; issued $744,915 in notes payable maturing in one year at an annual rate of 14% and includes a 1% origination fee; issued 155,384 warrants associated with the notes payable entitling the holder to purchase the Company's common stock at an exercise price of $3.25 which expire, if unexercised, on December 31, 2003; issued $340,000 in notes payable due no later than April 1, 1999 and recorded cash obligations of $117,479. Goodwill of $3,319,389 associated with the amended terms of the agreement is being amortized over the remaining life of the original goodwill which is nine years and two months.

Pro forma results of operations (unaudited) for the Company reflecting the Incomex, PIC and PIC-R acquisitions for the years ended December 31, 1998 and 1997, as if the acquisitions had occurred on January 1, 1997, are as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Total revenues	$ 34,468,424	$ 20,595,
Cost of sales	23,059,280	15,297,
Gross operating profit	11,409,144	5,297,
Selling, general and administrative expense	7,595,785	7,984,
Depreciation and amortization expense	2,453,579	3,560,
Loss from impairment of property, equipment and intangible assets	--	1,353,
Income (loss) from operations	1,359,780	(7,599,
Gain on AT&T buyout	453,396	-
Interest expense	(2,766,133)	(1,413,
Loss before income tax expense and joint venture loss	(952,957)	(9,013,
Loss from joint venture	41,546	993,
Income tax expense	74,466	5,
Net loss	$ (1,068,969)	$(10,012,
Pro forma net loss attributable to common shareholders	$ (1,243,480)	$(10,047,
Pro forma net loss per common share	$ (.13)	$ (1
Pro forma weighted average common shares outstanding	9,232,881	9,229,

</TABLE>

5. PURCHASE OF ASSETS OF INTERACTIVE COMMUNICATIONS, INC. AND FORMATION AND OPERATION OF GUIDE STAR JOINT VENTURE

On December 13, 1996, the Company purchased all rights and interests in interactive voice response hardware ("IVR Hardware") from Interactive Communications, Inc. ("ICI") for a cash price of $361,600. The Company

assumed no liabilities of ICI as a result of this purchase, except that the Company reimbursed ICI for all telephone and leasing costs incurred by ICI prior to the date the IVR Hardware was assumed by the Company, which totaled $64,545. Also, pursuant to this agreement, the Company entered into an Audiotext Services Agreement with ICI covering thirty-eight IVR Hardware platforms. This agreement was effective from January 1, 1997 until January 1, 2000, with an option to renew for successive periods of twelve months. Under the terms of the agreement, ICI was to provide information updating services for each IVR Hardware platform in exchange for a $1,000 per platform monthly licensing fee to be paid by the Company. In addition, the Company was to pay a monthly fee to ICI in the amount of 5% of the gross monthly revenues generated by the business activities supported by the IVR Hardware platforms after the Company had received gross revenues of $6,000,000.

On January 31, 1997, the Company entered into an agreement with an unrelated third party to form a joint venture, Guide Star, L.L.C. The Company contributed the IVR platforms and other assets with a carrying value of $349,574 in exchange for a 50% ownership interest and a preferential distribution of $496,934. The other party contributed $209,970 in cash in exchange for a 50% ownership interest. The joint venture provided consumer telecommunications services related to the IVR platforms.

During the fourth quarter of 1997, management of the Company decided to cease substantially all the operations of the Guide Star joint venture and dispose of its assets. All assets of the joint venture have been written down to their estimated net realizable values. The Company's net investment in the joint venture of $(60,393) and $(380,913) at December 31, 1998 and 1997, respectively represents net liabilities of the venture for which the Company is responsible.

Condensed financial information for the joint venture as of and for the years ended December 31, 1998 and 1997 is as follows:

<TABLE>
<CAPTION>

<S>	TOTAL ASSETS <C>	TOTAL LIABILITIES <C>	TOTAL REVENUES <C>	NET LOSS <C>
1998	$10,486	$ 70,879	$ 3,142	$ (41,546)
1997	18,286	399,199	256,705	(1,237,728)

</TABLE>

On November 30, 1997, the Company and ICI entered into a Settlement Agreement whereby the Company agreed to pay the full amount currently due and outstanding at that date to ICI under the Audiotext Services Agreement of $295,000 and additional costs, fees and accrued interest of $22,196, with interest on these unpaid amounts accruing interest at 18%. All amounts under the Settlement Agreement were paid during 1998 and the Company was released from its continuing obligation under the Audiotext Services Agreement.

In July 1998, the joint venture entered into a written agreement with MatrixMedia, the other 50% owner of the joint venture, providing for the sale of the joint venture's remaining assets and certain telecommunications equipment owned by the Company to MatrixMedia. Subject to MatrixMedia obtaining financing, the Company anticipates the completion of this transaction during the second quarter of 1999.

6. NOTES PAYABLE

Notes payable as of December 31, 1998 and 1997, consisted of the following:

<TABLE>
<CAPTION>

<S>
Past due notes payable to individuals, $400,000 of which has been provided related parties, bearing interest at 14%, due March 5, 1999. Warrants to purchase 500,000 shares of the Company's common stock were issued at an exercise price of $1.75 per share, which expire if unexercised, on March 3 2001. A warrant to purchase 10,000 shares of the Company's common stock wa issued to Berthel at an exercise price of $1.44 per share which expires if unexercised, on March 31, 2001.

Notes payable to individuals, $225,000 of which has been provided by relate parties, bearing interest at 14%, due March 31, 1999. Warrants to purchase 1,486,000 shares of the Company's common stock were issued, 225,000 of whi were issued to related parties, at an exercise price of $1.75 per share wh expire, if unexercised, on March 31, 2001. Warrants to purchase 121,100 sh of the Company's common stock were issued to Berthel in connection with th offering with terms substantially similar to the warrants issued in the offering.

Notes payable to individuals, $2,520,000 of which has been provided by rela parties, bearing interest at 14%, due November 30, 1999. Warrants to purch 684,000 shares of the Company's common stock were issued, 504,000 of which were issued to related parties. The Warrants were issued at an exercise pr of $3.25 for 604,000 warrants and $2.50 for 80,000 warrants which expire, if unexercised, on November 30, 2003.

Notes payable to the former owners of Incomex bearing interest at 14% due November 15, 1999.

Noninterest-bearing notes payable to the former owners of Incomex due April 1, 1999.

Note payable to consultant bearing interest at 14%, due March 31, 1999. War to purchase 25,000 shares of the Company's common stock were issued at an exercise price of $1.75 per share which expire, if unexercised, on March
</TABLE>

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<TABLE>
<CAPTION>

<S>
Note payable to director bearing interest at 14%, due March 31, 1999. A warrant to purchase 5,000 shares of the Company's common stock was issued at an exercise price of $1.75 per share which expires, if unexercised, on March 31, 2000.

Notes payable to leasing company bearing interest ranging from 24.9% to 33.4% due in periods ranging from December 1999 to April 2002. The notes are in

arbitration, see Note 12.

Variable line-of-credit with a financial institution, with interest on borrowings payable monthly at 2% above the financial institution's prime rate (combined rate of 10.5% at December 31, 1997), collateralized by substantially all assets of the Company not otherwise encumbered and personally guaranteed by the Company's Chairman of the Board.

Note payable to financial institution bearing interest at 12%, collateralized by substantially all assets of the Company not otherwise encumbered and personally guaranteed by the Company's Chairman of the Board.

Note payable to financial institution bearing interest at 2% over the bank's prime rate (combined rate of 9.75% and 10.5% at December 31, 1998 and 1997, respectively), due March 28, 1999, collateralized by AT&T accounts and commission receivables, inventory and certain telecommunications equipment with a carrying value of approximately $130,000 and $180,000 at December 31, 1998 and 1997, respectively.

Note payable to the former owners of PIC bearing interest at 8%, due June 30, 1998, collateralized by a pledge of the common stock of PIC and PIC-R.

Total

</TABLE>

Also see Note 15 with respect to the estimated fair value of notes payable. Due to the issuance of the warrants, all notes payable issued with warrants have an effective interest rate of 18%.

7. LONG-TERM DEBT

Long-term debt, others as of December 31, 1998 and 1997 consisted of the following:

<TABLE>
<CAPTION>

<S>
Mortgage note payable to partnership due in monthly installments of $3,299, including interest at 8.5%, until September 15, 2000, when the balance is The note is collateralized by a first mortgage on the Company's corporate office facilities and land.

Note payable to financial institution bearing interest at 11.25%, due April 1999, collateralized by substantially all assets of PIC not otherwise encumbered and personally guaranteed by certain former PIC shareholders.

Note payable to financial institution bearing interest at 10.25%, due Augus 1998, collateralized by substantially all assets of PIC not otherwise encumbered and personally guaranteed by certain former PIC shareholders.

Notes payable to financial institution bearing interest at 11.25%, maturing 3, 1999 to December 2, 1999, collateralized by certain equipment and note lease assignments and personally guaranteed by certain former PIC shareho

Note payable to vendor bearing interest at 8.5%, due March 30, 1999, collateralized by a security interest in all billable call records proces by the vendor on behalf of PIC.

$120,000 variable line of credit with a financial institution, bearing inte at 10.0%, due February 9, 1999, collateralized by substantially all asset PIC and personally guaranteed by certain former PIC shareholders.

Mortgage note payable to partnership due in monthly installments of $6,500, including interest at 9%, due September 2008, collateralized by ATN's off facilities and land.

Uncollateralized note payable to financial institution due in monthly installments of $12,353, including interest at the financial institution' prime rate (8.75% at December 31, 1998), until January 2000, when the balance is due.

Total
Less current portion

Long-term debt, others

</TABLE>

Long-term debt with related parties at December 31, 1998 and 1997 consisted of the following:

<TABLE>
<CAPTION>

<S>
Uncollateralized notes payable to Berthel due January 31, 2005, (net of discount of $341,010 and $377,734 at December 31, 1998 and 1997, respectively). Interest payable quarterly at 4%, beginning March 31, 1995 until maturity. when the balance is due (effective interest rate of 11.5%).

Uncollateralized note payable to Berthel, due in five monthly installments of $9,494 including interest at 14% beginning on March 30, 1998, then fifty-five installments of $20,130 including interest at 14% until February 28, 2003.

Non-interest bearing, uncollateralized note payable to the owner of PIC, (net of discount of $46,738 at December 31, 1998) due in monthly installments of $12,500, beginning January 1998 through January 2008 (effective interest rate of 19.6%).

Note payable to Berthel due in monthly installments of $23,528 beginning December 1, 1997 until November 1, 2002 when the balance is due including interest at 14.5%, collateralized by all telecommunications equipment owned by PIC-R.

Non-interest bearing notes payable to the former owners of PIC, (net of discount of $242,840, at December 31, 1997, for an effective interest rate of 14.5%), due in quarterly installments of $190,999, beginning on January 31, 1998 through January 31, 1999 and a balloon payment due at maturity of $955,005 on April 30, 1999, collateralized by a pledge of the common stock of PIC and PIC-R. During 1998, 571,428 shares of common stock were issued in exchange for

$1 million of the principal balance as discussed in Note 3, with the remaining balance bearing interest at 12% and due December 31, 1998. The note was repaid in January 1999.

Uncollateralized, noninterest bearing demand notes payable to related parties.

Total
Less current portion

Long-term debt with related parties

</TABLE>

<PAGE> 54

Maturities of long-term debt for each of the five years subsequent to December 31, 1998 are as follows:

<TABLE>
<CAPTION>

<S>	OTHER <C>	RELATED PARTIES <C>	TOTAL <C>
1999	$ 199,287	$ 828,331	$1,027,618
2000	501,230	523,899	1,025,129
2001	21,353	422,734	444,087
2002	23,240	460,136	483,376
2003	25,293	39,566	64,859
Thereafter	154,265	658,990	813,255
Total	$ 924,668	$2,933,656	$3,858,324

</TABLE>

In June 1997, Berthel converted note obligations with a face value of $1.7 million and a carrying value of approximately $1.3 million into 465,625 shares of the Company's common stock. Additionally, the Company had agreed to issue up to 187,067 "adjustment shares" to Berthel should the lowest average closing trading price of the shares for any 30-day period during the 90 days after the shares become registered fall below $4.00 per share. Berthel had the option to rescind the transaction if the Company did not register the shares during 1997. Such shares were not registered during 1997.

Effective December 31, 1997, the Company and Berthel agreed to rescind the conversion and the Company reissued each of the note obligations. Interest on each of the note obligations from the conversion date to the rescission date was added to the principal balance outstanding or was payable on December 31, 1997. Also, the interest rate on one of the notes was reduced from 15.5% to 14.0% and the repayment terms were extended. In connection with the agreement, the Company agreed to issue warrants to Berthel for 229,279 shares of common stock of the Company, at an exercise price of $1.12 per share. The Company has assigned a fair value of $50,000 to the

warrants, that has been capitalized as deferred loan costs. The warrants will expire, if not exercised, on December 31, 2002. Due to the issuance of the warrants, the effective interest rate on the notes is 15.5%.

Also see Note 15 with respect to the estimated fair value of long-term debt.

8. PREFERRED STOCK

On July 2, 1997, the Company amended its Articles of Incorporation to authorize 1,000,000 shares of a new class of "blank check" preferred stock.

On August 1, 1997, the Company authorized the issuance of up to 50,000 shares of Series A Convertible Preferred Stock (the "Convertible Preferred"). The Convertible Preferred has a liquidation preference, subject to adjustment, of $100 per share and accrues cumulative dividends at an annual rate of 8% of the liquidation preference. Dividends are payable quarterly at the Company's option in cash or in common stock. Payments to holders of shares of the Convertible Preferred with respect to liquidation or dividends must be made prior to any payments to the holders of shares of the Company's common stock. The Convertible Preferred has no voting rights, except as required by applicable law. The Convertible Preferred may also be converted into common stock, at the holder's option, commencing one year after issuance at the conversion rate of $1.125 per share of Common Stock and is automatically converted into Common Stock three years after issuance at the same conversion rate of $2.50 per share of Common Stock. As of December 31, 1997, the Company had received gross proceeds of $1,625,000 from the issuance and sale of 16,250 shares of Convertible Preferred pursuant to a private placement offering underwritten by Berthel and received an additional $50,000 in gross proceeds in the first quarter of 1998 from the issuance of 500 shares of Convertible Preferred.

On February 26, 1998, the Company agreed to issue 2,170 shares of Convertible Preferred to an affiliate of Berthel in exchange for the prepayment of $180,000 of commissions and the payment of $37,000 of commissions currently owed. This transaction was completed and the shares issued on June 19, 1998.

9. COMMON STOCK WARRANTS

The Company has the following common stock warrants outstanding (all of which are currently exercisable) at December 31, 1998:

	APPLICABLE COMMON SHARES	EXERCISE PRICE	EXPIRATION DATE
[S]	[C]	[C]	[C]
Issued with initial public offering	880,000	$ 3.14	1999
Issued with initial public offering	160,000	3.07	2001
Issued with initial public offering	80,000	9.75	2001
Incomex Earn-Out Settlement (Note 4)	155,384	3.25	2003
Issued with note payable (Note 6)	1,486,000	1.75	2001
Issued with note payable (Note 6)	500,000	1.75	2001
Issued with note payable (Note 6)	604,000	3.25	2003

Issued with note payable (Note 6)	80,000	2.50	2003
Issued with stock rescission (Note 7)	229,279	1.12	2002
Issued with note payable (Note 6)	5,000	1.75	2001
Issued with note payable (Note 6)	25,000	1.75	2001
Issued with offering agreement (Note 6)	10,000	1.44	2001
Issued with short-term notes payable	15,000	1.44	2001
Issued with offering agreement (Note 6)	121,100	1.75	2001
Issued with consulting agreement	50,000	2.88	1999
Issued with consulting agreement	10,000	3.60	2003
Issued with consulting agreement	10,000	3.00	2003
Total outstanding	4,420,763		

The weighted average exercise price of the warrants was $2.48 and $3.48 and the weighted average remaining life of the warrants was 2.5 and 3 years at December 31, 1998 and 1997, respectively.

The 880,000 common stock warrants were issued in conjunction with the initial public offering of the Company's common stock during 1996. Each warrant is exercisable to purchase one share of common stock at a price of $6.50 per share, subject to adjustment for dilutive issuances of stock. As a result of the anti-dilutive provision, the exercise price at December 31, 1998 was adjusted in accordance with the agreement to $3.14. The warrants are exercisable at any time after issuance and expire on October 21, 1999. The warrants are redeemable at the Company's option commencing 270 days after October 21, 1996 upon 30 days notice to holders at $.01 per warrant if the closing bid price of the common stock averages in excess of 110% of the exercise price of the warrants for a period of 20 consecutive trading days ending within 15 days of the notice of redemption.

In connection with the offering during 1998 of promissory notes in a private placement underwritten by Berthel, the Company issued to Berthel warrants to purchase up to 121,100 shares of the Company's common stock at an exercise price of $1.75 per share and warrants to purchase up to 10,000 shares at an exercise price of $1.44 per share. The warrants expire, if not exercised, on March 31, 2001.

In conjunction with the initial public offering, the Company sold to the underwriters, warrants to purchase 160,000 shares at $3.07 and 80,000 shares at $9.75, as adjusted, (the "Underwriters Warrants"), subject to adjustment for dilutive issuances of stock. The Underwriters Warrants are exercisable on October 21, 1997 or at any time thereafter for a period of four years from October 21, 1997.

During 1996, the Company entered into a consulting agreement (the "Agreement") with a consultant to provide advisory services to the Company. In addition, pursuant to the Agreement, the consultant received a warrant to purchase up to 50,000 shares of the Company's common stock at an exercise price of $2.88 per share. The Company assigned a fair value of $100,000 to the warrant. The warrant expires, if not exercised, on December 20, 1999.

10. STOCK OPTION PLANS

The Company has adopted the 1993 Stock Option Plan (the "1993 Plan"). Under the 1993 Plan, options may be granted to employees to purchase up to an aggregate of 272,529 shares of the Company's common stock. The 1993

Plan is administered by the Compensation Committee of the Board of Directors which determines to whom options will be granted. The 1993 Plan provides for the grant of incentive stock options (as defined in Section 422 of the Internal Revenue Code) to employees of the Company. The exercise price of stock options granted under the 1993 Plan is established by the Compensation Committee, but the exercise price may not be less than the fair market value of the common stock on the date of grant of each option. Each option shall be for a term not to exceed ten years after the date of grant, and a participant's right to exercise an option vests at the rate of twenty percent on the date of grant and each anniversary date until the option is fully vested.

A summary of stock option activity under the 1993 Plan during the years ended December 31, 1998 and 1997, is summarized as follows:

	WEIGHTED AVERAGE EXERCISE PRICE	OPTION PRICE PER SHARE	SHARES
Balance at January 1, 1997	$ 1.81	$ 1.81	137,744
Granted		2.88	96,208
Granted		4.00	6,000
Granted		3.25	18,000
Cancelled		1.81	(25,523)
Cancelled		4.00	(4,000)
Cancelled		3.25	(3,000)
Cancelled		2.88	(1,500)
Balance at December 31, 1997	$ 2.51	$1.81-$4.00	223,929
Granted		2.00	30,927
Cancelled		3.25	(1,000)
Cancelled		2.00	(13,255)
Balance at December 31, 1998	$ 2.04	$1.81-$4.00	240,601

At December 31, 1998, options for 163,026 shares were exercisable (172,779 at December 31, 1997), an additional 31,928 shares were available for future grants and the weighted average remaining life of the options outstanding was five years. The Company has reserved 272,529 shares of common stock in connection with the 1993 Plan at December 31, 1998 and 1997.

During 1997, the Company completed the development of the Murdock Communications Corporation 1997 Stock Option Plan (the "1997 Stock Option Plan"). During 1998, the Company amended the number of shares allocated to 1,727,471. The 1997 Stock Option Plan is also administered by the Compensation Committee of the Board of Directors which determines to whom the options will be granted. The 1997 Stock Option Plan provides for the grant of incentive stock options (as defined in Section 422 of the Internal Revenue Code) or nonqualified stock options to executives or other key employees of the Company. The exercise price of the stock options granted under the 1997 Stock Option Plan is established by the Compensation Committee, but the exercise price may not be less than the fair market value of the common stock on the date of the grant of each option for incentive stock options. Each option shall be for a term not to

exceed ten years after the date of grant for non-employee directors and five years for certain shareholders. Options cannot be exercised until the vesting period, if any, specified by the Compensation Committee has expired.

A summary of stock option activity under the 1997 Stock Option Plan for the years ended December 31, 1998 and 1997, is as follows:

	WEIGHTED AVERAGE EXERCISE PRICE	OPTION PRICE PER SHARE	SHARES
Balance at January 1, 1997	$ -	$ -	-
Granted		3.25	225,629
Granted		4.16	10,000
Granted		3.13	20,000
Balance at December 31, 1997	$ 3.28	$3.13-$4.16	255,629
Granted		2.25-3.50	400,000
Granted		3.13	17,000
Granted		2.81	165,000
Granted		2.75	535,000
Granted		2.00	4,073
Granted		2.25	225,629
Cancelled		3.25	(225,629)
Cancelled		2.00	(1,745)
Balance at December 31, 1998	$ 2.65	$2.00-$4.16	1,374,957

Compensation expense of none and $10,000 was recorded in connection with the grant of these options for the years ended December 31, 1998 and 1997, respectively. At December 31, 1998, options for 893,561 shares were exercisable (25,000 at December 31, 1997), an additional 352,514 shares were available for future grants and the weighted average remaining life of the options outstanding was 6 years. The Company has reserved 1,727,471 shares of common stock in connection with the 1997 Stock Option Plan at December 31, 1998.

The Company accounts for stock option grants and awards to employees using the intrinsic value method. If compensation cost for stock option grants and awards had been determined based on fair value at the grant dates for 1998 and 1997 options consistent with the method prescribed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS No. 123"), the Company's net loss and net loss per share would have been the pro forma amounts indicated below:

		1998	1997
Net loss attributable to common shareholders	As reported	$ (348,851)	$(7,935,015)
	Pro forma	(2,348,214)	(8,073,015)

Net loss per common share	As reported	$	(.06)	$	(1.89)
	Pro forma		(.43)		(1.92)

The weighted average fair values at date of grant for options granted during 1998 and 1997 were estimated to be $1,999,400 and $138,000, respectively. The Company's calculations were made using the Black-Scholes option pricing model with the following weighted average assumptions: ten years expected life; stock volatility of 153% in 1998 and 51% in 1997; risk-free interest rate of 6% in 1998 and 1997; and no dividends during the expected term. During the initial phase-in period, as required by SFAS No. 123, the pro forma amounts were determined based on stock option grants and awards in 1998 and 1997 only. The pro forma amounts for compensation cost may not be indicative of the effects on net loss and net loss per share for future years.

11. INCOME TAXES

The provision for income taxes consisted of the following for the years ended December 31, 1998 and 1997:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Current:		
Federal	$ --	$ --
State	74,466	5,402
Total	$ 74,466	$ 5,402

</TABLE>

The provision for income taxes for the years ended December 31, 1998 and 1997 is less than the amounts computed by applying the statutory federal income tax rate of 34% to the loss before income taxes due to the following items:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Computed expected amount	$ (34,000)	$(2,684,200)
Amortization of goodwill	295,100	--
Meals and entertainment	11,200	8,000
Officer's life insurance	5,700	8,600
State income taxes, net of federal tax benefit	74,466	3,500
Change in valuation allowance	(278,000)	2,669,502
Income tax provision	$ 74,466	$ 5,402

</TABLE>

At December 31, 1998 the Company has net operating loss carryforwards for federal income tax purposes of approximately $13 million ($11 million at

December 31, 1997) to use to offset future taxable income. These net operating losses will expire, if unused, from December 31, 2008 through 2013.

Certain restrictions under the Tax Reform Act of 1986, caused by a change in ownership resulting from sales of common stock, limit the annual utilization of net operating loss carryforwards. The initial public offering of the Company's common stock during 1996 resulted in such a change in ownership. The Company estimates that the post-change taxable income that may be offset with the pre-change net operating loss carryforward of approximately $4.5 million will be limited annually to approximately $600,000. The annual limitation may be increased for any built-in gains recognized within five years of the date of the ownership change.

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<PAGE> 60

Significant components of the Company's deferred tax assets and liabilities as of December 31, 1998 and 1997 are as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	<C>
Deferred tax assets:		
Current:		
Allowance for doubtful accounts receivable	$ 150,000	$
Noncurrent:		
Intangible asset amortization and valuation allowance	213,000	2
Differences in net book value of property and equipment	700,000	9
Capital lease adjustment	242,000	1,1
Deferred income	--	
Carryforward of net operating loss	4,917,000	4,0
	6,072,000	6,4
Total deferred tax assets	6,222,000	6,5
Valuation allowance for deferred tax assets	(6,222,000)	(6,5
Net deferred tax assets	$ --	$

</TABLE>

A valuation allowance for the entire balance of deferred tax assets has been recorded because of uncertainty over their future realization.

12. COMMITMENTS AND CONTINGENCIES

The Company is obligated under long-term capital leases for telecommunication equipment. Substantially all of the leases are with Berthel and have been capitalized and are personally guaranteed by the Company's Chairman of the Board. The Company is responsible for all property taxes, maintenance and insurance. The Company also leases certain of its facilities under operating leases. At December 31, 1998, future minimum rental payments on lease obligations are as follows:

<TABLE>

<CAPTION>

<S>	BERTHEL <C>	OTHER <C>	TOTAL <C>
	CAPITAL LEASES		
Years ending December 31:			
1999	$1,351,929	$ 11,646	$1,363,5
2000	1,351,929	2,608	1,354,5
2001	1,232,304	997	1,233,3
2002	1,064,828	--	1,064,8
2003	177,472	--	177,4
Minimum rental payments	5,178,462	15,251	5,193,7
Less amounts representing interest	1,190,555	1,327	1,191,8
	3,987,907	13,924	4,001,8
Less amounts due within one year	858,102	10,652	868,7
Capital lease obligations due after one year	$3,129,805	$ 3,272	$3,133,0

</TABLE>

As of December 31, 1998, the Company was current on all lease payments to Berthel. However, subsequent to year end, the Company has not made the February 1999 and March 1999 payments. Berthel only has the right to demand that the Company cure this violation, but has not made such a demand as of March 22, 1999.

Rent expense under operating leases for the years ended December 31, 1998 and 1997 was $30,196 and $32,921, respectively.

As of February 27, 1998, the Company entered into an agreement with Berthel to provide $700,000 of lease financing. The financing bears interest at 14%. In connection with the lease financing, warrants to purchase 350,000 shares of the Company's common stock were issued at an exercise price of $1.44 per share. As of June 30, 1998, Berthel funded the entire $700,000 of lease financing. These warrants were exercised on December 31, 1998.

On September 30, 1997, the Company modified its existing lease agreements with Berthel by deferring the July and August 1997 lease payments and increasing the remaining future minimum rental payments for the payments deferred.

During 1997, with an effective date of February 28, 1998, the Company further modified its existing lease agreements with Berthel by deferring the October 1997 through February 1998 lease payments until the end of the lease term as additional payments. Total monthly lease payments are $41,850 from March 1998 through July 1998 and $88,736 per month until February 2003. In connection with these modifications, the Company agreed to issue warrants to Berthel for 750,000 shares of common stock of the Company, at an exercise price of $1.44 per share. The Company assigned a fair value of $157,000 to the warrants, that has been capitalized as deferred lease restructuring costs. These warrants were exercised on

December 31, 1998.

The Company's wholly-owned subsidiary, PIC, is involved in an adversary proceeding filed in connection with two jointly administered Chapter 11 proceedings in the United States Bankruptcy Court for the Southern District of Florida. On May 13, 1997, a joint motion of the Chapter 11 Trustees and Strategica Capital Corporation ("Strategica") was filed for an order to show cause why certain individuals and entities, including PIC, should not be held in civil contempt of court; for relief under Rule 70 of the Federal Rules of Civil Procedure and Rule 7070 of the Federal Rules of Bankruptcy Procedure; and for the entry of an order of criminal referral for criminal conduct of certain individuals and entities, including PIC. The proceeding does not specify a dollar amount of damages. The contempt motion was denied by the Bankruptcy Court on November 4, 1998. Strategica filed a motion for rehearing on November 16, 1998, which was denied by the Bankruptcy Court on December 2, 1998. Strategica filed a notice of appeal of the adverse ruling on December 11, 1998. PIC filed a motion for attorneys' fees and costs on November 24, 1998, and a hearing was conducted by the Bankruptcy Court on January 28, 1999 with respect to PIC's motion. Strategica's appeal and PIC's motion for attorneys' fees and costs are both currently pending. No assurance can be given as to the ultimate outcome of this matter. No loss, if any, has been recorded in the consolidated financial statements with respect to this matter.

Incomex and EILCO Leasing Services, Inc. ("Eilco"), a creditor of Incomex, have commenced an arbitration proceeding to resolve a dispute regarding a loan agreement between Incomex and Eilco. Eilco claims that Incomex is in violation of certain covenants of the loan agreement, including provisions relating to certain obligations of Incomex to make payments to Eilco based on Incomex's income from telecommunications services provided to a group of hotels in Mexico. This matter is scheduled for an arbitration hearing on April 21, 1999. Eilco is seeking the amount due on the loan and additional damages which may be in excess of $1,000,000 plus attorney fees. The Company's position is that it owes only the amount due on the loan and is not in violation of the covenants. Accordingly, the Company has not recorded any loss in the consolidated financial statements with respect to this matter in excess of the amount due on the loan. No assurance can be given as to the ultimate outcome of this matter.

On July 20, 1998, Operator Communications, Inc. ("Oncor") filed a lawsuit in the District Court of Dallas County, Texas against the Company, Incomex, and an unrelated third party. Oncor alleges that the defendants improperly terminated a long distance service agreement with Oncor and claims damages based on amounts which Oncor alleges to have advanced to the Company, lost profits for the period in which the Company is alleged to have breached the contract, attorneys' fees and for interference with contractual relations in an unspecified amount of not less than $100,000. The Company has asserted a counterclaim for accounting, breach of contract, misrepresentation and payment of attorneys' fees. This case is at a preliminary stage and it is not possible to assess fully the merits of Oncor's claims. The Company intends to defend the claims against it and Incomex vigorously but no assurance can be given to the outcome of this matter. The Company has accrued $108,000 as a reserve in connection with this matter at December 31, 1998 in accordance with SFAS No. 5 "Accounting for Contingencies." There can be no assurance that the loss, if any, will not exceed the reserve established by the Company

W.B. McKee Securities, Inc. ("McKee") filed suit against the Company in

U.S. District Court for the District of Arizona alleging breach of an investment banking agreement relating to finders' fees for the PIC/ATN acquisition. The Company and McKee entered into a settlement agreement in the first quarter of 1999 with respect to this matter. Pursuant to the settlement, the Company has agreed to pay $100,000 to McKee in installments over a three-month period in return for a general release of all claims by McKee. The effectiveness of the settlement agreement and McKee's release is contingent on the timely payment by the Company of the settlement amount. The settlement amount of $100,000 has been accrued by the Company as of December 31, 1998.

On October 1, 1998, the Company entered into an Amended and Restated Employment Agreement with Thomas C. Chaplin, Chief Executive Officer and Guy O. Murdock, Chairman of the Board. Each of the Amended and Restated Employment Agreements has a term through December 31, 2001. Pursuant to the Amended and Restated Employment Agreements, Messrs. Chaplin and Murdock will receive base salaries of not less than $250,000 and $150,000, respectively. In addition, each of them will be eligible to participate in the Company's bonus plan and other executive compensation plans. Each Amended and Restated Employment Agreement contains a provision restricting competition with the Company for a period of two years following termination of employment. Mr. Chaplin's Amended and Restated Employment Agreement provides that if his employment is terminated by the Company for any reason other than for cause, Mr. Chaplin will be entitled to receive severance at an annual rate of $150,000 for two years, provided, however, that if his employment is terminated by the Company or by Mr. Chaplin for any reason within 180 days after a sale of the Company, Mr. Chaplin will be entitled to continuation of his then effective base salary for three years. Mr. Murdock's Amended and Restated Employment Agreement provides that if his employment is terminated by the Company for any reason, including for cause, Mr. Murdock will be entitled to receive severance at an annual rate of $150,000 for two years, provided, however, that if his employment is terminated by the Company or by Mr. Murdock for any reason within 180 days after a sale of the Company, Mr. Murdock will be entitled to continuation of his then effective base salary for three years.

On January 1, 1999, the Company entered into an Amended and Restated Employment Agreement with Colin P. Halford, President. The Amended and Restated Employment Agreement has a term through December 21, 2001 and provides that Mr. Halford will receive a base salary of not less than $150,000. In addition, Mr. Halford will be eligible to participate in the Company's bonus plan and other executive compensation plans. The Amended and Restated Employment Agreement contains a provision restricting competition with the Company for a period of two years following termination of employment. Mr. Halford's Amended and Restated Employment Agreement provides that if his employment is terminated by the Company for any reason, including for cause, Mr. Halford will be entitled to receive severance at an annual rate of $150,000 for two years, provided, however, that if his employment is terminated by the Company or by Mr. Halford for any reason within 180 days after a

sale of the Company, Mr. Halford will be entitled to continuation of his then effective base salary for three years.

On November 1, 1998, the Company and its wholly owned subsidiaries PIC and PIC-R entered into an Employment Agreement with Bonner B. Hardegree, Executive Vice President of PIC. The Employment Agreement has a three-year term, with automatic one-year renewals unless either party gives notice of

termination at least one year in advance of the end of the term. Pursuant to the Employment Agreement, Mr. Hardegree will receive a base salary of not less than $144,000. In addition, Mr. Hardegree will be entitled to participate in the Company's bonus plans and other compensation plans and fringe benefits for executive officers. The Employment Agreement contains a provision restricting competition with the Company for a period of six months following termination of employment unless termination is by the Company without cause or by Mr. Hardegree for good reason. Mr. Hardegree's Employment Agreement provides that if his employment is terminated by the Company without cause or by Mr. Hardegree for good reason, Mr. Hardegree will be entitled to continuation of his then effective base salary for a period equal to the greater of (i) one year, or (ii) the remaining term of the Employment Agreement.

13. RELATED PARTY TRANSACTIONS

The Company conducts a significant amount of business with Berthel and other affiliated entities. Berthel provided lease and other financing services, including underwriting, to the Company. The Company also had an agreement with an entity owned by the Company's Chairman of the Board for the use of aircraft. The Company has also paid consulting expenses to a member of the Company's Board of Directors and had loans with related parties.

On July 1, 1994, the Company entered into an agreement with a minority shareholder to provide telecommunication services to hotels owned and managed by Larken, Inc., a company 50% owned by a minority shareholder. Revenues of $463,976 and $603,644 were generated for the years ended December 31, 1998 and 1997, respectively. Further, the Company had call processing receivables from the hotels included under the agreement of $135,983 and $79,500 at December 31, 1998 and 1997, respectively. The agreement provides for a set payment of $25,000 per month in commissions to be paid to the minority shareholder, until January 1, 1997, when the commission payment was increased to $30,000 per month for a period of 24 months. Also in conjunction with this agreement, effective from July 1, 1996 and through June 30, 1997, the Company paid an additional $6,000 per month to Berthel for commissions payable to the minority shareholder pursuant to a settlement of a dispute between Berthel and the minority shareholder.

A summary of transactions with related parties for the years ended December 31, 1998 and 1997 is as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Consulting expense	$ 73,630	$ 35,181
Interest expense on related party notes payable	289,922	20,778
Commissions to minority shareholder	360,000	360,000
Interest expense on notes payable to Berthel	133,681	38,622
Lease payments to Berthel	840,415	491,175
Commissions and related fees to Berthel	141,518	115,250
Rental of aircraft	--	33,116

</TABLE>

14. PROFIT SHARING PLAN

The Company has a profit sharing plan under Section 401(k) of the Internal Revenue Code. Employees are eligible to participate in the plan after completing three months of service. There were no contributions required and no discretionary contributions made to the plan for the years ended December 31, 1998 and 1997.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value amounts disclosed below are based on estimates prepared by the Company utilizing valuation methods appropriate in the circumstances. Generally accepted accounting principles do not require disclosure for lease contracts. The carrying amount for financial instruments included among cash, receivables, notes payable, and other short-term payables approximates their fair value because of the short maturity of those instruments. The estimated fair value of other significant financial instruments are based principally on discounted future cash flows at rates commensurate with the credit and interest rate risk involved.

The estimated fair values of the Company's other significant financial instruments at December 31, 1998 and 1997 are as follows:

<TABLE>
<CAPTION>

	1998		1997	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Note receivable	$ 806,229	$ 806,229	$ --	$ --
Long-term debt	3,858,324	3,367,119	4,795,473	4,795,473

</TABLE>

16. BUSINESS SEGMENT INFORMATION

In June 1997, SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information", was issued effective for fiscal years ending after December 15, 1998. The Company's reportable segments are structured into a decentralized organizational structure resulting in three stand-alone business units. While all three business units are engaged in the business of providing telecommunications services to hospitality and payphone businesses, they are managed separately largely due to a series of acquisitions the Company completed in 1997 and 1998, as discussed in Notes 3 and 4.

The Company's three reportable segments are PIC/ATN, Incomex and MTS. The Company provides long-distance telecommunications services to hotels and payphone owners in the United States through the PIC/ATN business unit. The services include, but are not limited to, live operator services, credit card billing services, automated collection and messaging delivery services, voice mail services, telecommunications consulting and providing carrier services for long-distance telecommunications companies. The incoming operator assisted calls are processed with the PIC/ATN operators on location. The Incomex business unit provides international operator services to hotels and payphone owners in Mexico on international calls from Mexico to the United States. The MTS business unit was created in 1998 to meet the needs of the hospitality telecommunications management market by providing database profit management services and other value

added services. The MTS business unit was formerly the operating unit of the Company responsible for marketing of AT&T operator services until the contract was terminated during the fourth quarter of 1998.

The accounting policies of the reportable segments are the same as those described in Note 1. The Company evaluates the performance of its operating units based on income (loss) from operations.

Summarized financial information concerning the Company's reportable segments is shown in the following table (amounts expressed in thousands). The "Other" column includes the effect of eliminating inter-business unit transactions.

	PIC/ATN	INCOMEX	MTS AND CORPORATE	OTHER	TOTAL
1998:					
Revenues	$24,094	$ 7,921	$ 5,262	$(3,289)	$33,988
Income (loss) from operations	2,544	1,958	(2,596)		1,906
Total assets	5,591	2,463	16,818	(2,194)	22,678
Depreciation and amortization expense	436	12	771	629	1,848
Capital expenditures	800	134	357		1,291
1997:					
Revenues	1,369		7,048		8,417
Income (loss) from operations	17		(7,064)		(7,047)
Total assets	2,642		7,728	(984)	9,386
Depreciation and amortization expense	73		2,070		2,143
Capital expenditures	284		357		641

Financial information relating to the Company's operations by geographic area was for the years ended December 31, 1998 and 1997 as follows (amounts expressed in thousands):

	1998	1997
Revenues:		
United States	$26,009	$ 8,417
Mexico	7,921	--
Canada	58	--
Total	$33,988	$ 8,417
Long-lived assets (excluding investments):		
United States	$15,719	$ 7,883
Mexico	1,704	--
Total	$17,423	$ 7,883

17. INVESTMENTS

During 1998, the Company reached an agreement to invest in ACTEL Integrated Communications, Inc. ("ACTEL") of Mobile, Alabama. As of December 31, 1998, the Company had invested $694,067, and from January 1, 1999 through March 22, 1999, had invested an additional $586,000. On March 10, 1999, the Company and ACTEL entered into an Investment Agreement whereby, the Company receives one share of Series A Convertible Preferred Stock for every dollar invested. Each Series A Convertible Preferred Stock earns a 10% dividend and may be converted to 1.46 shares of common stock at any time on or before March 10, 2002 at the option of the Company.

ACTEL, based in Mobile, Alabama, will provide local exchange communications services as a facility-based carrier. ACTEL has received public service approval to become a competitive local exchange carrier in both Louisiana and Alabama and will begin to offer voice and data communications services to medium and small businesses in April 1999. Initially, resale service will commence in Mobile, Alabama and in New Orleans, Louisiana, through an interconnect agreement with Bell South. An advanced Lucent AnyMedia(TM) MultiService Module is being installed in Mobile. It will enable proprietary retail services to be provided to the Mobile, Alabama market later this spring. At that time ACTEL will own its local service lines, sell monthly services and become a facility-based carrier providing proprietary voice and data services to the targeted market of medium and small businesses.

During 1998, the Company reached an initial lending/investment agreement with AcNET de C.V. ("AcNet") of Mexico. As of December 31, 1998, the Company had invested $806,229, and from January 1, 1999 through March 22, 1999, had invested an additional $403,000. The initial agreement in August 1998 provided for an option to purchase 49% of AcNet for $2 million. The option was renewed beyond the original October 1998 expiration and revised in March 1999 to the following: the Company may lend up to $2 million to AcNet on a 10% note and convert the note to preferred stock that earns 20% of the earnings of AcNet, as defined in the agreement. The preferred stock may be redeemed by AcNet for 120% of its face value plus any accumulated dividends. Additionally, the Company possesses an option to acquire 49% of the common stock of AcNet in exchange for 450,000 shares of the Company's common stock and the guarantee by the Company of certain debt of AcNet by March 30, 1999. As of March 22, 1999, no amounts had been guaranteed by the Company. The option extends through July 31, 1999.

AcNet provides internet services and network services to businesses, governments and consumers in Mexico by authority of concessions provided by the Mexican government. As of March 1999, AcNet provided internet services to over 13,000 customers and network services to several of the major corporations in Mexico generating annualized revenues of approximately $1.5 million.

18. SUBSEQUENT EVENT

During the first quarter of 1999, the Company received proceeds of $1,500,000 from the issuance of promissory notes to related parties. The notes bear interest at 14% and the accrued interest and principal are due on November 30, 1999. Warrants to purchase 300,000 shares of the Company's common stock were issued in relation to the promissory notes at an exercise price of $3.25 per share.

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</TEXT>
</DOCUMENT>
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<TYPE>EX-10.6
<SEQUENCE>2
<DESCRIPTION>AMEND. TO AT&T MGMT COMPANY COMMISSION AGREEMENT
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<PAGE> 1

EXHIBIT 10.6

AMENDMENT TO AT&T MANAGEMENT COMPANY
COMMISSION AGREEMENT

The AT&T Management Company Commission Agreement entered into as of January 16, 1997 ("Agreement"), between AT&T Corp. ("AT&T") and MURDOCK COMMUNICATIONS CORPORATION ("Agent") is amended, effective upon signing by both parties, as follows:

WHEREAS, Agent desires to no longer manage telecommunications services for Telephones at the Locations and therefore, wishes to terminate the Agreement; and

WHEREAS, AT&T has agreed to the termination of said Agreement; and

WHEREAS, both parties desire to close out any payments due under said Agreement and to set forth Agent's obligations to AT&T regarding the relationship that AT&T desires to pursue with the Locations.

NOW, THEREFORE in consideration of the mutual benefits accruing to each party, the parties hereby covenant and agree as follows:

1. The Agreement shall officially expire as of October 15, 1998 ("Expiration Date").

2. No later than close of business October 9, 1998, Agent shall provide information required by AT&T to enable AT&T's payment of any commissions due and owing from Agent to the Locations for the approximate time period from March 1998 through the Expiration Date hereunder. Such information shall include, but not be limited to, the Location payee name, the address, the amount of commissions owed to such Location, federal tax identification numbers and any other information that AT&T deems necessary in completing such action. AT&T shall not be obligated to pay such commissions until said information has been provided to AT&T by Agent.

3. Contingent upon Agent providing the information in accordance with paragraph 2, above, AT&T agrees to pay to Agent Twelve Thousand Five Hundred Dollars ($12,500).

4. AT&T shall pay to Agent the Compliance Incentive Bonus that has been earned by Agent, as set forth in Section 5.0 of the Agreement, for the period of June 16, 1998 through September 15, 1998, subject to adjustment in accordance with subsection 5.5. For the period of September 16 through October 15, 1998,

the Compliance Incentive Bonus shall not be subject to any adjustment, but as earned. Such bonus payments shall be made within forty-five (45) days of the Expiration Date of the Agreement.

5. Agent agrees to provide detailed contact information for all of the Locations covered under the Agreement and to provide any assistance to AT&T that is necessary in the transition of the relationship with the Location from Agent to AT&T. Agent shall work with AT&T to

<PAGE> 2

develop a letter, to be signed jointly by Agent and AT&T, to be mailed to the Locations informing of said transition.

6. Agent agrees that effective with this Amendment, and up to twenty-four (24) months after the Expiration Date, Agent shall not compete with AT&T for 0+ services at any of the Locations covered hereunder.

7. In the event of an inconsistency between the terms of the Agreement and this Amendment, the terms of this Amendment shall prevail.

<TABLE>
<CAPTION>

MURDOCK COMMUNICATIONS CORPORATION	AT&T CORP.
<S>	<C>
/s/ Colin P. Halford	/s/ John C. Powell
Authorized Signature	Authorized Signature
Colin P. Halford	John C. Powell
Typed or Printed Name	Typed or Printed Name
President	Sales Vice President
Title	Title
10/8/98	10/15/98
Date	Date
319-362-6900	Contract # --------
Contact Telephone Number	Agent ID ---------
	Location # ---------

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<TYPE>EX-10.16
<SEQUENCE>3
<DESCRIPTION>EARN-OUT SETTLEMENT AGREEMENT
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EXHIBIT 10.16

EARN-OUT SETTLEMENT AGREEMENT

THIS EARN-OUT SETTLEMENT AGREEMENT (the "Agreement") is entered into as of the 7th day of December, 1998, by and among MURDOCK COMMUNICATIONS CORPORATION ("Murdock"), MCC ACQUISITION CORP., a wholly owned subsidiary of Murdock ("MCCAC"), PRIORITY INTERNATIONAL COMMUNICATIONS, INC., a wholly owned subsidiary of MCCAC ("PIC"), PIC RESOURCES CORPORATION, a wholly owned subsidiary of MCCAC ("PICR"), WAYNE WRIGHT and BONNER HARDEGREE, (together the "Shareholders") and ATN COMMUNICATIONS, INC. ("ATN") a wholly owned subsidiary of PICR.

RECITALS

A. Murdock, MCCAC, PIC, PICR, the Shareholders and ATN mutually desire to enter into this Agreement and hereby each acknowledge the receipt of good and valuable consideration therefor.

B. A Stock Purchase Agreement dated as of August 22, 1997, as amended to date (the "PIC Agreement"), was entered into by and among MCCAC, PIC and the Shareholders.

C. A Stock Purchase Agreement dated as of August 22, 1997, as amended to date (the "PICR Agreement"), was entered into by and between MCCAC, PICR, ATN and the Shareholders.

D. That certain Letter Agreement dated October 29, 1997 addressed to the Shareholders of PICR and ATN (the "Letter Agreement") was executed and delivered by Murdock in conjunction with the execution of the PIC Agreement and the PICR Agreement.

E. That certain Agreement dated May 21, 1998 (the "May 1998 Agreement") was executed and delivered by the parties hereto.

F. The parties hereto desire to make certain additional agreements and to modify certain terms and conditions of the PIC Agreement, the PICR Agreement and the May 1998 Agreement all as expressly stated herein.

AGREEMENTS

In consideration of the recitals and the mutual agreements which follow, the parties agree:

1. Termination of the May 1998 Agreement. The May 1998 Agreement is

terminated and of no further force or effect.

2. Settlement of Earn Out Right. In full and final settlement of the earn-out rights set forth in section 1.3 of the PICR Agreement, the Letter Agreement, as amended to the date of this Agreement and the May 1998 Agreement, (the "Earn-Out Rights"), upon execution of this Agreement, Murdock shall issue 2,300,000 shares of its voting common stock, (the "Shares") to the Shareholders. Additionally, Murdock shall undertake with Wayne Wright a deferred payment arrangement whereby, Wright shall receive $300,000.00 payable in 24 equal monthly

<PAGE> 2

installments commencing on the date of execution of the Agreement. Such payments shall be considered as part of the settlement of the Earn-Out Right. The Parties acknowledge that with respect to the issuance of the Shares, the Shareholders may designate certain other parties to receive Shares and Murdock agrees, subject to applicable securities laws, to comply with the written instructions, as executed by the Shareholders, to issue the Shares according to the directions of the Shareholders, such instructions to be delivered concurrently with the execution of this Agreement. In accordance with applicable securities laws, the stock certificates evidencing the Shares shall bear a standard restrictive legend indicating that the Shares were not registered under the securities laws and cannot be resold except pursuant to a registration statement or in a transaction exempt from federal and applicable state securities registration requirements. Upon receipt of the Shares, the Earn Out Rights shall expire and be of no further force or effect.

3. Brokerage Fees. Murdock or the Subsidiaries shall be fully responsible for the costs associated with the defense and settlement of the McFarland/Grossman action seeking brokerage fees in connection with the PIC Agreement. Murdock acknowledges that a settlement providing for payment of a total of $ 120,000.00 to McFarland Grossman has been entered into and partially paid as of the date of this agreement.

4. Release. The Shareholders are hereby released from any and all liabilities which have arisen or may arise in the future in connection with any and all representations, warranties or other assurances whether expressed or implied or any contingent liabilities, including indemnities, that were originally or subsequently accepted in connection with any of the Agreements, Amendments or Disclosures heretofore entered into by the parties or delivered by the Shareholders. It is the intent of the parties, that the execution and actions of this Agreement shall constitute full and final settlement and acceptance of all aspect of the agreements and undertaking of the parties, including indemnities, with respect to the PIC Agreement and the PICR Agreement as amended to the date hereof.

5. Pay-off of Long-Term Notes. Upon execution of this Agreement, MCCAC shall pay in full the total outstanding balance on the Promissory Notes ("Long Term Notes") issued by MCCAC to each of Wayne Wright and Bonner Hardegree, both dated October 29, 1997 in the original principal amounts of $ 1,664,119.39 and $ 209,497.01 respectively. The parties acknowledge and agree that the total outstanding balance on these two promissory notes is $214,883.39 and $ 96,650.01 respectively. Any amounts of installments due and payable prior to the execution of this Agreement and any amounts that remain unpaid after the date of this Agreement and until paid, shall bear interest at the rate of 14.0% per anum, from the due date. Upon such payment of principal due and interest, if any, Messrs. Wright and Hardegree shall return the original promissory notes to MCCAC marked "Canceled" and "Paid in Full".

6. Earn-Out Forecast. In connection with the settlement discussions evidenced by this Agreement, the Shareholders were asked to furnish certain information regarding forecast earnings and profits for PIC and PICR, such having been used as the basis for negotiations and agreement between the parties hereto. Murdock and MCCAC acknowledge that this forecast was prepared on a "best efforts" basis and the Shareholders make no representation other than that the forecast was prepared in good faith using reasonable forecast methods and based on the factual assumptions reasonably believed by the Shareholders to be accurate at the time. The Shareholders make no other representations or warranties with respect to the earn-out forecast.

7. Release from Personal Guarantees. Murdock shall use its reasonable efforts to secure the release of the Shareholders from any personal liability they may have under any

corporate obligations of Murdock or its Subsidiaries or under the loan agreements between Murdock and Compass Bank and Berthel Fisher & Co. Murdock agrees that in the absence of release from such personal liability, Mssr. Wright and Hardegree, shall be fully and completely indemnified by Murdock in connection with such personal liabilities.

8. Employment and Consulting Agreements. Upon execution of this Agreement, PIC shall enter into (1) a two year consulting agreement with Wayne Wright for nominal compensation and (2) a three year employment agreement with Bonner Hardegree providing for annual compensation of $ 144,000.00 plus reasonable and customary benefits. Both agreements shall be guaranteed by Murdock and MCCAC and shall contain provision for incentive bonus and other performance incentive opportunities as approved by the MCC Board of Directors. The respective form of these agreements are (made a part of this Agreement and) attached hereto as exhibits "A" and "B".

9. Registration Rights. Murdock agrees to file a registration statement registering the resale of all shares originally issued to the Shareholders and those shares issued in connection with this Agreement at a time reasonable in conjunction with the 1998 year end audit and financial reporting and to use its reasonable best efforts to have such registration statement declared effective by the Securities and Exchange Commission as quickly as reasonably possible after such filing.

10. Closing. The parties agree that the closing shall occur as soon as practicable following the date of this Agreement, but in no respect later than January 1, 1999. With respect to the shares being issued pursuant to this Agreement, the issue date of such shares shall be the same as the date of closing as herein stated.

11. Miscellaneous. This Agreement shall be construed and enforced in accordance with the laws of the State of Iowa without regard to conflicts of law principles. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption of burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement. This Agreement may be amended or modified in whole or in part, only by duly authorized agreement in writing executed in the same manner as this Agreement and which makes reference to this Agreement. this Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

MCC ACQUISITION CORP.

BY/s/ Thomas E. Chaplin

Thomas E. Chaplin,
Chief Executive Officer

MURDOCK COMMUNICATIONS
CORPORATION

BY/s/ Thomas E. Chaplin

Thomas E. Chaplin
Chief Executive Officer

PRIORITY INTERNATIONAL
COMMUNICATIONS, INC.

BY/s/ Wayne Wright

Wayne Wright, President

PIC RESOURCES CORP.

BY/s/ Wayne Wright

Wayne Wright, President

SHAREHOLDERS

/s/ Wayne Wright

Wayne Wright

/s/ Bonner Hardegree

Bonner Hardegree

ATN COMMUNICATIONS, INC.

BY/s/ Wayne Wright

Wayne Wright, CEO

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EXHIBIT 10.18

EARN-OUT SETTLEMENT AGREEMENT

This Agreement is entered into as of December 1, 1998 by and among MCC Acquisition Corp., an Iowa corporation ("MCCAC"), MURDOCK COMMUNICATIONS CORPORATION, an Iowa corporation ("Murdock"), and all of the former shareholders of INCOMEX, INC. listed on the signature page to this Agreement (the "Shareholders").

RECITALS

A. MCCAC and the Shareholders are parties to a Stock Purchase Agreement dated as of February 13, 1998 (the "Purchase Agreement") pursuant to which MCCAC acquired all of the issued and outstanding common stock of INCOMEX, Inc. ("INCOMEX").

B. MCCAC, Murdock and the Shareholders desire to finally settle certain provisions of the Purchase Agreement.

C. MCCAC is a wholly-owned subsidiary of Murdock.

AGREEMENT

In consideration of the recitals and the mutual agreements which follow, each party to this Agreement agrees:

1. Settlement of Earn Out Rights.

(a) In full and final settlement of the earn-out rights set forth in section 1.3(a) of the Purchase Agreement, MCCAC will pay to the Shareholders, according to their respective Proportional Shares, an aggregate amount (the "IBT Payment") equal to 60% of the IBT (as defined below) of INCOMEX during the period from February 1, 1998 through July 31, 1998. "IBT" shall mean net income before income taxes, determined according to GAAP except that, solely for purposes of calculating IBT, the cost of operator services provided to INCOMEX by ATN Communications Inc. shall be the lower of (i) the actual costs of such services billed to INCOMEX plus bad debt expense and uncollectible charges or (ii) $5.90 per eight-minute call billed to INCOMEX plus bad debt expense and uncollectible charges.

(b) The IBT Payment shall be payable within 30 days of the confirmation by Deloitte & Touche of INCOMEX IBT for the period from February 1, 1998 through October 31, 1998, but in no event later than March 1, 1999. At each Shareholder's option (to be exercised by sending MCCAC a notice

in the form of Exhibit B within ten days after the date of such Shareholder's execution and delivery of this Agreement), such Shareholder's Proportional Share of the IBT Payment shall be payable either (a) in cash, or (b) by delivery of a Murdock promissory note (the "Note") in the principal amount of the

Shareholder's Proportional Share of the IBT Payment. The Note will be payable in full one year after the issue date, will bear interest at an annual rate of 14% and will include a 1% origination fee. The Note will also carry a detachable five-year warrant entitling the holder to purchase 200 shares of Murdock common stock for each $1,000 of principal at an exercise price of $3.25 per share. Upon the execution and delivery of this Agreement, section 1.3(a) of the Purchase Agreement shall expire and be of no further force or effect.

(c) In full and final settlement of the earn-out rights set forth in section 1.3 (b) of the Purchase Agreement, upon execution and delivery of this Agreement by all parties, Murdock shall issue 1,500,000 shares of its voting common stock (collectively, the "Shares") in the aggregate to the Shareholders, to be allocated according to the Shareholders' respective Proportional Shares (as shown on Exhibit A). In accordance with applicable securities laws, the stock certificates evidencing the Shares shall bear a standard restrictive legend indicating that the Shares were not registered under the securities laws and cannot be resold except pursuant to a registration statement or in a transaction exempt from federal and applicable state securities registration requirements. Upon receipt of the Shares, section 1.3(b) of the Purchase Agreement shall expire and be of no further force or effect.

2. Observer Rights. One representative designated in writing by Shareholders holding a majority in interest of the aggregate Proportional Shares shall be entitled to attend meetings of Murdock's Board of Directors as an observer for a period of one year after the issuance of the Shares.

3. Miscellaneous. This Agreement may be amended or modified in whole or in part, only by a duly authorized agreement in writing executed in the same manner as this Agreement and which makes reference to this Agreement. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

MCC ACQUISITION CORP.

BY/s/ Thomas E. Chaplin

Thomas E. Chaplin,
Chief Executive Officer

MURDOCK COMMUNICATIONS
CORPORATION

BY/s/ Thomas E. Chaplin

Thomas E. Chaplin,
Chief Executive Officer

THE SHAREHOLDERS

/s/ John S. Rance

John S. Rance

/s/ R. Michael Upshaw

R. Michael Upshaw

/s/ Fernando Ficachi

Fernando Ficachi

/s/ Steve Rance

Steve Rance

/s/ Gloria Rance, Trustee

Trustee of the Rance Family Trust

/s/ John Holderness

Trustee of the
Holderness Family Trust

/s/ Jeannie Rance

Jeannie Rance

/s/ Robert Upshaw

Robert Upshaw

/s/ David A. Coats

Trustee of the David A. Coats
& Terrell A. Coats
Revocable Trust

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/s/ Terrell Coats

Trustee of the David A. Coats
& Terrell A. Coats
Revocable Trust

/s/ Gary Newton

Gary Newton

/s/ Karri Rance-Heredia

Karri Rance Heredia

/s/ Pamela Leary

Pamela Leary

/s/ Angela Taylor

Angela Taylor

/s/ Jason Rance

Jason Rance

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EXHIBIT 10.20

MURDOCK COMMUNICATIONS CORPORATION
1997 STOCK OPTION PLAN
(as amended through September 30, 1998)

This Stock Option Plan, hereinafter referred to as the Plan, is adopted by Murdock Communications Corporation, an Iowa Corporation.

1. Purpose. The purpose of this Plan is to strengthen Murdock Communications Corporation by providing an incentive to its key employees and directors thereby encouraging them to devote their abilities and industry to the success of the Company's business enterprise. It is intended that this purpose be achieved by extending to key employees and directors of the Company an added long-term incentive for high levels of performance and unusual efforts through the grant of options to purchase shares of the Company's common stock under the Murdock Communications Corporation 1997 Stock Option Plan.

2. Definitions. For purposes of the Plan:

(a) "Agreement" means the written agreement between the Company and an Optionee evidencing the grant of an Option and setting forth the terms and conditions thereof.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means (i) intentional failure to perform reasonably assigned duties, (ii) dishonesty or willful misconduct in the performance of an Optionee's duties, (iii) any act of (A) fraud or intentional misrepresentation, or (B) embezzlement, misappropriation or conversion of assets or opportunities of the Company or (iv) willful violation of any law, rule or regulation in connection with the performance of an Optionee's duties (other than traffic violations or similar offenses).

(d) "Change in Capitalization" means any increase or reduction in the number of Shares, or any change (including, but not limited to, a change in value) in the Shares or exchange of Shares for a different number or kind of shares or other securities of the Company, by reason of a reclassification, recapitalization, merger, consolidation, reorganization, stock dividend, stock split or reverse stock split, combination or exchange of shares or other similar events.

(e) A "Change in Control" shall be deemed to have occurred upon the approval by the Company's stockholders of (i) a merger or consolidation of the Company with or into another Corporation (other than a merger or consolidation in which the Company is the surviving corporation and which does not result in any capital reorganization or reclassification or other change in the Company's then outstanding shares of common stock);

(ii) a sale or disposition of all or substantially all of the Company's assets; or (iii) a plan of liquidation or dissolution of the Company.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" means a committee consisting solely of at least two (2) nonemployee Directors appointed by the Board to administer the Plan and to perform the functions set forth herein.

(h) "Company" means Murdock Communications Corporation, an Iowa based corporation.

(i) "Director Option" means an Option granted to a Nonemployee Director pursuant to Section 5.

(j) "Disability" means a physical or mental infirmity which impairs the Optionee's ability to perform substantially his or her duties for a period of one hundred eighty (180) consecutive days.

(k) "Eligible Employee" means any officer or other key employee of the Company or a Subsidiary designated by the Committee as eligible to receive Options subject to the conditions set forth herein.

(l) "Employee Options" means an Option granted to an Eligible Employee pursuant to Section 6.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

n) "Fair Market Value" on any date means the closing price of the Shares on such date on the principal national securities exchange on which such Shares are listed or admitted to trading, or if such Shares are not so listed or admitted to trading, the arithmetic mean of the per Share closing bid price and per Share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System or such then market in which such prices are regularly quoted, or, if there have been no published bid or asked quotations with respect to Shares on such date, the Fair Market Value shall be the value established by the Board in good faith and in accordance with Section 422 of the Code.

(o) "Incentive Stock Option" means an Option satisfying the requirements of Section 422 of the Code and designated by the Committee as an Incentive Stock Option.

(p) "Nonqualified Stock Option" means an Option which is not an Incentive Stock Option.

(q) "Nonemployee Director" means a director of the Company who is not an employee of the Company or any Subsidiary.

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(r) "Option" means an Employee Option, a Director Option, or either or both of them.

(s) "Optionee" means a person to whom an Option has been granted under the Plan.

(t) "Parent" means any corporation which is a parent corporation (within the meaning of Section 424(e) of the Code) with respect to the Company.

(u) "Plan" means the Murdock Communications Corporation 1997 Stock Option Plan.

(v) "Shares" means the common stock, no par value per share, of the Company.

(w) "Subsidiary" means any corporation which is a subsidiary corporation (within the meaning of Section 424(f) of the Code) with respect to the Company.

(x) "Successor Corporation" means a corporation, or a parent or subsidiary thereof within the meaning of Section 424(a) of the Code, which issues or assumes a stock option in a transaction to which Section 424(a) of the Code applies.

(y) "Ten-Percent Stockholder" means an Eligible Employee, who, at the time an Incentive Stock Option is to be granted to him or her, owns (within the meaning of Section 422(b) (6) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, or of a Parent or a Subsidiary.

3. Administration.

(a) The Plan shall be administered by the Committee which shall hold meetings at such times as may be necessary for the proper administration of the Plan. The Committee shall keep minutes of its meetings. A quorum shall consist of not less than two members of the Committee and a majority of a quorum may authorize any action. Any decision or determination reduced to writing and signed by a majority of all of the members shall be as fully effective as if made by a majority vote at a meeting duly called and held. No member of the Committee shall be liable for any action, failure to act, determination or interpretation made in good faith with respect to this Plan or any transaction hereunder, except for liability arising from his or her own willful misfeasance, gross negligence or reckless disregard of his or her duties. The Company hereby agrees to indemnify each member of the Committee for all costs and expenses and, to the extent permitted by applicable law, any liability incurred in connection with defending against, responding to, negotiation for the settlement of or otherwise dealing with any claim,

cause of action

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or dispute of any kind arising in connection with any actions in administering this Plan or in authorizing or denying authorization to any transaction hereunder.

(b) Subject to the express terms and conditions set forth herein, the Committee shall have the power from time to time to determine those Eligible Employees to whom Employee Options shall be granted under the Plan and the number of Incentive Stock Options and/or Nonqualified Stock Options to be granted to each Eligible Employee and to prescribe the terms and conditions (which need not be identical) of each Employee Option, including the purchase price per Share subject to each Employee Option, and make any amendment or modification to any agreement consistent with the terms of the Plan;

(c) Subject to the express terms and conditions set forth herein, the Committee shall have the power from time to time:

(1) to construe and interpret the Plan and the Options granted thereunder and to establish, amend and revoke rules and regulations for the administration of the Plan, including, but not limited to, correcting any defect or supplying any omission, or reconciling any inconsistency in the Plan or in any Agreement, in the manner and to the extent it shall deem necessary or advisable to make the Plan fully effective, and all decisions and determinations by the Committee in the exercise of this power shall be final, binding and conclusive upon the Company, its Subsidiaries, the Optionees and all other persons having any interest therein;

(2) to determine the duration and purposes for leaves of absence which may be granted to an Optionee on an individual basis without constituting a termination of employment or service for purposes of the Plan;

(3) to exercise its discretion with respect to the powers and rights granted to it as set forth in the Plan;

(4) generally, to exercise such powers and to perform such acts as are deemed necessary or advisable to promote the best interests of the Company with respect to the Plan.

4 Stock Subject to Program.

(a) The maximum number of Shares that may be made the subject of Options granted under the Plan is 1,727,471 Shares (or the number and kind of shares of stock or other securities to which such Shares are adjusted upon a Change in Capitalization pursuant to Section 8) and the Company shall reserve for the purposes of the Plan, out of its authorized but unissued

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Shares or out of Shares held in the Company's treasury, or partly out of each, such number of Shares as shall be determined by the Board.

(b) Whenever any outstanding Option or portion thereof expires, is canceled or is otherwise terminated for any reason (other than upon the surrender of the Option pursuant to Section 7(e) hereof), the Shares allocable to the canceled or otherwise terminated Option or portion thereof may again be the subject of Options granted hereunder.

(c) Stock certificates representing Shares purchased under the Plan shall be conspicuously endorsed with the following legend:

"The shares of stock represented by this certificate are subject to certain restrictions on transfer contained in the corporation's Stock Option Plan, a copy of which is on file at, and will be furnished without charge to the record holder of this certificate upon written request to, the corporation's principal place of business or registered office."

5. Option Grants for Nonemployee Directors.

(a) Grant. Subject to the provisions of the Plan and to Section 4 (a) above, the Committee shall have full and final authority to select those Nonemployee Directors who will receive Director Options, the terms and conditions of which shall be set forth in an Agreement. The purchase price therefor of each Director Option shall be as provided in this Section 5 and such Director Options shall be exercisable, in whole or in part, in four equal installments as follows: (i) with respect to the first installment, immediately upon execution and delivery of the Director Option (the "Grant"), (ii) with respect to the second installment, on December 31, of the year of the Grant, (iii) with respect to the third installment, on December 31 of the year next succeeding the year of the Grant, and (iv) with respect to the last installment, on December 31 of the year two years after the date of the Grant. Such Director Options shall be evidenced by an Agreement containing such other terms and conditions not inconsistent with the provisions of this Plan as determined by the Board.

(b) Purchase Price. The purchase price for Shares under each Director Option shall be at least equal to 100% of the Fair Market Value of a Share on the date the Director Option is granted.

(c) Duration. Director Options shall be for a term of ten (10) years.

6. Option Grants for Eligible Employees.

(a) Grant. Subject to the provisions of the Plan and to Section 4(a) above, the Committee shall have full and final authority to select those Eligible Employees who will receive Employee Options, the terms and conditions of which shall be set forth in an Agreement; provided; however, that no

Eligible Employee shall receive any Incentive Stock Options unless he is an employee of the Company, a Parent or a Subsidiary at the time the Incentive Stock Option is granted.

(b) Purchase Price. The purchase price or the manner in which the purchase price is to be determined for Shares under each Employee Option shall be determined by the Committee and set forth in the Agreement, provided that the purchase price per Share under each Incentive Stock Option shall not be less than 100% of the Fair Market Value of a Share on the date the Employee Option is granted (110% in the case of an Incentive Stock Option granted to a Ten-Percent Stockholder).

(c) Duration. Employee Options granted hereunder shall be for such term as the Committee shall determine, provided that no Employee Option shall be exercisable after the expiration of ten (10) years from the date it is granted (five (5) years in the case of an Incentive Stock Option granted to a Ten-Percent Stockholder). The Committee may, subsequent to the granting of any Employee Option, extend the term thereof but in no event shall the term as so extended exceed the maximum term provided for in the preceding sentence.

(d) Modification or Substitution. The Committee may, in its discretion, modify outstanding Employee Options or accept the surrender of outstanding Employee Options (to the extent not exercised) and grant new Options in substitution for them. Notwithstanding the foregoing, no modification of an Employee Option shall adversely alter or impair any rights or obligations under the Employee Option without the Optionee's consent.

7. Terms and Conditions Applicable to All Options

(a) Non-transferability. No Option granted hereunder shall be transferable by Optionee to whom granted otherwise than by will or the laws of descent and distribution, and an Option may be exercised during the lifetime of such Optionee only by the Optionee or his or her guardian or legal representative. The terms of such Option shall be final, binding and conclusive upon the beneficiaries, executors, administrators, heirs and successors of the Optionee.

(b) Vesting and Method of Exercise.

(1) Subject to Section 7(e) hereof, each Option shall become exercisable in the manner, including installments (which need not be equal), and at such times as may be designated by the Committee and set forth in the Agreement. To the extent not exercised, installments shall accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not

later than the date the Option expires; provided, however, that the Agreement may provide for the forfeiture of vested and non-vested Options upon the

occurrence of specified events. The Committee may accelerate the exercisability of any Option or portion thereof at any time.

(2) The exercise of an Option shall be made only by a written notice delivered in person or by mail to the Secretary of the Company at the Company's principal executive office, specifying the number of Shares to be purchased and accompanied by payment therefor and otherwise in accordance with the Agreement pursuant to which the Option was granted. The purchase price for any Shares purchased pursuant to the exercise of an Option shall be paid in full upon such exercise, by any one or a combination of the following: (i) cash or (ii) transferring Shares to the Company upon such terms and conditions as determined by the Committee. The written notice pursuant to this Section 7(b)(2) may also provide instructions from the Optionee to the Company that upon receipt of the purchase price in cash from the Optionee's broker or dealer, designated as such on the written notice, in payment for any Shares purchased pursuant to the exercise of an Option, the Company shall issue such Shares directly to the designated broker or dealer. Any Shares transferred to the Company as payment of the purchase price under an Option shall be valued at their Fair Market Value on the day preceding the date of exercise of such Option. If requested by the Committee, the Optionee shall deliver the Agreement evidencing the Option to the Secretary of the Company who shall endorse thereon a notation of such exercise and retum such Agreement to the Optionee. No fractional Shares (or cash in lieu thereof) shall be issued upon exercise of an Option and the number of Shares that may be purchased upon exercise shall be rounded to the nearest number of whole Shares.

(c) Rights of Optionees. No Optionee shall be deemed for any purpose to be the owner of any Shares subject to any Option unless and until (i) the Option shall have been exercised pursuant to the terms thereof, (ii) the Company shall have issued and delivered the Shares to the Optionee and (iii) the Optionee's name shall have been entered as a stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such Shares.

(d) Termination of Employment or Service. Unless otherwise provided in the Agreement evidencing the Option, an Option shall terminate upon or following an Optionee's termination of employment with the Company and its Subsidiaries or service as a director of the Company and its Subsidiaries as follows:

(1) if an Optionee's employment or service as a director terminates for any reason other than death, Disability or Cause, the Optionee may at any time within three (3) months after his or her termination of employment or service as a director, exercise an Option to the extent,

and only to the extent, that the Option or portion thereof was exercisable on the date of termination;

(2) in the event the Optionee's employment or service as a director terminates as a result of Disability, the Optionee may at any time within one (1) year after such termination exercise such Option to the extent, and only to the extent, the Option or portion thereof was exercisable at the date of such termination;

(3) if an Optionee's employment or service as a director terminates for Cause, the Option shall terminate immediately and no rights thereunder may be exercised;

(4) if an Optionee dies while a director or an employee of the Company or any Subsidiary or within three months after termination as described in clause (1) of this Section 7(d) or within one (1) year after termination as a result of Disability as described in clause (2) of this Section 7(d), the Option may be exercised at any time within one (1) year after the Optionee's death by the person or persons to whom such rights under the Option shall pass by will or by the laws of descent and distribution; provided, however, that an Option may be exercised to the extent, and only to the extent, that the Option or portion thereof was exercisable on the date of death or earlier termination.

Notwithstanding the foregoing, (i) in no event may any Option be exercised by anyone after the expiration of the term of the Option and (ii) a termination of service as a director shall not be deemed to occur so long as the director continues to serve the Company as either a director or director emeritus.

(e) Effect of Change in Control. Notwithstanding anything contained in the Plan or an Agreement to the contrary, in the event of a Change in Control, all Options outstanding on the date of such Change in Control shall become immediately and fully exercisable.

8. Adjustment Upon Changes in Capitalization.

(a) Subject to Section 9, in the event of a Change in Capitalization, the maximum number and class of Shares or other stock or securities with respect to which Options may be granted under the Plan, the number and class of Shares or other stock or securities which are subject to outstanding

Options granted under the Plan, and the purchase price therefor, if applicable shall be appropriately and equitable adjusted.

(b) Any such adjustment in the Shares or other stock or securities subject to outstanding Incentive Stock Options (including any adjustments in the purchase price) shall be made in such manner as not to constitute a modification as

defined by Section 424(h)(3) of the Code and only to the extent otherwise permitted by Sections 422 and 424 of the Code.

(c) If, by reason of a change in Capitalization, an Optionee shall be entitled to exercise an Option with respect to new, additional or different shares of stock or securities, such new, additional or different shares shall thereupon by subject to all of the conditions which were applicable to the Shares subject to the Option, as the case may be, prior to such Change in Capitalization.

9. Effect of Certain Transactions.

Subject to Section 7(e), in the event of (i) the liquidation or dissolution of the Company or (ii) a merger or consolidation of the Company (a "Transaction"), the Plan and the Options issued hereunder shall continue in effect in accordance with their respective terms and each Optionee shall be entitled to receive in respect of each Share subject to any outstanding Options, as the case may be, upon exercise of any Option, the same number and kind of stock, securities, cash, property, or other consideration that each holder of a Share was entitled to receive in the Transaction in respect of a Share. In the event that, after a Transaction, there occurs any change of a type described in Section 2(d) hereof with respect to the shares of the surviving or resulting corporation, then adjustments similar to, and subject to the same conditions as, those in Section 8 hereof shall be made by the Committee.

10. Termination and Amendment of the Program.

(a) The Plan shall terminate on the day preceding the tenth anniversary of the date of its adoption by the Board and no Option may be granted thereafter. The Board may sooner terminate or amend the Plan at any time and from time to time; provided, however, that to the extent necessary under Section 16(b) of the Exchange Act and the rules and regulations promulgated thereunder or other applicable law, no amendment shall be effective unless approved by the stockholders of the Company in accordance with applicable law and regulations at an annual or a special meeting held within twelve (12) months after the date of adoption of such amendment.

(b) Except as provided in Sections 8 and 9 hereof, rights and obligations under any Options granted before any amendment or termination of the Plan shall not be adversely altered or impaired by such amendment or

termination, except with the consent of the Optionee, nor shall any amendment or termination deprive any Optionee of any Shares which he may have acquired through or as a result of the Plan.

11. Non-Exclusivity of the Plan. The Adoption of the Plan by the Board shall not be construed as amending, modifying or rescinding any previously approved incentive arrangement or as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation,

the granting of stock options otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

12. Limitation of Liability. As illustrative of the limitations of liability of the Company, but not intended to be exhaustive thereof, nothing in the Plan shall be construed to:

(a) give any person any right to be granted an Option other than at the sole discretion of the Committee;

(b) give any person any rights whatsoever with respect to Shares except as specifically provided in the Plan;

(c) limit in any way the right of the Company to terminate the employment of any person at any time; or

(d) be evidence of any agreement or understanding, expressed or implied, that the Company will employ any person at any particular rate of compensation or for any particular period of time.

13. Regulations and Other Approvals; Governing Law.

(a) This Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Iowa.

(b) The obligation of the Company to sell or deliver Shares with respect to Options granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(c) The Plan is intended to comply with Rule 16b-3 promulgated under the Exchange Act and the Committee shall interpret and administer the provisions of the Plan or any Agreement in a manner consistent therewith. Any provisions inconsistent with such Rule shall by inoperative and shall not affect the validity of the Plan.

(d) The Board may make such changes as may be necessary or appropriate to comply with the rules and regulations of any government authority, or to obtain for Eligible Employees granted Incentive Stock Options the tax benefits under the applicable provisions of the Code and regulations promulgated thereunder.

14 Effective Date. The effective date of the Plan shall be the date of its adoption by the Board.

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EXHIBIT 10.21

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT is made effective as of October 1, 1998, by and between MURDOCK COMMUNICATIONS CORPORATION, an Iowa corporation (the "Corporation"), and GUY O. MURDOCK (the "Employee").

RECITAL

The Corporation and the Employee desire to amend and restate the Employment Agreement between them originally dated August 16, 1996.

AGREEMENTS

In consideration of the mutual covenants and agreements set forth in this Agreement, the parties agree as follows:

1. Employment. The Corporation employs the Employee and the Employee accepts employment with the Corporation on the terms and conditions set forth in this Agreement.

2. Term. The original term of the Employee's employment hereunder shall commence on the date of this Agreement and continue until December 31, 2001, and renew automatically from year to year thereafter, unless terminated earlier pursuant to paragraph 6 of this Agreement or unless written notice is given by either party to the other at least 90 days before the end of the original term or any renewal term that such employment shall cease as of the end of such term (the "Employment Period").

3. Duties. The Employee will initially serve as the Corporation's Chairman of the Board and will perform the duties specified in the Corporation's By-Laws and specified by the Board of Directors from time to time. The Employee will devote his entire business time, effort, skill and attention to such employment.

4. Compensation.

(a) Base Salary. The Employee shall receive a base annual salary of $150,000, payable in regular and equal semi-monthly installments ("Base Salary").

(b) Salary Adjustment. The Compensation Committee of the Board of Directors (the "Compensation Committee") will review at least annually the Employee's Base Salary to determine whether it should be increased.

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(c) Incentive Bonus. During the term of this Agreement, the Employee will be eligible to participate in an incentive compensation program to be developed by the Compensation Committee. The terms and conditions of such program, including the amount of any bonus payable to the Employee, and the performance objectives to be met for a bonus to be paid, will be in the sole discretion of the Compensation Committee.

(d) Stock Options. The Corporation has reserved 5% of its outstanding Common Stock for issuance pursuant to a qualified stock option plan and an additional 5% for a non-qualified performance option plan. The number of option shares issuable to the Employee, and the terms and conditions of any such grant, including (but not limited to) term, exercise price and vesting, will be in the sole discretion of the Compensation Committee.

5. Fringe Benefits.

(a) Group Insurance. The Employee will be eligible to participate in the Corporation's group insurance programs on the same terms and conditions as are available to other employees of the Corporation generally.

(b) Vacation. The Employee will be entitled to receive paid vacations annually according to the vacation policy established by the Corporation. Such vacation shall be taken at such times and in such intervals as are mutually acceptable to the Employee and the Corporation.

(c) Generally. In addition to the benefits described above, the Corporation will provide the Employee with the same fringe benefits as are enjoyed by other employees of the Corporation generally.

6. Termination of Employment.

(a) Generally. Except as provided in section 6(b), if the Employee's employment is terminated by the Corporation for any reason, the Employee (or if the Employee dies, his heirs or beneficiaries) will be entitled to receive, as his exclusive severance benefit, compensation at the rate of $150,000 per year for a period of two years after the date of such termination.

(b) Termination Following a Sale of the Company. "Sale of the Company" shall mean a sale or other transfer not in the ordinary course of business of all or substantially all of the Corporation's assets, or a merger, tender offer or other transaction, or series of related transactions, the effect of which is to cause more than 50% of the Corporation's issued and outstanding voting capital stock to be beneficially owned, by one person or entity or a group of related or affiliated persons or entities. Notwithstanding any of the other provisions of this

section 6 if, following a Sale of the Company, the Employee's employment terminates for any reason prior to the 180th day after such Sale of the Company, whether such termination is initiated by the Employee or the Corporation (and regardless of the existence or lack of cause), the Employee (or if the Employee dies, his heirs or beneficiaries) will be entitled to receive, as his exclusive severance benefit, and the Corporation will pay and provide his then Base Salary for a period of three years after the date of such termination.

7. Noncompetition. The parties agree that the Corporation's customer contacts and relations are established and maintained at great expense and by virtue of the Employee's employment with the Corporation, the Employee will have unique and extensive exposure to and personal contact with the Corporation's customers, and that he will be able to establish a unique

relationship with those individuals and entities that will enable him, both during and after employment, to unfairly compete with the Corporation. The parties further agree that the Corporation's customers and business contacts are a small percentage of the total number of organizations, associations and individuals who are customers or potential customers for companies offering the same or similar services and products offered by the Corporation. Further, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the Corporation's business, trade secrets and confidential information and to prevent great damage or loss to the Corporation as a result of action taken by the Employee. The Employee acknowledges that the noncompete restrictions and nondisclosure of confidential information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions.

(a) During Term of Employment. The Employee hereby covenants and agrees that, during his employment with the Corporation, he shall not, directly or indirectly, either individually or as an employee, officer, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor or consultant or in any other capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise which is competitive with the Corporation or any successor or assign of the Corporation. The ownership of less than a 2% interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Corporation, shall not be deemed financial participation in a competitor.

(b) Upon Termination of Employment. Employee agrees that during a period after termination of his employment with the Corporation equal to two years, he will not, directly or indirectly, either individually or as an

employee, officer, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) Canvass, solicit or accept from any person or entity who is an "Active Customer" of the Corporation any business in competition with the business of the Corporation or the successors or assigns of the Corporation. "Active Customer" shall mean any account which received within the twelve months prior to the Employee's termination of employment, any products or services supplied by or on behalf of the Corporation and any prospective account which was under active solicitation by the Corporation during the final twelve months of Employee's employment with the Corporation.

(ii) Request or advise any of the Active Customers, suppliers or other business contacts of the Corporation who currently have or have had business relationships with the Corporation within twelve months preceding the date of the Employee's termination of employment, to curtail or cancel any of their business or relations with the Corporation.

(iii) Induce or attempt to induce any employee, officer, director, sales representative, consultant or other personnel of the Corporation to terminate his relationship or breach his agreements with the Corporation.

(iv) Participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise within the "Restricted Territory" which is

competitive with the business of the Corporation or any successor or assign of the Corporation; provided, however, that the ownership of less than 2% of the stock of a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Corporation, shall not be deemed financial participation in a competitor. For purposes of this Agreement, the "Restricted Territory" shall mean the Continental United States.

8. Confidential Information. The parties agree that the Corporation's customers, business connections, customer lists, procedures, operations, techniques, trade secrets, proprietary information and other aspects of its business (the "Confidential Information") are established at great expense and protected as Confidential Information and provide the Corporation with a substantial competitive advantage in conducting its business. The parties further agree that by virtue of the Employee's employment with the Corporation, he will have access to, and be entrusted with, secret, confidential and proprietary information, and that the Corporation would suffer great loss and injury if the Employee would disclose this information or use it to compete with the

Corporation. Therefore, the Employee agrees that during the term of his employment, and (a) until such time as the Confidential Information becomes generally available to the public through no fault of the Employee, (b) until such time as the Confidential Information no longer provides benefit to the Corporation or (c) for a period of two years after the expiration of the Employment Period, whichever occurs sooner, the Employee will not, directly or indirectly, either individually or as an employee, officer, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity, use or disclose, or cause to be used or disclosed, any Confidential Information acquired by the Employee during his employment with the Corporation whether owned by the Corporation prior to or discovered and developed by the Corporation subsequent to the Employee's employment, and regardless of the fact that the Employee may have participated in the discovery and the development of that information.

9 Relationship with Suppliers. The parties agree that the profitability and goodwill of the Corporation depends on continued, amicable relations with its suppliers and the Employee agrees, during his employment with the Corporation and for two years thereafter, he will not cause, request or advise any suppliers of the Corporation to curtail or cancel their business with the Corporation.

10. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Corporation with broader protection than that provided herein.

11. Inventions and Improvements. The Employee agrees that every improvement, invention, process, technique, apparatus, method, manufacturing system, computer program, design or other creation that the Employee may invent, discover, conceive or originate by himself or in conjunction with any other person that relates in any respect to the business of the Corporation now or hereafter carried on by it shall be the exclusive property of the Corporation. The Employee understands and agrees that in partial consideration of his employment for the compensation herein stated, all such developments, inventions, improvements, products, processes, apparatuses, methods, designs and other creations shall be the exclusive property of the Corporation. If the Employee shall fail to make or refuse to make an assignment to the Corporation of any development, invention, improvement, process, apparatus, technique, method, computer program, design or other creation

heretofore referred to, the Corporation shall have the authority, and this Agreement shall operate to give the Corporation authority to execute, seal and deliver, as the act of the Employee, any license, any license agreement, contract, assignment or other instrument in writing that may be necessary or proper to convey to the Corporation the entire right, title and interest

in and to said invention or development heretofore referred to. The Employee hereby agrees to hold the Corporation and its assigns harmless by reason of the Corporation's acts pursuant to this paragraph. The Employee further agrees that, during the term of this Agreement and at any time thereafter whenever reasonably necessary for the protection of the Corporation, he shall cooperate with and be compensated by the Corporation and its counsel in the prosecution and/or defense of any litigation at the cost of the Corporation which may arise in connection with the inventions or other creations referred to above, without any liability or cost to the Employee.

12. Specific Performance. The parties acknowledge and agree that breach of this Agreement by the Employee would cause irreparable damage to the Corporation and that monetary damages alone would not provide the Corporation with an adequate remedy for breach of this Agreement. Therefore, if any controversy arises concerning the rights or obligations of the Employee under this Agreement, such rights or obligations shall be specifically enforced by an injunction order issued by a court of competent jurisdiction. Such remedy, however, shall be cumulative and nonexclusive and shall be in addition to any other remedy to which the parties may be entitled.

13. Sale, Consolidation or Merger. In the event of a consolidation or merger of the Corporation with or into another corporation or entity, or the sale of substantially all of the operating assets of the Corporation to another corporation, entity or individual, the successor-in-interest shall be deemed to have assumed all liabilities of the Corporation under this Agreement.

14. Waiver. The failure of either party to insist, in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

15. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the covenants and agreements contained in sections 7 and 8 hereof are separate agreements.

16. Amendment. This Agreement may only be amended by an agreement in writing signed by all of the parties hereto.

17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa.

18. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Corporation, its successors and assigns, and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned except as specifically set forth in this Agreement.

MURDOCK COMMUNICATIONS CORPORATION

BY /s/ Thomas E. Chaplin

Thomas E. Chaplin
Chief Executive Officer

/s/ Guy O. Murdock

Guy O. Murdock

Approved by the Compensation Committee of the Board of Directors as of the 30th day of December, 1998.

/s/ Larry Erickson

Larry Erickson, Director and
Chairman of the
Compensation Committee

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EXHIBIT 10.22

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT is made effective as of January 1, 1999, by and between MURDOCK COMMUNICATIONS CORPORATION, an Iowa corporation (the "Corporation"), and COLIN P. HALFORD (the "Employee").

RECITAL

The Corporation and the Employee desire to amend and restate the Employment Agreement between them originally dated August 16, 1996.

AGREEMENTS

In consideration of the mutual covenants and agreements set forth in this Agreement, the parties agree as follows:

1. Employment. The Corporation employs the Employee and the Employee accepts employment with the Corporation on the terms and conditions set forth in this Agreement.

2. Term. The original term of the Employee's employment hereunder shall commence on the date of this Agreement and continue until December 31, 2001, and renew automatically from year to year thereafter, unless terminated earlier pursuant to paragraph 6 of this Agreement or unless written notice is given by either party to the other at least 90 days before the end of the original term or any renewal term that such employment shall cease as of the end of such term (the "Employment Period").

3. Duties. The Employee will initially serve as the Corporation's President and will perform the duties specified in the Corporation's By-Laws and specified by the Board of Directors from time to time. The Employee will devote his entire business time, effort, skill and attention to such employment.

4. Compensation.

(a) Base Salary. The Employee shall receive a base annual salary of $150,000, payable in regular and equal semi-monthly installments ("Base Salary").

(b) Salary Adjustment. The Compensation Committee of the Board of Directors (the "Compensation Committee") will review at least annually the Employee's Base Salary to determine whether it should be increased.

(c) Incentive Bonus. During the term of this Agreement, the Employee will be eligible to participate in an incentive compensation program to be developed by the Compensation Committee. The terms and conditions of such program, including the amount of any bonus payable to the Employee, and the performance objectives to be met for a bonus to be paid, will be in the sole discretion of the Compensation Committee.

(d) Stock Options. The Corporation has reserved 5% of its outstanding Common Stock for issuance pursuant to a qualified stock option plan and an additional 5% for a non-qualified performance option plan. The number of option shares issuable to the Employee, and the terms and conditions of any such grant, including (but not limited to) term, exercise price and vesting, will be in the sole discretion of the Compensation Committee.

5. Fringe Benefits.

(a) Group Insurance. The Employee will be eligible to participate in the Corporation's group insurance programs on the same terms and conditions as are available to other employees of the Corporation generally.

(b) Vacation. The Employee will be entitled to receive paid vacations annually according to the vacation policy established by the Corporation. Such vacation shall be taken at such times and in such intervals as are mutually acceptable to the Employee and the Corporation.

(c) Generally. In addition to the benefits described above, the Corporation will provide the Employee with the same fringe benefits as are enjoyed by other employees of the Corporation generally.

6. Termination of Employment.

(a) Generally. Except as provided in section 6(b), if the Employee's employment is terminated by the Corporation for any reason, the Employee (or if the Employee dies, his heirs or beneficiaries) will be entitled to receive, as his exclusive severance benefit, compensation at the rate of $150,000 per year for a period of two years after the date of such termination.

(b) Termination Following a Sale of the Company. "Sale of the Company" shall mean a sale or other transfer not in the ordinary course of business of all or substantially all of the Corporation's assets, or a merger, tender offer or other transaction, or series of related transactions, the effect of which is to cause more than 50% of the Corporation's issued and outstanding voting capital stock to be beneficially owned, by one person or entity or a group of related or affiliated persons or entities. Notwithstanding any of the other provisions of this

section 6 if, following a Sale of the Company, the Employee's employment terminates for any reason prior to the 180th day after such Sale of the Company, whether such termination is initiated by the Employee or the Corporation (and regardless of the existence or lack of cause), the Employee (or if the Employee dies, his heirs or beneficiaries) will be entitled to receive, as his exclusive severance benefit, and the Corporation will pay and provide his then Base Salary for a period of three years after the date of such termination.

7. Noncompetition. The parties agree that the Corporation's customer contacts and relations are established and maintained at great expense and by virtue of the Employee's employment with the Corporation, the Employee will have unique and extensive exposure to and personal contact with the Corporation's customers, and that he will be able to establish a unique relationship with those individuals and entities that will enable him, both during and after employment, to unfairly compete with the Corporation. The parties further agree that the Corporation's customers and business contacts are a small percentage of the total number of organizations, associations and individuals who are customers or potential customers for companies offering the same or similar services and products offered by the Corporation. Further, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the Corporation's business, trade secrets and confidential information and to prevent great damage or loss to the Corporation as a result of action taken by the Employee. The Employee acknowledges that the noncompete restrictions and nondisclosure of confidential information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions.

(a) During Term of Employment. The Employee hereby covenants and agrees that, during his employment with the Corporation, he shall not, directly or indirectly, either individually or as an employee, officer, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor or consultant or in any other capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise which is competitive with the Corporation or any successor or assign of the Corporation. The ownership of less than a 2% interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Corporation, shall not be deemed financial participation in a competitor.

(b) Upon Termination of Employment. Employee agrees that during a period after termination of his employment with the Corporation equal to two years, he will not, directly or indirectly, either individually or as an

employee, officer, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) Canvass, solicit or accept from any person or entity who is an "Active Customer" of the Corporation any business in competition with the business of the Corporation or the successors or assigns of the Corporation. "Active Customer" shall mean any account which received within the twelve months prior to the Employee's termination of employment, any products or services supplied by or on behalf of the Corporation and any prospective account which was under active solicitation by the Corporation during the final twelve months of Employee's employment with the Corporation.

(ii) Request or advise any of the Active Customers, suppliers or other business contacts of the Corporation who currently have or have had business relationships with the Corporation within twelve months preceding the date of the Employee's termination of employment, to curtail or cancel any of their business or relations with the Corporation.

(iii) Induce or attempt to induce any employee, officer, director, sales representative, consultant or other personnel of the Corporation to terminate his relationship or breach his agreements with the Corporation.

(iv) Participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise within the "Restricted Territory" which is competitive with the business of the Corporation or any successor or assign of the Corporation; provided, however, that the ownership of less than 2% of the stock of a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Corporation, shall not be deemed financial participation in a competitor. For purposes of this Agreement, the "Restricted Territory" shall mean the Continental United States.

8. Confidential Information. The parties agree that the Corporation's customers, business connections, customer lists, procedures, operations, techniques, trade secrets, proprietary information and other aspects of its business (the "Confidential Information") are established at great expense and protected as Confidential Information and provide the Corporation with a substantial competitive advantage in conducting its business. The parties further agree that by virtue of the Employee's employment with the

Corporation, he will have access to, and be entrusted with, secret, confidential and proprietary information, and that the Corporation would suffer great loss and injury if the Employee would disclose this information or use it to compete with the Corporation. Therefore, the Employee agrees that during the term of his employment, and (a) until such time as the Confidential Information becomes generally available to the public through no fault of the Employee, (b) until such time as the Confidential Information no longer provides benefit to the

Corporation or (c) for a period of two years after the expiration of the Employment Period, whichever occurs sooner, the Employee will not, directly or indirectly, either individually or as an employee, officer, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity, use or disclose, or cause to be used or disclosed, any Confidential Information acquired by the Employee during his employment with the Corporation whether owned by the Corporation prior to or discovered and developed by the Corporation subsequent to the Employee's employment, and regardless of the fact that the Employee may have participated in the discovery and the development of that information.

9. Relationship with Suppliers. The parties agree that the profitability and goodwill of the Corporation depends on continued, amicable relations with its suppliers and the Employee agrees, during his employment with the Corporation and for two years thereafter, he will not cause, request or advise any suppliers of the Corporation to curtail or cancel their business with the Corporation.

10. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Corporation with broader protection than that provided herein.

11. Inventions and Improvements. The Employee agrees that every improvement, invention, process, technique, apparatus, method, manufacturing system, computer program, design or other creation that the Employee may invent, discover, conceive or originate by himself or in conjunction with any other person that relates in any respect to the business of the Corporation now or hereafter carried on by it shall be the exclusive property of the Corporation. The Employee understands and agrees that in partial consideration of his employment for the compensation herein stated, all such developments, inventions, improvements, products, processes, apparatuses, methods, designs and other creations shall be the exclusive property of the Corporation. If the Employee shall fail to make or refuse to make an assignment to the Corporation of any development, invention, improvement, process, apparatus, technique, method, computer program, design or other creation heretofore referred to, the Corporation shall have the authority, and this Agreement shall operate to give the Corporation authority to execute, seal and deliver, as the act of the Employee, any license, any license agreement, contract, assignment or other instrument in writing that may be necessary or proper to convey to the Corporation the entire right, title and interest

in and to said invention or development heretofore referred to. The Employee hereby agrees to hold the Corporation and its assigns harmless by reason of the Corporation's acts pursuant to this paragraph. The Employee further agrees that, during the term of this Agreement and at any time thereafter whenever reasonably necessary for the protection of the Corporation, he shall cooperate with and be compensated by the Corporation and its counsel in the prosecution and/or defense of any litigation at the cost of the Corporation which may arise in connection with the inventions or other creations referred to above, without any liability or cost to the Employee.

12. Specific Performance. The parties acknowledge and agree that breach of this Agreement by the Employee would cause irreparable damage to the Corporation and that monetary damages alone would not provide the Corporation with an adequate remedy for breach of this Agreement. Therefore, if any controversy arises concerning the rights or obligations of the Employee under this Agreement, such rights or obligations shall be specifically enforced by an injunction order issued by a court of competent jurisdiction. Such remedy,

however, shall be cumulative and nonexclusive and shall be in addition to any other remedy to which the parties may be entitled.

13. Sale, Consolidation or Merger. In the event of a consolidation or merger of the Corporation with or into another corporation or entity, or the sale of substantially all of the operating assets of the Corporation to another corporation, entity or individual, the successor-in-interest shall be deemed to have assumed all liabilities of the Corporation under this Agreement.

14. Waiver. The failure of either party to insist, in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

15. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the covenants and agreements contained in sections 7 and 8 hereof are separate agreements.

16. Amendment. This Agreement may only be amended by an agreement in writing signed by all of the parties hereto.

17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa.

18. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Corporation, its successors and assigns, and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned except as specifically set forth in this Agreement.

MURDOCK COMMUNICATIONS CORPORATION

BY /s/ Guy O. Murdock

Guy O. Murdock,
Chairman of the Board

/s/ Colin P. Halford

Colin P. Halford

Approved by the Compensation Committee of the Board of Directors as of the day of , 199 .

Larry Erickson, Director and

Chairman of the
Compensation Committee

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EXHIBIT 10.23

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT is made effective as of October 1, 1998, by and between MURDOCK COMMUNICATIONS CORPORATION, an Iowa corporation (the "Corporation"), and THOMAS E. CHAPLIN (the "Employee").

RECITAL

The Corporation and the Employee desire to amend and restate the Employment Agreement between them originally dated April 4, 1997.

AGREEMENTS

In consideration of the mutual covenants and agreements set forth in this Agreement, the parties agree as follows:

1. Employment. The Corporation employs the Employee and the Employee accepts employment with the Corporation on the terms and conditions set forth in this Agreement.

2. Term. The original term of the Employee's employment hereunder shall commence on the date of this Agreement and continue until December 31, 2001, and renew automatically from year to year thereafter, unless terminated earlier pursuant to paragraph 6 of this Agreement or unless written notice is given by either party to the other at least 90 days before the end of the original term or any renewal term that such employment shall cease as of the end of such term (the "Employment Period").

3. Duties. The Employee will initially serve as the Corporation's Chief Executive Officer and will perform the duties specified in the Corporation's By-Laws and specified by the Board of Directors from time to time. The Employee will devote his entire business time, effort, skill and attention to such employment.

4. Compensation.

(a) Base Salary. The Employee shall receive a base annual salary of $250,000, payable in regular and equal semi-monthly installments ("Base Salary").

(b) Salary Adjustment. The Compensation Committee of the Board of Directors (the "Compensation Committee") will review at least annually the Employee's Base Salary to determine whether it should be increased.

(c) Incentive Bonus. During the term of this Agreement, the Employee will be eligible to participate in an incentive compensation program to be developed by the Compensation Committee. The terms and conditions of such program, including the amount of any bonus payable to the Employee, and the performance objectives to be met for a bonus to be paid, will be in the sole discretion of the Compensation Committee.

(d) Stock Options. The Corporation and the Employee executed and delivered a Stock Option Agreement in conjunction with the execution and delivery of the original Employment Agreement between them. Additional options have been, and may be in the future, granted to the Employee.

5. Fringe Benefits.

(a) Group Insurance. The Employee will be eligible to participate in the Corporation's group insurance programs on the same terms and conditions as are available to other employees of the Corporation generally.

(b) Vacation. The Employee will be entitled to receive four weeks of paid vacation annually. Such vacation shall be taken at such times and in such intervals as are mutually acceptable to the Employee and the Corporation.

(c) Automobile. The Corporation will provide the Employee with full use of an automobile (retail price not to exceed $30,000) owned or leased by the Corporation for use in carrying out his duties for the Corporation and for use in such personal business as he deems appropriate. The Corporation agrees to provide adequate insurance for the automobile and occupants and to pay maintenance costs necessary to keep the automobile in good operating condition.

(d) Generally. In addition to the benefits described above, the Corporation will provide the Employee with the same fringe benefits as are enjoyed by other employees of the Corporation generally.

6. Termination of Employment.

(a) Generally. Except as provided in section 6(b), if the Employee's employment is terminated by the Corporation for any reason other than Cause (as defined herein), the Employee will be entitled to receive, as his exclusive severance benefit, compensation at the rate of $150,000 per year for a period equal to the period of noncompetition described in section 7(b) after the date of such termination. If the Employee's Employment is terminated by the Employee or is terminated by the Corporation with Cause, the payments for

compensation and vested rights to fringe benefits shall be pro rated to the date of termination. "Cause" shall mean death, disability which, in the opinion of the Board of Directors, renders the Employee unable to perform his duties under this Agreement, fraud, dishonesty, acts of negligence in the course of employment, misrepresentation to the shareholders or Board of Directors, the commission of an act constituting a felony or the Employee's failure to follow and/or perform a specific directive of the Board of Directors.

(b) Termination Following a Sale of the Company. "Sale of the Company" shall mean a sale or other transfer not in the ordinary course of business of all or substantially all of the Corporation's assets, or a merger, tender offer or other transaction, or series of related transactions, the effect of which is to cause more than 50% of the Corporation's issued and outstanding voting capital stock to be beneficially owned by one person or entity or a group of related or affiliated persons or entities. Notwithstanding any of the other provisions of this section 6 if, following a Sale of the Company, the Employee's employment terminates for any reason, prior to the 180th day after such Sale of the Company, whether such termination is initiated by the Employee or the Corporation (and regardless of the existence or lack of Cause), the Employee (or if the Employee dies, his heirs or beneficiaries) will be entitled to receive, as his exclusive severance benefit, and the Corporation will pay and provide his then Base Salary for a period of three years after the date of such termination.

7. Noncompetition. The parties agree that the Corporation's customer contacts and relations are established and maintained at great expense and by virtue of the Employee's employment with the Corporation, the Employee will have unique and extensive exposure to and personal contact with the Corporation's customers, and that he will be able to establish a unique relationship with those individuals and entities that will enable him, both during and after employment, to unfairly compete with the Corporation. The parties further agree that the Corporation's customers and business contacts are a small percentage of the total number of organizations, associations and individuals who are customers or potential customers for companies offering the same or similar services and products offered by the Corporation. Further, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the Corporation's business, trade secrets and confidential information and to prevent great damage or loss to the Corporation as a result of action taken by the Employee. The Employee acknowledges that the noncompete restrictions and nondisclosure of confidential information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions.

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(a) During Term of Employment. The Employee hereby covenants and agrees that, during his employment with the Corporation, he shall not, directly or indirectly, either individually or as an employee, officer, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor or consultant or in any other capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise which is competitive with the Corporation or any successor or assign of the Corporation. The ownership of less than a 2% interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Corporation, shall not be deemed financial participation in a competitor.

(b) Upon Termination of Employment. Employee agrees that during a period after termination of his employment with the Corporation equal to two years, he will not, directly or indirectly, either individually or as an employee, officer, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) Canvass, solicit or accept from any person or entity who is an "Active Customer" of the Corporation any business in

competition with the business of the Corporation or the successors or assigns of the Corporation. "Active Customer" shall mean any account which received within the twelve months prior to the Employee's termination of employment, any products or services supplied by or on behalf of the Corporation and any prospective account which was under active solicitation by the Corporation during the final twelve months of Employee's employment with the Corporation.

(ii) Request or advise any of the Active Customers, suppliers or other business contacts of the Corporation who currently have or have had business relationships with the Corporation within twelve months preceding the date of the Employee's termination of employment, to curtail or cancel any of their business or relations with the Corporation.

(iii) Induce or attempt to induce any employee, officer, director, sales representative, consultant or other personnel of the Corporation to terminate his relationship or breach his agreements with the Corporation.

(iv) Participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise within the "Restricted Territory" which is competitive with the business of the Corporation or any successor or assign of the Corporation; provided, however, that the ownership of less than 2% of the stock of a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-

counter market, even though that corporation may be a competitor of the Corporation, shall not be deemed financial participation in a competitor. For purposes of this Agreement, the "Restricted Territory" shall mean the Continental United States.

8. Confidential Information. The parties agree that the Corporation's customers, business connections, customer lists, procedures, operations, techniques, trade secrets, proprietary information and other aspects of its business (the "Confidential Information") are established at great expense and protected as Confidential Information and provide the Corporation with a substantial competitive advantage in conducting its business. The parties further agree that by virtue of the Employee's employment with the Corporation, he will have access to, and be entrusted with, secret, confidential and proprietary information, and that the Corporation would suffer great loss and injury if the Employee would disclose this information or use it to compete with the Corporation. Therefore, the Employee agrees that during the term of his employment, and (a) until such time as the Confidential Information becomes generally available to the public through no fault of the Employee, (b) until such time as the Confidential Information no longer provides benefit to the Corporation or (c) for a period of two years after the expiration of the Employment Period, whichever occurs sooner, the Employee will not, directly or indirectly, either individually or as an employee, officer, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity, use or disclose, or cause to be used or disclosed, any Confidential Information acquired by the Employee during his employment with the Corporation whether owned by the Corporation prior to or discovered and developed by the Corporation subsequent to the Employee's employment, and regardless of the fact that the Employee may have participated in the discovery and the development of that information.

9. Relationship with Suppliers. The parties agree that the profitability and goodwill of the Corporation depends on continued, amicable

relations with its suppliers and the Employee agrees, during his employment with the Corporation and for two years thereafter, he will not cause, request or advise any suppliers of the Corporation to curtail or cancel their business with the Corporation.

10. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Corporation with broader protection than that provided herein.

11. Inventions and Improvements. The Employee agrees that every improvement, invention, process, technique, apparatus, method,

manufacturing system, computer program, design or other creation that the Employee may invent, discover, conceive or originate by himself or in conjunction with any other person that relates in any respect to the business of the Corporation now or hereafter carried on by it shall be the exclusive property of the Corporation. The Employee understands and agrees that in partial consideration of his employment for the compensation herein stated, all such developments, inventions, improvements, products, processes, apparatuses, methods, designs and other creations shall be the exclusive property of the Corporation. If the Employee shall fail to make or refuse to make an assignment to the Corporation of any development, invention, improvement, process, apparatus, technique, method, computer program, design or other creation heretofore referred to, the Corporation shall have the authority, and this Agreement shall operate to give the Corporation authority to execute, seal and deliver, as the act of the Employee, any license, any license agreement, contract, assignment or other instrument in writing that may be necessary or proper to convey to the Corporation the entire right, title and interest in and to said invention or development heretofore referred to. The Employee hereby agrees to hold the Corporation and its assigns harmless by reason of the Corporation's acts pursuant to this paragraph. The Employee further agrees that, during the term of this Agreement and at any time thereafter whenever reasonably necessary for the protection of the Corporation, he shall cooperate with and be compensated by the Corporation and its counsel in the prosecution and/or defense of any litigation at the cost of the Corporation which may arise in connection with the inventions or other creations referred to above, without any liability or cost to the Employee.

12. Specific Performance. The parties acknowledge and agree that breach of this Agreement by the Employee would cause irreparable damage to the Corporation and that monetary damages alone would not provide the Corporation with an adequate remedy for breach of this Agreement. Therefore, if any controversy arises concerning the rights or obligations of the Employee under this Agreement, such rights or obligations shall be specifically enforced by an injunction order issued by a court of competent jurisdiction. Such remedy, however, shall be cumulative and nonexclusive and shall be in addition to any other remedy to which the parties may be entitled.

13. Sale, Consolidation or Merger. In the event of a consolidation or merger of the Corporation with or into another corporation or entity, or the sale of substantially all of the operating assets of the Corporation to another corporation, entity or individual, the successor-in-interest shall be deemed to have assumed all liabilities of the Corporation under this Agreement.

14. Waiver. The failure of either party to insist, in any one or more instances, upon performance of the terms or conditions of this Agreement

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shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

15. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the covenants and agreements contained in sections 7 and 8 hereof are separate agreements.

16. Amendment. This Agreement may only be amended by an agreement in writing signed by all of the parties hereto.

17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa.

18. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Corporation, its successors and assigns, and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned except as specifically set forth in this Agreement.

MURDOCK COMMUNICATIONS CORPORATION

BY /s/ Guy O. Murdock

Guy O. Murdock, Chairman

/s/ Thomas E. Chaplin

Thomas E. Chaplin

Approved by the Compensation Committee of the Board of Directors as of the 30th day of December, 1998.

/s/ Larry Erickson

Larry Erickson, Director and
Chairman of the
Compensation Committee

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EXHIBIT 10.24

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT is made effective as of January 1, 1999, by and between MURDOCK COMMUNICATIONS CORPORATION, an Iowa corporation (the "Corporation"), and BILL R. WHARTON (the "Employee").

RECITAL

The Corporation and the Employee desire to amend and restate the Employment Agreement between them originally dated August 16, 1996.

AGREEMENTS

In consideration of the mutual covenants and agreements set forth in this Agreement, the parties agree as follows:

1. Employment. The Corporation employs the Employee and the Employee accepts employment with the Corporation on the terms and conditions set forth in this Agreement.

2. Term. The original term of the Employee's employment hereunder shall commence on the date of this Agreement and continue until December 31, 2001, and renew automatically from year to year thereafter, unless terminated earlier pursuant to paragraph 6 of this Agreement or unless written notice is given by either party to the other at least 90 days before the end of the original term or any renewal term that such employment shall cease as of the end of such term (the "Employment Period").

3. Duties. The Employee will initially serve as the Corporation's Vice President of Operations and will perform the duties specified in the Corporation's By-Laws and specified by the Board of Directors from time to time. The Employee will devote his entire business time, effort, skill and attention to such employment.

4. Compensation.

(a) Base Salary. The Employee shall receive a base annual salary of $100,000, payable in regular and equal semi-monthly installments ("Base Salary").

(b) Salary Adjustment. The Compensation Committee of the Board of Directors (the "Compensation Committee") will review at least annually the Employee's Base Salary to determine whether it should be increased.

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(c) Incentive Bonus. During the term of this Agreement, the Employee will be eligible to participate in an incentive compensation program to be developed by the Compensation Committee. The terms and conditions of such program, including the amount of any bonus payable to the Employee, and the performance objectives to be met for a bonus to be paid, will be in the sole discretion of the Compensation Committee.

(d) Stock Options. The Corporation has reserved 5% of

its outstanding Common Stock for issuance pursuant to a qualified stock option plan and an additional 5% for a non-qualified performance option plan. The number of option shares issuable to the Employee, and the terms and conditions of any such grant, including (but not limited to) term, exercise price and vesting, will be in the sole discretion of the Compensation Committee.

5. Fringe Benefits.

(a) Group Insurance. The Employee will be eligible to participate in the Corporation's group insurance programs on the same terms and conditions as are available to other employees of the Corporation generally.

(b) Vacation. The Employee will be entitled to receive paid vacations annually according to the vacation policy established by the Corporation. Such vacation shall be taken at such times and in such intervals as are mutually acceptable to the Employee and the Corporation.

(c) Generally. In addition to the benefits described above, the Corporation will provide the Employee with the same fringe benefits as are enjoyed by other employees of the Corporation generally.

6. Termination of Employment.

(a) Generally. Except as provided in section 6(b), if the Employee's employment is terminated by the Corporation for any reason, the Employee (or if the Employee dies, his heirs or beneficiaries) will be entitled to receive, as his exclusive severance benefit, compensation at the rate of $100,000 per year for a period of two years after the date of such termination.

(b) Termination Following a Sale of the Company. "Sale of the Company" shall mean a sale or other transfer not in the ordinary course of business of all or substantially all of the Corporation's assets, or a merger, tender offer or other transaction, or series of related transactions, the effect of which is to cause more than 50% of the Corporation's issued and outstanding voting capital stock to be beneficially owned, by one person or entity or a group of related or affiliated persons or entities. Notwithstanding any of the other provisions of this

section 6 if, following a Sale of the Company, the Employee's employment terminates for any reason prior to the 180th day after such Sale of the Company, whether such termination is initiated by the Employee or the Corporation (and regardless of the existence or lack of cause), the Employee (or if the Employee dies, his heirs or beneficiaries) will be entitled to receive, as his exclusive severance benefit, and the Corporation will pay and provide his then Base Salary for a period of three years after the date of such termination.

7. Noncompetition. The parties agree that the Corporation's customer contacts and relations are established and maintained at great expense and by virtue of the Employee's employment with the Corporation, the Employee will have unique and extensive exposure to and personal contact with the Corporation's customers, and that he will be able to establish a unique relationship with those individuals and entities that will enable him, both during and after employment, to unfairly compete with the Corporation. The parties further agree that the Corporation's customers and business contacts are a small percentage of the total number of organizations, associations and individuals who are customers or potential customers for companies offering the same or similar services and products offered by the Corporation. Further, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the Corporation's business, trade secrets and confidential information and to prevent great damage

or loss to the Corporation as a result of action taken by the Employee. The Employee acknowledges that the noncompete restrictions and nondisclosure of confidential information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions.

(a) During Term of Employment. The Employee hereby covenants and agrees that, during his employment with the Corporation, he shall not, directly or indirectly, either individually or as an employee, officer, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor or consultant or in any other capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise which is competitive with the Corporation or any successor or assign of the Corporation. The ownership of less than a 2% interest in a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Corporation, shall not be deemed financial participation in a competitor.

(b) Upon Termination of Employment. Employee agrees that during a period after termination of his employment with the Corporation equal to two years, he will not, directly or indirectly, either individually or as an

employee, officer, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) Canvass, solicit or accept from any person or entity who is an "Active Customer" of the Corporation any business in competition with the business of the Corporation or the successors or assigns of the Corporation. "Active Customer" shall mean any account which received within the twelve months prior to the Employee's termination of employment, any products or services supplied by or on behalf of the Corporation and any prospective account which was under active solicitation by the Corporation during the final twelve months of Employee's employment with the Corporation.

(ii) Request or advise any of the Active Customers, suppliers or other business contacts of the Corporation who currently have or have had business relationships with the Corporation within twelve months preceding the date of the Employee's termination of employment, to curtail or cancel any of their business or relations with the Corporation.

(iii) Induce or attempt to induce any employee, officer, director, sales representative, consultant or other personnel of the Corporation to terminate his relationship or breach his agreements with the Corporation.

(iv) Participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise within the "Restricted Territory" which is competitive with the business of the Corporation or any successor or assign of the Corporation; provided, however, that the ownership of less than 2% of the stock of a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Corporation, shall not be deemed financial participation in a competitor. For purposes of this Agreement, the "Restricted Territory" shall mean the Continental United States.

8. Confidential Information. The parties agree that the Corporation's customers, business connections, customer lists, procedures,

operations, techniques, trade secrets, proprietary information and other aspects of its business (the "Confidential Information") are established at great expense and protected as Confidential Information and provide the Corporation with a substantial competitive advantage in conducting its business. The parties further agree that by virtue of the Employee's employment with the Corporation, he will have access to, and be entrusted with, secret, confidential and proprietary information, and that the Corporation would suffer great loss and injury if the Employee would disclose this information or use it to compete with the

Corporation. Therefore, the Employee agrees that during the term of his employment, and (a) until such time as the Confidential Information becomes generally available to the public through no fault of the Employee, (b) until such time as the Confidential Information no longer provides benefit to the Corporation or (c) for a period of two years after the expiration of the Employment Period, whichever occurs sooner, the Employee will not, directly or indirectly, either individually or as an employee, officer, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity, use or disclose, or cause to be used or disclosed, any Confidential Information acquired by the Employee during his employment with the Corporation whether owned by the Corporation prior to or discovered and developed by the Corporation subsequent to the Employee's employment, and regardless of the fact that the Employee may have participated in the discovery and the development of that information.

9. Relationship with Suppliers. The parties agree that the profitability and goodwill of the Corporation depends on continued, amicable relations with its suppliers and the Employee agrees, during his employment with the Corporation and for two years thereafter, he will not cause, request or advise any suppliers of the Corporation to curtail or cancel their business with the Corporation.

10. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Corporation with broader protection than that provided herein.

11. Inventions and Improvements. The Employee agrees that every improvement, invention, process, technique, apparatus, method, manufacturing system, computer program, design or other creation that the Employee may invent, discover, conceive or originate by himself or in conjunction with any other person that relates in any respect to the business of the Corporation now or hereafter carried on by it shall be the exclusive property of the Corporation. The Employee understands and agrees that in partial consideration of his employment for the compensation herein stated, all such developments, inventions, improvements, products, processes, apparatuses, methods, designs and other creations shall be the exclusive property of the Corporation. If the Employee shall fail to make or refuse to make an assignment to the Corporation of any development, invention, improvement, process, apparatus, technique, method, computer program, design or other creation heretofore referred to, the Corporation shall have the authority, and this Agreement shall operate to give the Corporation authority to execute, seal and deliver, as the act of the Employee, any license, any license agreement, contract, assignment or other instrument in writing that may be necessary or proper to convey to the Corporation the entire right, title and interest

in and to said invention or development heretofore referred to. The Employee hereby agrees to hold the Corporation and its assigns harmless by reason of the Corporation's acts pursuant to this paragraph. The Employee further agrees that, during the term of this Agreement and at any time thereafter whenever reasonably necessary for the protection of the Corporation, he shall cooperate with and be compensated by the Corporation and its counsel in the prosecution and/or defense of any litigation at the cost of the Corporation which may arise in connection with the inventions or other creations referred to above, without any liability or cost to the Employee.

12. Specific Performance. The parties acknowledge and agree that breach of this Agreement by the Employee would cause irreparable damage to the Corporation and that monetary damages alone would not provide the Corporation with an adequate remedy for breach of this Agreement. Therefore, if any controversy arises concerning the rights or obligations of the Employee under this Agreement, such rights or obligations shall be specifically enforced by an injunction order issued by a court of competent jurisdiction. Such remedy, however, shall be cumulative and nonexclusive and shall be in addition to any other remedy to which the parties may be entitled.

13. Sale, Consolidation or Merger. In the event of a consolidation or merger of the Corporation with or into another corporation or entity, or the sale of substantially all of the operating assets of the Corporation to another corporation, entity or individual, the successor-in-interest shall be deemed to have assumed all liabilities of the Corporation under this Agreement.

14. Waiver. The failure of either party to insist, in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

15. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the covenants and agreements contained in sections 7 and 8 hereof are separate agreements.

16. Amendment. This Agreement may only be amended by an agreement in writing signed by all of the parties hereto.

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17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa.

18. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Corporation, its successors and assigns, and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned except as specifically set forth in this Agreement.

MURDOCK COMMUNICATIONS CORPORATION

BY /s/ Guy O. Murdock

Guy O. Murdock,
Chairman of the Board

/s/ Bill R. Wharton

Bill R. Wharton

Approved by the Compensation Committee of the Board of Directors as of the
day of , 199 .

Larry Erickson, Director and
Chairman of the
Compensation Committee

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EXHIBIT 10.25

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") is effective as of the 1st day of November, 1998 by and between PRIORITY INTERNATIONAL COMMUNICATIONS, INC. ("PIC"), PIC RESOURCES CORPORATION ("PICR"), both Texas corporations having their offices and place of business at 5806 Mesa Drive, Suite 260, Austin, Texas 78731 (hereinafter PIC and PICR are collectively referred to as the "Company"), MURDOCK COMMUNICATIONS CORPORATION, an affiliate of the Company which guarantees the obligation of the Company hereunder (hereinafter called "Murdock") and BONNER B. HARDEGREE, an individual currently residing at 3000 County Road 425, Thorndale, Texas (hereinafter referred to as "Employee").

WITNESSETH

WHEREAS, The Company is currently engaged in the telecommunications business;

WHEREAS, Employee currently is employed by the Company;

WHEREAS, the Company and Employee desire to renegotiate the terms of employment whereby the Employee is employed by the Company; and

WHEREAS, Employee desires to be so employed by the Company;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the Company and Employee hereby agree as follows:

1. EMPLOYMENT TERM, The Company agrees to employ Employee, and Employee agrees to be so employed under the terms and conditions of this Agreement. Employment shall be for a term of three (3) years effective as of November 1, 1998 and terminating thirty-six (36) months thereafter. This Agreement shall thereafter be automatically renewed for successive additional terms of one (1) year each unless either party gives the other at least one (1) year prior written notice of its intent not to renew the Agreement.

2. TIME AND EFFORTS. Employee shall conscientiously devote substantially all of his business time and attention in discharging his duties to the Company as defined herein. Employee may serve on the board of directors of other entities and engage in such civic activities and passive investment activities as long as such activities do not materially interfere with Employee's duties hereunder. Provided, however, that he shall not serve as a director of a company which competes with the Company or Murdock.

3. DUTIES. Employee shall be employed as the Vice President and Chief Financial Officer of each of PIC and PICR and as such shall report to the President and the Board of Directors of each such Company. Employee's duties shall be: (a) those generally performed by similarly situated officers with Employee's title, (b) those generally performed by a chief operating officer of a similarly situated company, and (c) those generally performed by a senior

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vice president of development for a similarly situated company, as the same may be assigned by the President or the Board of Directors of PIC and PICR. In the performance of his duties, Employee shall make his principal office in the Austin, Texas area.

4. COMPENSATION. As compensation for his services hereunder, the Company shall pay to Employee a base salary at the rate of $144,000.00 per annum, which salary shall be paid to Employee in accordance with the general practice of the Company. Salary payments shall be subject to withholding and other applicable taxes. In addition to the foregoing, Employee shall be entitled to receive an annual salary bonus at the good faith discretion of the Board of Directors and the Company agrees to conduct an annual review of the Employee with respect to compensation, bonuses and benefits by comparison to other executive employees of Murdock and its affiliated companies.

5. EXPENSES. Employee may incur reasonable expenses for promoting the Company's business, including expenses for entertainment, travel and similar items in accordance with Company policy, procedures and directives. The Company will reimburse Employee for all such expense upon Employee's prompt presentation (not less frequently than monthly) of an itemized account of such expenditures.

6. BENEFITS. The Company shall at its expense provide the following benefits to Employee:

(a) Key Man Insurance. The Company may apply for and procure as owner and for its own benefit insurance on Employee's life, in any amount and form or forms that the Company may choose. Employee shall have no interest in any such policy or policies. Employee shall, however, at the Company's request, submit to all medical examinations, shall all information and execute all documents that are required by the insurance company or companies to whom the Company has applied.

(b) Medical and Dental Benefits. The Company agrees to provide to Employee and his family hospital, surgical and medical and dental benefits commensurate with the Company's flexible benefits plan for all executives.

(c) Vacation and Other Benefits. Employee shall be entitled to three (3) weeks of vacation time each year.

(d) Disability Insurance. If the Employee can qualify for disability insurance, the Company shall at its expense maintain disability insurance equal to 50 percent of Employee's base salary.

(e) Automobile Allowance. Employee shall be paid an automobile expense allowance of $500.00 per month.

(f) Other Benefits. Employee shall also receive such other benefits as other executive level employees of Murdock or its affiliates commonly receive.

7. CONFIDENTIALITY.

(a) Employee acknowledges and agrees during his employment with the Company and at any time subsequent thereto that all Confidential Materials and Information are and shall remain the sole and exclusive property of the Company, and Employee acknowledges that he has no rights thereto or interest therein. For purposes of this Agreement the term "Confidential Materials and Information" shall mean (I) all confidential or secret processes, plans, formulae, data (including cost and performance data), inventions, machinery, drawings, papers, writings, specifications, manufacturing procedures and techniques, methods, technology, know-how, programs, devices and materials relating to the business, products (either existing or under development), services or activities of the Company or its affiliates, regardless of whether or not any or all of the foregoing are or may be patented or copyrighted, (ii) any other information or aspect of or related to the Company's or its affiliates' trade, business, products or activities which are designated or treated by the Company or its affiliates as confidential, secret or of a proprietary nature, or (iii) any customer or supplier usages and requirements and any of the Company's or its affiliates' lists of clients, customers, suppliers and business contacts.

(b) Except as required by law or in the course of Employees' employment with the Company, Employee agrees that he shall not, during his employment with the Company or at any time subsequent thereto, directly or indirectly, copy or reproduce, cause to be copied or reproduced, divulge, use, furnish, disclose or otherwise make known or accessible to anyone other than the Company's officers, directors, employees, affiliates, associates, agents and representatives who have a need to know in order to fulfill their respective responsibilities on behalf of the Company, any of the Confidential Materials and Information or any knowledge or information with respect to the Confidential Materials and information.

8. NON-COMPETITION AND NON-INTERVENTION

(a) Employee agrees that while Employee is employed by the Company, Employee shall not, directly or indirectly, as an individual proprietor, partner, stockholder, agent, consultant, advisor, director, officer, joint venturer or investor, or in any other capacity whatsoever, engage in or in any manner be employed by or associated

with any person company, association, partnership, trust, corporation business or other entity engaged in any business or enterprise (whether or not for profit) which competes with the business of the Company or its affiliates.

(b) Employee further agrees that while he is employed by the Company and for six (6) months thereafter if Employee terminates his employment without "Good Reason" (as herein defined) or if Employer terminates his employment for other than "For Cause" (as herein defined), Employee shall not, directly or indirectly, whether alone or by

any act in concert with others, employ, attempt to employ, recruit or otherwise solicit or induce or influence to leave his employment any employee of the company or its affiliates for any purpose which, directly or indirectly, would serve to compete with the Company or its affiliates; furthermore, Employee will not induce any client, customer, supplier, vendor or agent of the Company or its affiliates to leave or cease doing business with the company or its affiliates or otherwise interfere with or hinder the operations of the Company or its affiliates while he is employed by the Company.

9. TERMINATION.

(a) Termination Prior to Expiration of Employment Term. Employment pursuant to this Agreement may be terminated by the Company, and Employee discharged, prior to the expiration of his term set forth herein only by a majority vote of the Board of Directors of the Company. Employee may terminate this Agreement at any time upon sixty (60) days written notice.

(b) Termination by the Company For Cause. The Company may at its option terminate Employee's employment for cause ("For Cause") pursuant to this Agreement by giving written notice of termination to Employee without prejudice to any other remedy to which the Company may be entitled either at law, in equity or under this Agreement. Termination shall be For Cause if Employee: (i) willfully breaches or habitually neglects the duties that Employee is required to perform under the terms of this Agreement; (ii) willfully violates reasonable and substantial rules governing employee performance; (iii) fails to comply with lawful directives of the Board of Directors or any superior of the Company which directives are consistent with the material provisions of this Agreement; (iv) fails to use his best efforts to preserve and enhance the Company's business; (v) commits clearly dishonest acts toward the Company; (vi) is convicted of a felony with all appeals periods with respect to such conviction having expired or with any final appeals having been pursued unsuccessfully to conclusion; or (vii) engages in any pattern of prolonged absence from work without satisfactory explanation or reason therefor.

(c) Termination on Other Extraordinary Grounds. This Agreement shall terminate immediately on the occurrence of any one of the following events: (i) the occurrence of circumstances that make it impossible or impracticable for the business of the Company to be continued; (ii) the death of Employee; (iii) the loss by Employee of legal capacity; or (iv) the continued incapacity on the part of Employee to substantially perform his duties for a continuous period of 180 days, unless waived by the Company.

(d) Effect of Termination. In the event of the termination of employment pursuant to this Agreement prior to the completion of the term of employment specified herein, for any reason, Employee shall be entitled to the compensation and benefits earned prior to the date of termination as provided for in this Agreement, computed pro rata up to and including the date of termination. Except as otherwise stated herein, Employee shall be entitled to no further compensation and will be relieved of all duties

and obligations under this Agreement at the date of termination except as provided in Paragraphs 7 and 8 above.

(e) Termination by Employee for Good Reason. Employee shall have the right to terminate the Agreement for "Good Reason" which shall include: (i) the Company's failure in any material respect to perform any provision of the Agreement, which failure is not cured within thirty (30) days of written notice specifying the failure; (ii) any material reduction in the duties and responsibilities of Employee under the Agreement; provided, however, that any two (2) of the three (3) duties listed in Section 3 may be reduced or eliminated by the Company without Employee's consent; (iii) the transfer of Employee to employment by any subsidiary or affiliate of the Company which is not a successor to the business operations of the Company unless agreed to in writing by Employee; (iv) the failure of Employee to be elected or appointed to a senior management position within both PIC and PICR; (v) the relocation of Employee's workplace from the Austin, Texas metropolitan area; (vi) the failure by an entity that is the survivor in a merger with the Company, or that acquires substantially all of the assets of the Company to assume the obligations under the Agreement; (vii) the action of the Company in giving Employee notice of intent not to renew the Agreement under Section 1 hereof; or (viii) after six (6) months following a change of control to an entity other than Murdock or any affiliate of Murdock and for a period of thirty (30) days thereafter, Employee's termination of this Agreement.

10. LIQUIDATED DAMAGES. In the event that the Company (or either of them) shall terminate this Agreement other than For Cause or that Employee shall terminate this Agreement for Good Reason, then the Company shall be liable to Employee for liquidated damages in an amount equal to the total of the base salary to which Employee would have been entitled during the greater of (a) the remainder of the term of the employment under this Agreement or (b) one (1) year.

11. SEVERANCE PAY. Notwithstanding the foregoing, if the Company terminates this Agreement for any of the reasons stated in Section 9(c) hereof, then Employee shall be entitled to receive, as his sole remedy severance pay in the amount of twelve (12) months base salary existing at the time of such termination.

12. REMEDY FOR BREACH BY EMPLOYEE. Both parties recognize that the services to be performed by Employee are special and unique,. Accordingly, if Employee breaches the terms and conditions of this Agreement, or shall threaten a breach of any such terms and conditions, then the Company shall be entitled to institute legal and equitable proceedings in any court of competent jurisdiction and to obtain injunctive relief for a violation of Section 7 or 8 hereof, without the necessity of posting a bond, to protect itself from such breach and the Company shall be entitled to recover any and all costs and expenses, including reasonable counsel fees in enforcing this Agreement and the provisions

of this Paragraph against Employee.

13. INDEMNITY. To the fullest extent permitted by law, the Company shall indemnify Employee and hold him harmless for all acts or decisions made by him in good faith and in a

manner a prudent person would believe to be in the best interest of the Company while performing services for the Company.

14. SEVERABILITY. The Company and Employee hereby recognize and agree that because any breach of the provisions of this Agreement by Employee would result in irreparable harm and damage to the overall reputation of the Company and to its business and affairs, the restrictions set forth in this Agreement by which Employee has agreed to be bound, are reasonable, both as to the covenants of and the duties and restrictions accepted by Employee herein, including in terms of extent, time and geographic area. Therefore, whenever possible, Employee and the Company desire that each provision of this Agreement be interpreted in such a manner as to be effective, valid and enforceable under applicable law. However, if any of the covenants, duties or restrictions which Employee has accepted hereunder, or any other provisions of this Agreement would be deemed to be unreasonable (such as because any or all of them may be too broad) so that they would be unenforceable or invalid under such applicable law, then such paragraph, provision, covenant, duty or restriction shall be reformed in order to conform with such applicable law so that it shall bind Employee and the Company; such reformation to be which such provision shall be invalid or unenforceable, and the remainder of such covenant, duty, restriction, provision or paragraph shall continue to be binding and in full force and effect.

15. NOTICES. Any notice, payment, request, instruction or other document to be delivered under this Agreement shall be deemed sufficiently given if in writing and delivered personally mailed by certified mail, postage prepaid, to Employee at its address listed above and to the Company at the address listed above or to any changed address that the parties may designate by like notice. The effective date of such notice shall be its mailing date.

16. GUARANTY. By its signature hereto, Murdock does hereby fully guarantee to Employee the performance by the Company of the obligations to Employee arising under this Agreement as if Murdock were a party to this Agreement and agrees to be jointly and severally liable with PIC and PICR for such obligations.

17. MISCELLANEOUS.

(a) Entire Agreement. This Agreement represents the entire understanding of the parties with respect to its subject matter and supersedes all prior agreements, written or oral, concerning the subject matter hereof and may not be changed or modified in any regard except by an instrument in writing and signed by a duly authorized officer of the Company and by Employee. No inferences shall be drawn from any variance between this Agreement and any prior written negotiations or letters of intent with respect to or drafts of this Agreement.

(b) Binding Effect. All terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the Company, and its successors, assigns and legal representatives. The rights and benefits of the Company under this Agreement shall be transferable and assignable to any business entity with which the Company may merge or to which it may transfer all or a substantial part

of its

assets, and all the covenants and agreements hereunder shall ensure to the benefit of and be enforceable by the successors and assigns of any such transferee or assignee. The obligations of Employee shall be binding upon his heirs, executors, administrators and legal representatives.

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

(d) Non-Waiver. No delay or omission by the Company in enforcing any of the terms or conditions of this Agreement shall be construed as or constitute a waiver thereof or bar thereto, and no waiver of any breach hereunder shall be construed as or constitute a waiver of any other or subsequent breach or a bar to the enforcement of such terms or conditions on any future occasion.

(e) Construction. This Agreement shall be deemed to be made under the laws of the State of Texas, for all purposes shall be governed by, enforced under and construed in accordance with the laws of said State, without regard to principles of conflicts of law, and shall be deemed performable in Austin,Texas.

(f) Headings. Headings in this Agreement are for convenience of reference only and shall not be used to interpret or construe its provisions.

IN WITNESS WHEREOF, the Company and Employee have caused this Agreement to be executed to take effect as an instrument under seal as of the day and year first above written.

COMPANY:

PRIORITY INTERNATIONAL
COMMUNICATIONS, INC.

By: /s/ Thomas E. Chaplin
Name: Thomas E. Chaplin
Title: Chairman

January 28, 1999
- -----------------------------
DATE

PIC RESOURCES CORPORATION

By: /s/ Thomas E. Chaplin
Name: Thomas E. Chaplin
Title: Chairman

January 28, 1999
- -----------------------------
DATE

EMPLOYEE:

January 28, 1999
- -----------------------------
DATE

/s/ Bonner B. Hardegree
BONNER B. HARDEGREE

GUARANTOR:

MURDOCK COMMUNICATIONS
CORPORATION

By: /s/ Thomas E. Chaplin
Name: Thomas E. Chaplin
Title: Chief Executive Officer

January 28, 1999
- -----------------------------
DATE

8

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EXHIBIT 10.26

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made as of November 16, 1998, by and between MURDOCK COMMUNICATIONS CORPORATION, an Iowa corporation (the "Corporation"), and PAUL TUNINK (the "Employee").

RECITALS

The Corporation and the Employee acknowledge the following:

A. The Employee has valuable expertise and experience which will enable him to provide valuable business and management services to the Corporation.

B. The Corporation desires to assure itself of the Employee's services and the Employee desires to make his services available to the Corporation on the terms and conditions set forth below.

AGREEMENTS

In consideration of the mutual covenants and agreements set forth in this Agreement, the parties agree as follows:

1. Employment. The Corporation employs the Employee and the Employee accepts employment with the Corporation on the terms and conditions set forth in this Agreement.

2. Term. The original term of the Employee's employment hereunder shall commence on the date of this Agreement and continue until November 30, 1999, and renew automatically from year to year thereafter, unless terminated earlier pursuant to paragraph 6 of this Agreement or unless written notice is given by either party to the other at least 90 days before the end of the original term or any renewal term that such employment shall cease as of the end of such term (the "Employment Period").

3. Duties. The Employee will initially serve as the Corporation's Vice President and Chief Financial Officer and will perform the duties specified in the Corporation's By-Laws and specified by the Board of Directors from time to time. The Employee will devote his entire business time, effort, skill and attention to such employment.

4. Compensation.

(a) Base Salary. The Employee shall receive a base annual salary of $128,000, payable in accordance with the customary payroll practices of the Corporation ("Base Salary").

(b) Salary Adjustment. The Employee's Base Salary shall in no event be decreased. The Compensation Committee of the Board of Directors (the "Compensation Committee") will review at least annually the Employee's Base Salary to determine whether it should be increased.

(c) Incentive Bonus. During the term of this Agreement, the Employee will be eligible to participate in the Corporation's incentive compensation program. The Employee will be eligible for an annual incentive bonus of up to 35% of the Employee's Base Salary in 1999, increasing up to 50% in the year 2000 and in every year thereafter. The terms and conditions of such incentive bonus, including the amount of any bonus payable to the Employee and the performance objectives to be met for a bonus to be paid, will be in the sole discretion of the Compensation Committee.

(d) Stock Options. The Corporation will issue to the Employee 75,000 nonqualified stock option shares at the closing price of such stock on November 16, 1998. The terms and conditions of such issuance are set forth in the Nonqualified Stock Option Grant Agreement attached hereto.

(e) Relocation Expenses. The Corporation will reimburse the Employee for "Approved Relocation Expenses" incurred by the Employee in moving his immediate family and their personal property from Omaha, Nebraska to the Cedar Rapids, Iowa area. For the purposes of this Agreement, "Approved Relocation Expenses" shall mean commissions necessary to sell the Employee's

home in Omaha, Nebraska, all reasonable and necessary moving expenses and reasonable temporary housing costs in the Cedar Rapids area prior to the culmination of the Employee's move to the Cedar Rapids area. The Corporation will increase, when necessary, the amount of those Approved Relocation Expenses that are taxable as personal compensation in order to offset any tax consequences to the Employee of such expenses. If the Employee voluntarily terminates his employment with the Corporation at any time before the Employee's completion of one year of employment, the Employee shall reimburse the Corporation for all Approved Relocation Expenses previously paid to the Employee.

5. Fringe Benefits.

(a) Group Insurance. The Employee will be eligible to participate in the Corporation's group insurance programs on the same terms and conditions as are available to other employees of the Corporation generally.

(b) Vacation. The Employee will be entitled to receive three weeks of paid vacation in 1999 and four weeks of paid vacation in the year 2000 and in every year thereafter. Such vacation shall be taken at such times and in such intervals as are mutually acceptable to the Employee and the Corporation.

(c) Generally. In addition to the benefits described above, the Corporation will provide the Employee with the same fringe benefits as are enjoyed by other employees of the Corporation generally.

6. Termination of Employment. If the Employee's employment is terminated by the Corporation for any reason, including but not limited to the expiration or nonrenewal of this Agreement, except for termination for "Cause," the Employee (or if the Employee dies, his heirs or beneficiaries) will be entitled to receive, as his exclusive severance benefits, the following:

(a) Health Insurance. The Employee will continue to receive health insurance benefits under the same terms and conditions as received prior to termination until the earlier of the Employee's procurement of new employment with comparable health insurance benefits or the expiration of a period of one year after the date of such termination.

(b) Base Salary. The Employee will continue to receive his then Base Salary for a period of one year after the date of such termination.

For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following events, as determined in the sole discretion of the Corporation's Board of Directors:

(i) the commission by Employee of any act of intentional dishonesty that is material to the Corporation;

(ii) the conviction of Employee for an offense which constitutes a felony under federal, state or local laws;

(iii) the failure of Employee to follow and/or perform a specific and lawful directive of the Corporation's Board of Directors, which failure continues for a period of 30 days after receipt of written notice by the Employee; and

(iv) the intentional and prolonged failure of Employee to devote his best efforts to the performance of his duties and responsibilities hereunder.

In the event of termination of the Employee for Cause, the Employee shall receive only such compensation and benefits as he earned through the date of such termination.

7. Noncompetition. The parties agree that the Corporation's customer contacts and relations are established and maintained at great expense and by virtue of the Employee's employment with the Corporation, the Employee will have unique and extensive exposure to and personal contact with the Corporation's customers, and that he will be able to establish a unique relationship with those individuals and entities that will enable him, both during and after employment, to unfairly compete with the Corporation. The parties further agree that the Corporation's customers and business contacts are a small percentage of the total number of organizations, associations and individuals who are customers or potential customers for companies offering the same or similar services and products offered by the Corporation. Further, the parties agree that the terms and conditions of the following restrictive covenants are reasonable and necessary for the protection of the Corporation's business, trade secrets and confidential information and to prevent great damage or loss to the Corporation as a result of action taken by the Employee. The Employee acknowledges that the noncompete restrictions and nondisclosure of confidential information restrictions contained in this Agreement are reasonable and the consideration provided for herein is sufficient to fully and adequately compensate the Employee for agreeing to such restrictions.

(a) During Term of Employment. The Employee hereby covenants and agrees that, during his employment with the Corporation, he shall not, directly or indirectly, either individually or as an employee, officer, principal, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor or consultant or in any other capacity, participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise which is competitive with the Corporation or any successor or assign of the Corporation. The ownership of less than a 2% interest in a corporation whose shares are traded in a recognized stock exchange or traded in

<PAGE> 5

the over-the-counter market, even though that corporation may be a competitor of the Corporation, shall not be deemed financial participation in a competitor.

(b) Upon Termination of Employment. Employee agrees that during a period after termination of his employment with the Corporation equal to one year, he will not, directly or indirectly, either individually or as an employee, officer, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity:

(i) Canvass, solicit or accept from any person or entity who is an "Active Customer" of the Corporation any business in competition with the business of the Corporation or the successors or assigns of the Corporation. "Active Customer" shall mean any account which received within

the twelve months prior to the Employee's termination of employment, any products or services supplied by or on behalf of the Corporation and any prospective account which was under active solicitation by the Corporation during the final twelve months of Employee's employment with the Corporation.

(ii) Request or advise any of the Active Customers, suppliers or other business contacts of the Corporation who currently have or have had business relationships with the Corporation within twelve months preceding the date of the Employee's termination of employment, to curtail or cancel any of their business or relations with the Corporation.

(iii) Induce or attempt to induce any employee, officer, director, sales representative, consultant or other personnel of the Corporation to terminate his relationship or breach his agreements with the Corporation.

(iv) Participate in, become associated with, provide assistance to, engage in or have a financial or other interest in any business, activity or enterprise within the "Restricted Territory" which is competitive with the business of the Corporation or any successor or assign of the Corporation; provided, however, that the ownership of less than 2% of the stock of a corporation whose shares are traded in a recognized stock exchange or traded in the over-the-counter market, even though that corporation may be a competitor of the Corporation, shall not be deemed financial participation in a competitor. For purposes of this Agreement, the "Restricted Territory" shall mean the Continental United States.

8. Confidential Information. The parties agree that the Corporation's Customers, business connections, customer lists, procedures,

operations, techniques, trade secrets, proprietary information and other aspects of its business (the "Confidential Information") are established at great expense and protected as Confidential Information and provide the Corporation with a substantial competitive advantage in conducting its business. The parties further agree that by virtue of the Employee's employment with the Corporation, he will have access to, and be entrusted with, secret, confidential and proprietary information, and that the Corporation would suffer great loss and injury if the Employee would disclose this information or use it to compete with the Corporation. Notwithstanding the above, Confidential Information does not include: (i) information that is publicly available, or (ii) information developed by the Employee without using Confidential Information. Therefore, the Employee agrees that during the term of his employment, and (a) until such time as the Confidential Information becomes generally available to the public through no fault of the Employee, (b) until such time as the Confidential Information no longer provides benefit to the Corporation or (c) for a period of one year after the expiration of the Employment Period, whichever occurs sooner, the Employee will not, directly or indirectly, either individually or as an employee, officer, agent, partner, shareholder, owner, trustee, beneficiary, co-venturer, distributor, consultant or in any other capacity, intentionally use or disclose, or cause to be used or disclosed, any Confidential Information acquired by the Employee during his employment with the Corporation whether owned by the Corporation prior to or discovered and developed by the Corporation subsequent to the Employee's employment, and regardless of the fact that the Employee may have participated in the discovery and the development of that information.

9. Relationship with Suppliers. The parties agree that the

profitability and goodwill of the Corporation depends on continued, amicable relations with its suppliers and the Employee agrees, during his employment with the Corporation and for one year thereafter, he will not cause, request or advise any suppliers of the Corporation to curtail or cancel their business with the Corporation.

10. Common Law of Torts and Trade Secrets. The parties agree that nothing in this Agreement shall be construed to limit or negate the common law of torts or trade secrets where it provides the Corporation with broader protection than that provided herein.

11. Inventions and Improvements. The Employee agrees that every improvement, invention, process, technique, apparatus, method, manufacturing system, computer program, design or other creation that the Employee may invent, discover, conceive or originate by himself or in conjunction with any other person that relates in any respect to the business of the Corporation

now or hereafter carried on by it shall be the exclusive property of the Corporation. The Employee understands and agrees that in partial consideration of his employment for the compensation herein stated, all such developments, inventions, improvements, products, processes, apparatuses, methods, designs and other creations shall be the exclusive property of the Corporation. If the Employee shall fail to make or refuse to make an assignment to the Corporation of any development, invention, improvement, process, apparatus, technique, method, computer program, design or other creation heretofore referred to, the Corporation shall have the authority, and this Agreement shall operate to give the Corporation authority to execute, seal and deliver, as the act of the Employee, any license, any license agreement, contract, assignment or other instrument in writing that may be necessary or proper to convey to the Corporation the entire right, title and interest in and to said invention or development heretofore referred to. The Employee hereby agrees to hold the Corporation and its assigns harmless by reason of the Corporation's acts pursuant to this paragraph. Notwithstanding the foregoing, this section 11 shall not restrict the Employee from using information clearly in the public domain and his own general knowledge, skills and experience to whatever extent and in whatever way he wishes. The Employee further agrees that, during the term of this Agreement and at any time thereafter whenever reasonably necessary for the protection of the Corporation, he shall cooperate with and be compensated by the Corporation and its counsel in the prosecution and/or defense of any litigation at the cost of the Corporation which may arise in connection with the inventions or other creations referred to above, without any liability or cost to the Employee.

12. Specific Performance. The parties acknowledge and agree that breach of this Agreement by the Employee would cause irreparable damage to the Corporation and that monetary damages alone would not provide the Corporation with an adequate remedy for breach of this Agreement. Therefore, if any controversy arises concerning the rights or obligations of the Employee under this Agreement, such rights or obligations shall be specifically enforced by an injunction order issued by a court of competent jurisdiction. Such remedy, however, shall be cumulative and nonexclusive and shall be in addition to any other remedy to which the parties may be entitled.

13. Sale, Consolidation or Merger. In the event of a consolidation or merger of the Corporation with or into another corporation or entity, or the sale of substantially all of the operating assets of the Corporation to another corporation, entity or individual, the

successor-in-interest shall be deemed to have assumed all liabilities of the Corporation under this Agreement.

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14. Waiver. The failure of either party to insist, in any one or more instances, upon performance of the terms or conditions of this Agreement shall not be construed as a waiver or a relinquishment of any right granted hereunder or of the future performance of any such term, covenant or condition.

15. Severability. In the event that any provision shall be held to be invalid or unenforceable for any reason whatsoever, it is agreed such invalidity or unenforceability shall not affect any other provision of this Agreement and the remaining covenants, restrictions and provisions hereof shall remain in full force and effect and any court of competent jurisdiction may so modify the objectionable provision as to make it valid, reasonable and enforceable. Furthermore, the parties specifically acknowledge the covenants and agreements contained in sections 7 and 8 hereof.

16. Amendment. This Agreement may only be amended by an agreement in writing signed by all of the parties hereto.

17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa.

18. Benefit. This Agreement shall be binding upon and inure to the benefit of and shall be enforceable by and against the Corporation, its successors and assigns, and the Employee, his heirs, beneficiaries and legal representatives. It is agreed that the rights and obligations of the Employee may not be delegated or assigned except as specifically set forth in this Agreement.

MURDOCK COMMUNICATIONS CORPORATION

BY /s/ Thomas E. Chaplin

Thomas E. Chaplin,
Chief Executive Officer

/s/ Paul Tunink

Paul Tunink

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EXHIBIT 21

Subsidiaries of Murdock Communications Corporation

As of December 31, 1998, the subsidiaries of Murdock Communications Corporation were as follows:

Name	Jurisdiction of Incorporation or Organization
MCC Acquisition Corp.	Iowa
Priority International Communications Inc.	Texas
ATN Communications, Inc.	Delaware
INCOMEX, Inc.	California
Guide*Star, L.L.C. (1)	Iowa

- ----------------------------

(1) Murdock Communications Corporation has a 50% ownership interest in this limited liability company.

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Trade References

Alta Telecom
1967 Government Blvd.
Suite A
Mobile, AL 36606
Phone: 334-471-3762
Fax: 334-473-9412

ATN Communications, Inc.
1509 Government Blvd.
Suite 500
Mobile, AL 26604
Phone: 334-479-9400
Fax: 334-479-5999

Jade Technologies
1301 Azalea Rd.
Suite 113
Mobile, AL 36619
Phone: 334-665-4800
Fax: 334-665-4847

ALACAD
Alabama CAD/CAM, Inc.
2687 Hwy 150
Birmingham, AL 35244
Phone: 205- 444-3100
Fax: 205- 444-3111

D

SENIOR MANAGEMENT BACKGROUND

Exhibit "D"

EXHIBIT "D"
ACTEL INTEGRATED COMMUNICATIONS, INC.
SENIOR MANAGEMENT BACKGROUND

Guy Murdock, Director
Chairman and Founder, Murdock Communications Corp. Member AT&T advisory board. Currently Executive Operational Manager business development for Mexico and Latin America. Began involvement in hospitality telecommunications in 1981 and has been involved heavily in market throughout the US deregulation. Built technology based core business of 30,000 rooms prior to 1994 and negotiated unique agreement with AT&T that was the catalyst for growth to 120,000 rooms under contract.

Thomas Chaplin, Director
CEO, Murdock Communications Corp. Responsible for development and implementation of strategic plan of the company, including measurement and accountability of senior management. Prior positions include: Sr. Vice President and General Manager for APAC Teleservice, responsible for growth from $18 million annual revenue run rate to $200 million; President of Unilems Corp, USA, responsible for salvaging company on verge of collapse, successfully achieving survival; Senior Director of Sales and Marketing Worldwide for America Hydron, building sales from scratch to $70 million, selling company to Allergen.

Wayne Wright, Director, CEO
Vice Chairman, Murdock Communications Corp; CEO, ATN Communications; currently serves as Executive Manager of Murdock's US Communications division, which includes the operator services company ATN Communications and the CLEC AcTel Communications. Mr. Wright was principle shareholder of PIC/ATN which was acquired by MCC October 1997. He has led four fold growth of that division over the past year. Mr. Wright has served as Partner and Senior Manager of payphone operations company US Ameriphone since 1992.

John Beck, Director, President
Presently serves as General Manager of AcTel Integrated Communications. Providing day to day management of Sales and Operations. Mr. Beck has been involved in Data and Communications for the past ten years, beginning with his experience as Data and Communications manager for several sea and shore installations in the US Navy. Mr. Beck has a expansive background in Telecom management in serving several Telecommunications capacities, both private and government. Mr. Beck's most recent position was Regional Operations Manager of Espire Inc, a nationwide CLEC with regional operations in New Orleans, Birmingham, Montgomery, Mobile and Atlanta. Mr. Beck was the senior operations staff member installing of the first two competitive PSTN switches in the Southeast.

Richard Courtney, Director, CFO
Presently serves as CFO and Vice President of Finance of AcTel Integrated Communications. Provides day to day management of companies P&L and financial oversight of the company's financial business plan. Mr. Courtney has extensive experience in Telecommunications and digital network engineering. His past positions include: President and COO, ATN Communications, Inc., serving as President and General Manager, responsible for a incremental increase in monthly revenue from $200K monthly to $200M monthly; President and CEO, Tel-Span Communications, Inc; General Manager, US Payphone, Inc.

Daniel J. Shapiro, General Counsel and Secretary
Presently serves as General Counsel and Executive Vice President of Legal and Regulatory. Mr. Shapiro provides day to day management of the legal matters affecting the company including transactions and contracts, litigation, and federal and state telecommunications regulation. He previously represented Cox Communications, Inc. before the Louisiana Public Service Commission as outside counsel with the south Louisiana law firm of Gordon, Arata, McCollam, Duplantis, and Eagan, L.L.P. Mr. Shapiro also has experience with commercial transactions having represented several businesses in matters concerning federal and state securities laws, corporate governance, and mergers and acquisitions. His honors and other achievements include Adjunct Professor, Louisiana State University Law Center, Editor-in-Chief, Louisiana Law Review, Order of the Coif, Fellow of the Louisiana Bar Foundation, speaker at Continuing Legal Education seminars, and clerk to the Honorable Frank J. Polozola, United States District Court Judge for the Middle District of Louisiana.

E

TECHNICAL
AND
MANAGEMENT
PROFILES

Exhibit "E"

EXHIBIT "E"

TECHNICAL AND MANAGEMENT PROFILES

Judy Walker, Vice President Business Services
Ms. Walker's division is responsible for Customer Service, customer and company order issuance, provisioning, billing, carrier service, and regulatory services. Ms. Walker spent 27 years with BellSouth, during which she held positions in Customer Service, Installation / Maintenance, Training and Marketing Departments. She retired as Senior Systems Designer, where she designed voice/data networks and communications systems for major business and government customers. Since leaving BellSouth in 1992, Ms. Walker held a management position with e.spire Communications, a CLEC in Mobile, AL. Most recently she owned and managed Jade Technologies, a technology general contracting company with major customers including BellSouth, Mobile City and County, Mobile and Montgomery County School Boards, Mobile Infirmary Systems and Springhill College.

Jerry Cherne, Sr. Director of Carrier Services
Mr. Cherne has over twenty years of telecommunications experience. Previous positions include; Director in Operations and Regulatory Affairs at Touch 1 Communications, Customer Relations Manager at Touch 1, Product Manager and Sales Manager at Gulf Long Distance, Technical Consultant with MCI, Major Account Sales Executive at Telecom*USA, Operations Manager with Long Distance Systems, and seven years as a Telecommunications Manager/Director in US Government and spent four years as a telecommunications instructor.

Frank Reardon, Senior Director/Operations
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Presently serves as Senior Director of Operations for AcTel. Oversees Network Operations and Network Services. Mr. Reardon has been involved in communications for the past twenty-nine years, beginning with his experience as a manger with Bell Atlantic (New England Telephone). Mr. Reardon has held several technical titles with GTE Sprint, AT&T, Winstar and others. Most recently he served as Cutover Manager for AT&T on the Hawaiian HITS project. Mr. Reardon is a specialist on start up companies

Craig Uptagrafft, Director – Switch Operations
Director of Network Operations, responsible for selection, procurement and implementation of central office switches and peripheral equipment deployed by AcTel. Mr. Uptagrafft has been involved in communications for the past thirteen years, beginning as a manager and communications specialist in the Alabama Army National Guard. Mr. Uptagrafft has held technical positions with DeltaCom and MCI/WorldCom. Most recently he served as Operations Manager for e.spire Communications for the

Lucent 5ESS-2000 switch for e.spire in the Southeast in Columbus, GA and assisted in the implementation of switches in Montgomery, AL and Atlanta, GA.

Alan Ellison, Director – Information Systems
Responsible for implementation and management of internal information systems and data services operations. Mr. Ellison served eight years as Information Systems Director in the Alabama two-year college system. He was responsible for local and wide area networking, data base design and development, and project management. Most recently, Mr. Ellison was Data Services Specialist for e.spire Communications where he was responsible for design, marketing and implementation of data products throughout the state of Alabama. Presently, as Director of Data Services at AcTel, he is responsible for development and support of AcTel's information systems which process orders, maintain the customer database and produce customer invoices. Mr. Ellison is also responsible for building a data network to compliment the Lucent based voice network, which will be marketed to AcTel customers.

Mark Alford, Director – Network Services
Responsible for selection, procurement and implementation of network peripheral equipment deployed by AcTel. Mr. Alford has been involved with communications for the past seventeen years, beginning his career as and electronics engineer with the U.S. Navy. He spent ten years installing secure, high-speed data lines for ADT Security Systems. Most recently, Mr. Alford served as Operations Manager for e.spire Communications, a CLEC in Mobile, Alabama. In this capacity, he designed, built, and maintained the transport network and assisted in the planning and implementation of a Lucent 5ESS switch. Mr. Alford has extensive training in Network services and is certified on the Alcatel DACS and Lucent OC-3, OC-12, OC-48, and SLC-2000.

Brian J. Conroy, Operations Manager Mobile/Pensacola
Presently serves as the operations manager for Actel Integrated Communications, Inc. Mr. Conroy oversees the installation and turn up of the Lucent 5ESS 2000 digital switch, Alcatel 1631 digital cross connect system and all transport equipment In Mobile, Al. He will be maintaining the daily operations of the switch room. Prior to this he contracted with AT&T as a cutover manager on the HITS (Hawaiian Information Transfer System) project for the Department of Defense. They implemented twelve on-line switches from GTD5's to Lucent 5ESS 2000 switches within a 16-month period. Mr. Conroy served as a manager with WorldCom responsible for the design and construction of the southeastern fiber ring that was built from 1995 to 1997. His duties with Wiltel included supervising 6 crews from Nashville to Miami on the installation of Nortel OC48's and OC192's and construction on cable vaults as needed. Prior to this Telco Communications Group employed him as operations manager. He helped build Telco into a national network on a turnkey level by managing the installation and turn up of 4 digital switches in major cities throughout North America. This involved switch software loads as well as the turn up of carrier facilities, T-1 and DS-3 with the RBOC's and IXC's. Mr. Conroy started his career in telecommunications as a copper cable-splicer with New England Telephone in 1980 and in 1982 began installing switches and transport equipment.

Freida Addison, Senior Manager – Support Services

Ms. Addison has 19 years experience in the telecommunications field including 16½ years with BellSouth, where she held the position of Assistant Manager for seven years in Residence Marketing. During her employment with BellSouth, Ms. Addison served as project leader on several projects and coordinator of a very high profile trial for BellSouth's Regional Negotiation System known as RNS. While employed with BellSouth, Freida completed her studies in Administrative Science at the University of Alabama and received her BS degree in 1996.After retiring from BellSouth, Freida joined e.spire Communications in February 1997 where she has held three different positions in just over two years. Employed as and Account Consultant, she was promoted to Senior Account Consultant in November 1997, then promoted to Regional Operations Coordinator in July 1998. As Regional Operations Coordinator, she was responsible for tracking and coordinating all orders for Alabama, Mississippi, and Louisiana.

Mary W. Brown, Sr. Manager – Support Services

Ms. Brown directly supervises all Customer Service representatives and is charged with administrative management of the Customer Service department. Ms. Brown has been involved with telecommunications for thirty-four years. She began her career telecommunications at Southern Bell in Birmingham, Alabama in 1965. During her employment at BellSouth, she held positions in Operator Services, Fraud Call Bureau, Business Services Center, and Marketing. Ms. Brown retired from BellSouth in 1989 as a Marketing Account Manager. After her retirement from BellSouth, she became Branch Manager in Mobile for Daw & Raye Communications, a BellSouth Authorized Sales Representative company. From 1994 until joining the AcTel team, she worked for Pilot Catastrophes Services, as Telecommunications Manager handling all of their communications needs in voice, data and wireless nationwide.