

AGREEMENT

This Agreement between Rosanne Esposito (“Esposito”) and busybox.com (“busybox”).

Whereas Esposito and busybox are engaged in a dispute which is the subject of an arbitration scheduled to be heard February 6, 2001; and

Whereas the parties wish to resolve the dispute and all employment matters between them without further resort to arbitration or litigation.

THEREFORE, in consideration of the promises set forth below, the parties hereby agree as follows:

1. (a) busybox shall pay Esposito Fifteen Thousand Dollars (\$15,000) within two business days after execution of this Agreement. Payment shall be in the form of cash, certified check or money order.

(b) On or before payment to Esposito of the \$15,000, busybox will pay all creditors identified by Esposito to whom she has give her personal guaranty. In the event Esposito has forgotten and/or failed to identify any such creditor, busybox agrees to indemnify, defend and hold Esposito harmless from any claim made by a creditor of busybox.

© Regarding payment of the claim of the landlady (Bali), busybox has authorized Esposito’s attorney, David Zeff, to negotiate a settlement of that claim for \$3,500 or less. In so doing, Zeff shall procure a release from the landlady in the form of: “I hereby release busybox and its officers, directors, employees, agents, representatives, successors and attorneys from any and all claims arising out of or pertaining in any way to its obligations under the lease for the premises located at 701 Battery St., 3rd Floor, San Francisco, California. “ Busybox will pay the \$3,500 to Zeff within two days of execution of this Agreement. Should Zeff negotiate a settlement of this claim for less than \$3,500, he and/or his client may keep the difference.

2. (a) busybox shall execute a confessed judgment promissory note (“Note”) in the principal amount of One Hundred Thirty-five Thousand Dollars (\$135,000), with interest at 10% per annum compounded daily. The note shall include an attorney’s fee clause in the event any collection efforts are required.

(b) The Note shall be payable upon the earlier of:

- (i) 150 days after execution of this Agreement or
- (ii) funds becoming available to busybox (e.g., a line of credit, infusion of cash) to pay the note consistent with busybox's treatment of its other creditors. The purpose of this provision is to assure Esposito that, with respect to busybox's possible obligation to pay the note in less than 150 days, busybox will treat her claim (as evidenced by the note) as it will treat its other creditors, and that busybox's obligation to pay the note in less than 150 days is not intended to interfere with busybox's ability to continue its operations; or
- (iii) Should busybox be acquired, within ten (10) business days of the close of the acquisition.

3. The Note shall be secured by a first lien on the entire busybox video library, evidenced by a separate security agreement and fully executed and filed UCC-1.
4. Bloodworth and Sherman shall provide declarations, sworn under penalty of perjury that:
 - (a) They and the board of busybox have no present intent to put busybox into a bankruptcy or assignment for the benefit of creditors within 91 days of the execution of the final settlement documents;
 - (b) Should busybox file a voluntary petition of bankruptcy within these 91 days, busybox shall stipulate that the debt to Esposito evidenced by the Note is fully secured and nondischargeable;
 - (c) They and busybox are aware that Esposito is relying upon these representations in compromising her claims as part of the settlement.
5. In the event of a merger or acquisition, Esposito will have the same shareholder rights as other shareholders. This provision is not intended to change whatever the legal effect may be on Esposito's rights as a shareholder should she assume a position on the busybox board.
6.
 - (a) If busybox continues as a separate entity with its own board of directors, busybox will make a seat on the board available to Esposito.
 - (b) If Esposito assumes a seat on the busybox board, she will be covered by a D&O insurance policy with limits of not less than \$3 million.
 - (c) busybox will indemnify and defend Esposito from all claims made arising out of conduct of the board undertaken while Esposito was not a member of the board.
7.
 - (a) Patton Boggs will draft the additional documents described herein as part of the settlement.
 - (b) The parties shall execute the additional documents forthwith.
 - (c) Any dispute about the additional documents (including the drafting or interpretation of them) will be submitted to Retired Justice Walter Capaccioli, or his successor appointed by JAMS. All such controversies shall be decided in a summary proceeding, by telephone conference if necessary, upon five (5) days written notice, subject to the availability of the arbitrator.
 - (d) California law will apply to this Agreement and the additional documents.
 - (e) This Agreement will be enforceable in the Superior Court of the City and County of San Francisco, California.
 - (f) The prevailing party shall be entitled to an award of attorneys fees and costs.
8.
 - (a) Upon full execution of this Agreement and all additional documents described herein, Esposito, on behalf of herself and her heirs, executors, assigns, and representatives, shall release busybox and its officers, directors, employees, representatives, successors, predecessors, parents, subsidiaries and attorneys from any and all claims, known or unknown, existing as of the date of this Agreement arising out of or pertaining in any way to her employment with busybox or the termination thereof.

(b) The release provision of paragraph 8(a) shall take not take effect until 91 days have elapsed from the date the security agreement is executed by all parties or the date the UCC-1 is recorded, whichever occurs later.

© During the 91 days referenced in paragraph 8(b), Esposito covenants not to sue busybox for any claim which is covered by the release in paragraph 8(a). That covenant is conditioned upon busybox's compliance with the provisions of paragraph 4 (i.e., if busybox files for bankruptcy within the 91 days, the release has not taken effect and Esposito may bring any claim that otherwise would have been released; if busybox does not file for bankruptcy within the 91 days, Esposito may not sue busybox during that time).

9. (a) Esposito shall notify JAMS that the arbitration hearing currently scheduled for February 6, 2001 shall be postponed. So long as this Agreement is fully executed by both sides before 3:00 p.m. PST on January 23, 2001, Esposito shall so notify JAMS before the parties become responsible for paying the hearing fees which are currently due January 23, 2001.

(b) Upon execution of the final settlement documents, Esposito shall dismiss the claim which is the subject of the arbitration.

10. Drafting. Each party has participated in the drafting and preparation of this Agreement. Therefore, in any construction to be made of this Agreement, the same shall not be construed against any party by reason of the manner in which the Agreement was drafted and prepared.

11. Additional Documents. The Parties shall execute all such further and additional documents as shall be required to carry out the terms of this Agreement.

12. Counterparts. This Agreement may be executed in counterparts by the Parties hereto, and the counterparts taken together shall constitute one and the same agreement.

13. busybox shall provide notice via fax and/or email to Esposito and/or her attorney, David Zeff, of the occurrence of an event under paragraphs 2(b)(ii), 2(b)(iii) or 4(b)(including an assignment for the benefit of creditors) within five (5) business days after the occurrence of the event.

Roseanne Esposito

busybox.com

By: _____

Jon Bloodworth

Chief Executive Officer