



# H04905

ACCOUNT NO. : 072100000032

REFERENCE : 687517 7211878

AUTHORIZATION : *PPD*

COST LIMIT : \$ ~~78.75~~

FILED  
00 MAY -5 PM 3:57  
SECRETARY OF STATE  
TALLAHASSEE, FLORIDA

ORDER DATE : May 5, 2000

ORDER TIME : 2:55 PM

ORDER NO. : 687517-005

CUSTOMER NO: 7211878

100003241521--7

-05/08/00--01002--013

\*\*\*\*\*78.75 \*\*\*\*\*78.75

CUSTOMER: Debbie Amigone, Secretary  
Sperry Young & Stoecklein  
Suite 111  
1850 E. Flamingo Road  
Las Vegas, NV 89119

*Merger*

ARTICLES OF MERGER

J.S.J. CAPITAL CORP.

INTO

HIGH SPEED NET SOLUTIONS, INC.

PLEASE RETURN THE FOLLOWING AS PROOF OF FILING:

XX \_\_\_\_\_ CERTIFIED COPY  
\_\_\_\_\_ PLAIN STAMPED COPY

CONTACT PERSON: Tamara Odom

EXAMINER'S INITIALS:

RECEIVED  
00 MAY -5 PM 3:55  
DEPARTMENT OF STATE  
DIVISION OF CORPORATIONS  
TALLAHASSEE, FLORIDA

*PPD*  
*5/8/00*

ARTICLES OF MERGER  
Merger Sheet

-----  
MERGING:

J.S.J. CAPITAL CORP., a Nevada corp not authorized to transact business in Fla

,

INTO

**HIGH SPEED NET SOLUTIONS, INC.**, a Florida entity, H04905

File date: May 5, 2000

Corporate Specialist: Annette Ramsey

CERTIFICATE OF MERGER  
OF  
HIGH SPEED NET SOLUTIONS, INC.  
a Florida corporation  
and  
J.S.J. CAPITAL CORP.  
a Nevada corporation

FILED  
00 MAY -5 PM 3:57  
SECRETARY OF STATE  
TALLAHASSEE, FLORIDA

The undersigned corporations, HIGH SPEED NET SOLUTIONS, INC., a Florida corporation ("HSNS"), and J.S.J. CAPITAL CORP., a Nevada corporation ("JSJ"), do hereby certify:

1. HSNS is a corporation duly organized and validly existing under the laws of the State of Florida. Articles of Incorporation were originally filed on May 10, 1984.
2. JSJ is a corporation duly organized and validly existing under the laws of the State of Nevada. Articles of Incorporation were originally filed on October 6, 1999.
3. HSNS and JSJ are parties to a Merger Agreement, pursuant to which JSJ will be merged with and into HSNS. Upon completion of the merger HSNS will be the surviving corporation in the merger and JSJ will be dissolved. Pursuant to the Merger Agreement the stockholders of JSJ will receive stock in HSNS.
4. The Articles of Incorporation and Bylaws of HSNS as existing prior to the effective date of the merger shall continue in full force as the Articles of Incorporation and Bylaws of the surviving corporation.
5. The complete executed Agreement and Plan of Merger dated as of April 21, 2000, which sets forth the plan of merger providing for the merger of JSJ with and into HSNS is on file at the corporate offices of HSNS.
6. A copy of the Merger Agreement will be furnished by HSNS on request and without cost to any stockholder of any corporation which is a party to the merger.
7. The plan of merger as set forth in the Agreement and Plan of Merger, has been approved by a majority of the Board of Directors of JSJ at a meeting held April 21, 2000.
8. JSJ has 672,000 shares of common stock issued, outstanding and entitled to vote on the merger. At a meeting of the Shareholders of JSJ held April 21, 2000 all 672,000 shares voted in favor of the merger.
9. The plan of merger as set forth in the Agreement and Plan of Merger, was approved

by a majority of the Board of Directors of HSNS at a meeting held April 21, 2000.

10. Stockholder approval of the Agreement and Plan of Merger by the Stockholders of HSNS is not required pursuant to Section 607.1103(7) of the Business Corporation Act of the State of Florida.

11. The manner in which the exchange of issued shares of HSNS shall be affected is set forth in the Agreement and Plan of Merger.

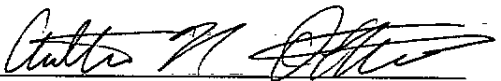
IN WITNESS WHEREOF, the undersigned have executed these Certificate of Merger this 21<sup>ST</sup> day of April, 2000.

J.S.J. CAPITAL CORP.  
a Nevada Corporation

HIGH SPEED NET SOLUTIONS, INC.  
a Florida Corporation

By   
ANTHONY N. DeMINT, President

By \_\_\_\_\_  
ANDREW FOX, President

By   
ANTHONY N. DeMINT, Secretary

By \_\_\_\_\_  
ALAN KLEINMAIER, Secretary

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS:

On \_\_\_\_\_ before me, a Notary Public, personally appeared ANDREW FOX who is the President of HIGH SPEED NET SOLUTIONS, INC., and who is personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacities and that, by his signatures on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
 ) SS:  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_ before me, a Notary Public, personally appeared ALAN KLEINMAIER who is the Secretary of HIGH SPEED NET SOLUTIONS, INC., and who is personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacities and that, by her signatures on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.


WITNESS my hand and official seal.

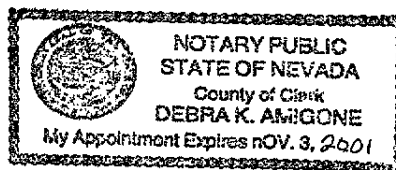
\_\_\_\_\_  
Notary Public

STATE OF NEVADA )  
 ) SS:  
COUNTY OF CLARK )

On 4/21/00 before me, a Notary Public, personally appeared ANTHONY N. DeMINT who is the President and Secretary of J.S.J. CAPITAL CORP. and who is personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacities and that, by his signatures on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

  
Notary Public



CERTIFICATE OF MERGER  
OF  
HIGH SPEED NET SOLUTIONS, INC.  
a Florida corporation  
and  
J.S.J. CAPITAL CORP.  
a Nevada corporation

The undersigned corporations, HIGH SPEED NET SOLUTIONS, INC., a Florida corporation ("HSNS"), and J.S.J. CAPITAL CORP., a Nevada corporation ("JSJ"), do hereby certify:

1. HSNS is a corporation duly organized and validly existing under the laws of the State of Florida. Articles of Incorporation were originally filed on May 10, 1984.
2. JSJ is a corporation duly organized and validly existing under the laws of the State of Nevada. Articles of Incorporation were originally filed on October 6, 1999.
3. HSNS and JSJ are parties to a Merger Agreement, pursuant to which JSJ will be merged with and into HSNS. Upon completion of the merger HSNS will be the surviving corporation in the merger and JSJ will be dissolved. Pursuant to the Merger Agreement the stockholders of JSJ will receive stock in HSNS.
4. The Articles of Incorporation and Bylaws of HSNS as existing prior to the effective date of the merger shall continue in full force as the Articles of Incorporation and Bylaws of the surviving corporation.
5. The complete executed Agreement and Plan of Merger dated as of April 18, 2000, which sets forth the plan of merger providing for the merger of JSJ with and into HSNS is on file at the corporate offices of HSNS.
6. A copy of the Merger Agreement will be furnished by HSNS on request and without cost to any stockholder of any corporation which is a party to the merger.
7. The plan of merger as set forth in the Agreement and Plan of Merger, has been approved by a majority of the Board of Directors of JSJ at a meeting held April 18, 2000.
8. JSJ has 672,000 shares of common stock issued, outstanding and entitled to vote on the merger. At a meeting of the Shareholders of JSJ held April 18, 2000 all 672,000 shares voted in favor of the merger.

9. The plan of merger as set forth in the Agreement and Plan of Merger, was approved by a majority of the Board of Directors of HSNS at a meeting held April 18, 2000.

10. Stockholder approval of the Agreement and Plan of Merger by the Stockholders of HSNS is not required pursuant to Section 607.1103(7) of the Business Corporation Act of the State of Florida.

11. The manner in which the exchange of issued shares of HSNS shall be affected is set forth in the Agreement and Plan of Merger.

IN WITNESS WHEREOF, the undersigned have executed these Certificate of Merger this 18<sup>th</sup> day of April, 2000.

J.S.J. CAPITAL CORP.  
a Nevada Corporation

By \_\_\_\_\_  
ANTHONY N. DeMINT, President

By \_\_\_\_\_  
ANTHONY N. DeMINT, Secretary

HIGH SPEED NET SOLUTIONS, INC.  
a Florida Corporation

By Ce FH  
ANDREW FOX, President

By Alan Kleinmaier  
ALAN KLEINMAIER, Secretary

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS:

On May 2, 2000 before me, a Notary Public, personally appeared ANDREW FOX who is the President of HIGH SPEED NET SOLUTIONS, INC., and who is personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacities and that, by his signatures on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

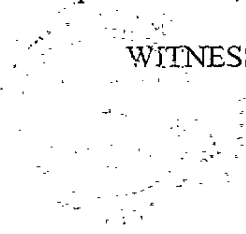
Kathryn J. [Signature]  
Notary Public

my Commission Expires: 3/20/2002

STATE OF North Carolina  
COUNTY OF Wake ) SS:

On May 2, 2000 before me, a Notary Public, personally appeared ALAN KLEINMAIER who is the Secretary of HIGH SPEED NET SOLUTIONS, INC., and who is personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacities and that, by her signatures on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

  
Kathryn J. [Signature]  
Notary Public.  
My Commission Expires: 3/20/2002

STATE OF NEVADA )  
COUNTY OF CLARK ) SS:

On \_\_\_\_\_ before me, a Notary Public, personally appeared ANTHONY N. DeMINT who is the President and Secretary of J.S.J. CAPITAL CORP. and who is personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacities and that, by his signatures on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public



ACQUISITION AGREEMENT AND PLAN OF MERGER

DATED AS OF APRIL 19, 2000

BETWEEN

HIGH SPEED NET SOLUTIONS, INC.

AND

J.S.J. CAPITAL CORP.

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## AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this "Agreement"), dated as of April 19, 2000, is between HIGH SPEED NET SOLUTIONS, INC., a Florida corporation ("HSNS"), and J.S.J. CAPITAL CORP., a Nevada corporation ("JSJ").

Whereas, the Boards of Directors of HSNS and JSJ each have, in light of and subject to the terms and conditions set forth herein, (i) determined that the Merger (as defined below) is fair to their respective stockholders and in the best interests of such stockholders and (ii) approved the Merger in accordance with this Agreement;

Whereas, for Federal income tax purposes, it is intended that the Merger qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"); and

Whereas, HSNS and JSJ desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

Now, therefore, in consideration of the promises and the representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, HSNS and JSJ hereby agree as follows:

### ARTICLE I

#### The Merger

Section 1.1. The Merger. At the Effective Time (as defined below) and upon the terms and subject to the conditions of this Agreement and in accordance with the General Corporation Law of the State of Nevada (the "NGCL") and the General Corporation Law of the State of Florida (the "FGCL"), JSJ shall be merged with and into HSNS (as defined below) (the "Merger"). Following the Merger, HSNS shall continue as the surviving corporation (the "Successor Corporation"), shall continue to be governed by the laws of the jurisdiction of its incorporation or organization and the separate corporate existence of JSJ shall cease to exist. Prior to the Effective Time, the parties hereto shall mutually agree as to the name of the Successor Corporation; however, initially the Successor Corporation shall be named HIGH SPEED NET SOLUTIONS, INC., a Florida corporation. The Merger is intended to qualify as a tax-free reorganization under Section 368 of the Code as relates to the non-cash exchange of stock referenced herein.

Section 1.2. Effective Time. Subject to the terms and conditions set forth in this Agreement, a Certificate of Merger (the "Merger Certificate") shall be duly executed and acknowledged by each of JSJ and HSNS, and thereafter the Merger Certificate reflecting the Merger shall be delivered to the Secretary of State of the State of Nevada for filing pursuant to the NGCL and to the Secretary of State of the State of Florida for filing pursuant to the FGCL on the Closing Date (as defined in Section 1.3). The Merger shall become effective at such time as a properly executed and certified copy of the Merger Certificate is duly filed by the Secretary of State of the State of Nevada in accordance with the NGCL and by the Secretary of State of the State of Florida in accordance with the FGCL or such later time as the parties may agree upon and set forth in the Merger Certificate (the time at which the Merger becomes effective shall be referred to herein as the "Effective Time").

Section 1.3. Closing of the Merger. The closing of the Merger (the "Closing") will take place at a time and on a date to be specified by the parties, which shall be no later than the second business day after satisfaction of the latest to occur of the conditions set forth in Article 5 (the "Closing Date"), at the offices of Sperry Young & Stoecklein, 1850 E. Flamingo Rd., Suite 111, Las Vegas, Nevada, unless another time, date or place is agreed to in writing by the parties hereto.

Section 1.4. Effects of the Merger. The Merger shall have the effects set forth in the NGCL and FGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers of JSJ shall vest in the Successor Corporation, and all debts, liabilities and duties of JSJ shall become the debts, liabilities and duties of the Successor Corporation.

Section 1.5. Board of Directors and Officers of HSNS. At or prior to the Effective Time, each of JSJ and HSNS agrees to take such action as is necessary (i) to cause the number of directors comprising the full Board of Directors of HSNS to remain the same

Section 1.6. Conversion of Shares. At the Effective Time, each share of common stock, par value \$.0001 per share of JSJ (individually a "JSJ Share" and collectively, the "JSJ Shares") issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of JSJ, HSNS, or the holder thereof, be converted into and shall become fully paid and nonassessable HSNS common shares determined by issuing one (1) share of HSNS common share for every 13.44 shares of JSJ.

Section 1.7. Exchange of Certificates.

(a) Prior to the Effective Time, HSNS shall enter into an agreement with, and shall deposit with, Sperry Young & Stoecklein, or such other agent or agents as may be satisfactory to HSNS and JSJ (the "Exchange Agent"), for the benefit of the holders of JSJ Shares, for exchange through the Exchange Agent in accordance with this Article I: (i) certificates representing the appropriate number of HSNS Shares to be issued to holders of JSJ Shares issuable pursuant to Section 1.6 in exchange for outstanding JSJ Shares.

(b) As soon as reasonably practicable after the Effective Time, the Exchange Agent shall mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding JSJ Shares (the "Certificates") whose shares were converted into the right to receive HSNS Shares pursuant to Section 1.6: (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as JSJ and HSNS may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing HSNS Shares. Upon surrender of a Certificate to the Exchange Agent, together with such letter of transmittal, duly executed, and any other required documents, the holder of such Certificate shall be entitled to receive in exchange therefore a certificate representing that number of whole HSNS Shares, which such holder has the right to receive pursuant to the provisions of this Article I, and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of JSJ Shares which are not registered in the transfer records of JSJ, a certificate representing the proper number of HSNS Shares may be issued to a transferee if the Certificate representing such JSJ Shares is presented to the Exchange Agent accompanied by all documents required by the Exchange Agent or HSNS to evidence and effect such transfer and by evidence that any applicable stock transfer or other taxes have been paid. Until surrendered as contemplated by this Section 1.7, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the certificate representing HSNS Shares as contemplated by this Section 1.7.

(c) No dividends or other distributions declared or made after the Effective Time with respect to HSNS Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the HSNS Shares represented thereby until the holder of record of such Certificate shall surrender such Certificate.

(d) In the event that any Certificate for JSJ Shares or HSNS Shares shall have been lost, stolen or destroyed, the Exchange Agent shall issue in exchange therefore, upon the making of an affidavit of that fact by the holder thereof such HSNS Shares and cash in lieu of fractional HSNS Shares, if any, as may be required pursuant to this Agreement; provided, however, that HSNS or the Exchange Agent, may, in its respective discretion, require the delivery of a suitable bond, opinion or indemnity.

(e) All HSNS Shares issued upon the surrender for exchange of JSJ Shares in accordance with the terms hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to such JSJ Shares. There shall be no further registration of transfers on the stock transfer books of JSJ of the JSJ Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates of JSJ are presented to HSNS for any reason, they shall be canceled and exchanged as provided in this Article I.

(f) No fractional HSNS Shares shall be issued in the Merger, but in lieu thereof each holder of JSJ Shares otherwise entitled to a fractional HSNS Share shall, upon surrender of its, his or her Certificate or Certificates, be entitled to receive an additional share to round up to the nearest round number of shares.

Section 1.8. Taking of Necessary Action; Further Action. If, at any time after the Effective Time, JSJ or HSNS reasonably determines that any deeds, assignments, or instruments or confirmations of transfer are necessary or desirable to carry out the purposes of this Agreement and to vest HSNS with full right, title and possession to all assets, property, rights, privileges, powers and franchises of JSJ, the officers and directors of HSNS and JSJ are fully authorized in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary or desirable action.

## ARTICLE 2

### Representations and Warranties of HSNS

Except as set forth on the Disclosure Schedule delivered by HSNS to JSJ (the "HSNS Disclosure Schedule"), HSNS hereby represents and warrants to JSJ as follows:

#### Section 2.1. Organization and Qualification.

(a) HSNS is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, has 300 or more round lot (100 or more shares) stockholders and has all requisite power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not have a Material Adverse Effect (as defined below) on HSNS. When used in connection with HSNS, the term "Material Adverse Effect" means any change or effect (i) that is or is reasonably likely to be materially adverse to the business, results of operations, condition (financial or otherwise) or prospects of HSNS, other than any change or effect arising out of general economic conditions unrelated to any business in which HSNS is engaged, or (ii) that may impair the ability of HSNS to perform its obligations hereunder or to consummate the transactions contemplated hereby.

(b) HSNS has heretofore delivered to JSJ accurate and complete copies of the Articles of Incorporation and Bylaws (or similar governing documents), as currently in effect, of HSNS. Except as set forth on Schedule 2.1 of the HSNS Disclosure Schedule, HSNS is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not have a Material Adverse Effect on HSNS.

#### Section 2.2. Capitalization of HSNS.

(a) The authorized capital stock of HSNS consists of: (i) Fifty Million (50,000,000) Authorized Shares of Common Stock, \$0.001 par value, 21,062,149 Common shares are issued and outstanding as of February 10, 2000, and held by 300 or more round lot (100 or more shares) stockholders; (ii) Five Million (5,000,000) Authorized Shares of Preferred Stock, \$0.001 par value, no Preferred Shares have been issued. Pursuant to the Merger Agreement HSNS will issue 50,000 shares of 144 restricted common stock to the stockholder of JSJ. All of the outstanding HSNS Shares have been duly authorized and validly issued, and are fully paid, nonassessable and free of preemptive rights. Except as set forth herein, as of the date hereof, there are no outstanding (i) shares of capital stock or other voting securities of HSNS, (ii) securities of HSNS convertible into or exchangeable for shares of capital stock or voting securities of HSNS, (iii) options or other rights to acquire from HSNS, except as set forth in 2.2(a) of the Disclosure Schedule, and, no obligations of HSNS to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of HSNS, and (iv) equity equivalents, interests in the ownership or earnings of HSNS or other similar rights (collectively, "HSNS Securities"). As of the date hereof, except as set forth on Schedule 2.2(a) of the HSNS Disclosure Schedule there are no outstanding obligations of HSNS or its subsidiaries to repurchase, redeem or otherwise acquire any HSNS Securities or stockholder agreements, voting trusts or other agreements or understandings to which HSNS is a party or by which it is bound relating to the voting or registration of any shares of capital stock of HSNS. For purposes of

this Agreement, "Lien" means, with respect to any asset (including, without limitation, any security) any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

(b) The HSNS Shares constitute the only class of equity securities of HSNS registered or required to be registered under the Exchange Act.

(c) HSNS does not own directly or indirectly more than fifty percent (50%) of the outstanding voting securities or interests (including membership interests) of any entity, other than as specifically disclosed in the disclosure documents.

Section 2.3. Authority Relative to this Agreement; Recommendation. HSNS has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of HSNS (the "HSNS Board") and no other corporate proceedings on the part of HSNS are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by HSNS and constitutes a valid, legal and binding agreement of HSNS, enforceable against HSNS in accordance with its terms.

#### Section 2.4. SEC Reports; Financial Statements. SEC Reports; Financial Statements.

(a) HSNS filed a Form 10 with the Securities and Exchange Commission (the "SEC") on February 22, 2000 and a Form 10/A on March 13, 2000, which have complied in all material respects with all applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act (and the rules and regulations promulgated thereunder, respectively), as in effect on the date such form was filed. HSNS has heretofore delivered or promptly will deliver prior to the Effective Date to JSJ, in the form filed with the SEC (including any amendments thereto but excluding any exhibits), (i) its Form 10 filed February 22, 2000, (ii) its Form 10/A filed March 13, 2000, (iii) all definitive proxy statements relating to HSNS's meetings of stockholders (whether annual or special) held since March 13, 2000, if any, and (iv) all other reports or registration statements filed by HSNS with the SEC since March 13, 2000 (all of the foregoing, collectively, the "HSNS SEC Reports"). None of such HSNS SEC Reports, including, without limitation, any financial statements or schedules included or incorporated by reference therein, contained, when filed, any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited financial statements of HSNS included in the HSNS SEC Reports fairly present, in conformity with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto), the financial position of HSNS as of the dates thereof and its results of operations and changes in financial position for the periods then ended. All material agreements, contracts and other documents required to be filed as exhibits to any of the HSNS SEC Reports have been so filed.

(b) HSNS has heretofore made available or promptly will make available to JSJ a complete and correct copy of any amendments or modifications which are required to be filed with the SEC but have not yet been filed with the SEC, to agreements, documents or other instruments which previously had been filed by HSNS with the SEC pursuant to the Exchange Act.

Section 2.5. Information Supplied. None of the information supplied or to be supplied by HSNS for inclusion or incorporation by reference in connection with the Merger will at the date presented to the stockholder of JSJ and at the times of the meeting or meetings of stockholders of HSNS to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

Section 2.6. Consents and Approvals; No Violations. Except for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Securities Act, the Exchange Act, state securities or blue sky laws, the Hart-Scott-Rodino Antitrust Improvements Act of 1916, as amended (the "HSR Act"), the rules of the National Association of Securities Dealers, Inc. ("NASD"), the filing and recordation of the Merger Certificate as required by the NGCL, and as set forth on Schedule 2.6 of the HSNS Disclosure Schedule no

filing with or notice to, and no permit, authorization, consent or approval of, any court or tribunal or administrative, governmental or regulatory body, agency or authority (a "Governmental Entity") is necessary for the execution and delivery by HSNS of this Agreement or the consummation by HSNS of the transactions contemplated hereby, except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings or give such notice would not have a Material Adverse Effect on HSNS.

Except as set forth in Section 2.6 of the HSNS Disclosure Schedule, neither the execution, delivery and performance of this Agreement by HSNS nor the consummation by HSNS of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of the respective Articles of Incorporation or Bylaws (or similar governing documents) of HSNS, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which HSNS is a party or by which any of its properties or assets may be bound, or (iii) violate any order, writ, injunction, decree, law, statute, rule or regulation applicable to HSNS or any of its properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults which would not have a Material Adverse Effect on HSNS.

Section 2.7. No Default. Except as set forth in Section 2.7 of the HSNS Disclosure Schedule, HSNS is not in breach, default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a breach default or violation) of any term, condition or provision of (i) its Articles of Incorporation or Bylaws (or similar governing documents), (ii) any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which HSNS is now a party or by which any of its respective properties or assets may be bound or (iii) any order, writ injunction, decree, law, statute, rule or regulation applicable to HSNS or any of its respective properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults that would not have a Material Adverse Effect on HSNS. Except as set forth in Section 2.7 of the HSNS Disclosure Schedule, each note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which HSNS is now a party or by which its respective properties or assets may be bound that is material to HSNS and that has not expired is in full force and effect and is not subject to any material default thereunder of which HSNS is aware by any party obligated to HSNS thereunder.

Section 2.8. No Undisclosed Liabilities; Absence of Changes. Except as and to the extent disclosed in the December 31, 1999 audited financial statements, none of HSNS or its subsidiaries had any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by generally accepted accounting principles to be reflected on a consolidated balance sheet of HSNS and its consolidated subsidiaries (including the notes thereto) or which would have a Material Adverse Effect on HSNS. Except as disclosed by HSNS, none of HSNS or its subsidiaries has incurred any liabilities of any nature, whether or not accrued, contingent or otherwise, which could reasonably be expected to have, and there have been no events, changes or effects with respect to HSNS or its subsidiaries having or which could reasonably be expected to have, a Material Adverse Effect on HSNS. Except as and to the extent disclosed by HSNS there has not been (i) any material change by HSNS in its accounting methods, principles or practices (other than as required after the date hereof by concurrent changes in generally accepted accounting principles), (ii) any revaluation by HSNS of any of its assets having a Material Adverse Effect on HSNS, including, without limitation, any write-down of the value of any assets other than in the ordinary course of business or (iii) any other action or event that would have required the consent of any other party hereto pursuant to Section 4.2 of this Agreement had such action or event occurred after the date of this Agreement.

Section 2.9. Litigation. Except as set forth in Schedule 2.9 of the HSNS Disclosure Schedule there is no suit, claim, action, proceeding or investigation pending or, to the knowledge of HSNS, threatened against HSNS or any of its subsidiaries or any of their respective properties or assets before any Governmental Entity which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on HSNS or could reasonably be expected to prevent or delay the consummation of the transactions contemplated by this Agreement. Except as disclosed by HSNS, none of HSNS or its subsidiaries is subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen in the future, could reasonably be expected to have a Material Adverse Effect on HSNS or could reasonably be expected to prevent or delay the consummation of the transactions contemplated hereby.



Section 2.10. Compliance with Applicable Law. Except as disclosed by HSNS, HSNS and its subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of their respective businesses (the "HSNS Permits"), except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which would not have a Material Adverse Effect on HSNS. Except as disclosed by HSNS, HSNS and its subsidiaries are in compliance with the terms of the HSNS Permits, except where the failure so to comply would not have a Material Adverse Effect on HSNS. Except as disclosed by HSNS, the businesses of HSNS and its subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity except that no representation or warranty is made in this Section 2.10 with respect to Environmental Laws and except for violations or possible violations which do not, and, insofar as reasonably can be foreseen, in the future will not, have a Material Adverse Effect on HSNS. Except as disclosed by HSNS no investigation or review by any Governmental Entity with respect to HSNS or its subsidiaries is pending or, to the knowledge of HSNS, threatened, nor, to the knowledge of HSNS, has any Governmental Entity indicated an intention to conduct the same, other than, in each case, those which HSNS reasonably believes will not have a Material Adverse Effect on HSNS.

Section 2.11. Employee Benefit Plans; Labor Matters.

(a) Except as set forth in Section 2.11(a) of the HSNS Disclosure Schedule with respect to each employee benefit plan, program, policy, arrangement and contract (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), maintained or contributed to at any time by HSNS or any entity required to be aggregated with HSNS pursuant to Section 414 of the Code (each, a "HSNS Employee Plan"), no event has occurred and to the knowledge of HSNS, no condition or set of circumstances exists in connection with which HSNS could reasonably be expected to be subject to any liability which would have a Material Adverse Effect on HSNS.

(b) (i) No HSNS Employee Plan is or has been subject to Title IV of ERISA or Section 412 of the Code; and (ii) each HSNS Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is the subject of a favorable Internal Revenue Service determination letter, and nothing has occurred which could reasonably be expected to adversely affect such determination.

(c) Section 2.11(c) of the HSNS Disclosure Schedule sets forth a true and complete list, as of the date of this Agreement, of each person who holds any HSNS Stock Options, together with the number of HSNS Shares which are subject to such option, the date of grant of such option, the extent to which such option is vested (or will become vested as a result of the Merger), the option price of such option (to the extent determined as of the date hereof), whether such option is a nonqualified stock option or is intended to qualify as an incentive stock option within the meaning of Section 422(b) of the Code, and the expiration date of such option. Section 2.11(c) of the HSNS Disclosure Schedule also sets forth the total number of such incentive stock options and such nonqualified options. HSNS has furnished JSJ with complete copies of the plans pursuant to which the HSNS Stock Options were issued. Other than the automatic vesting of HSNS Stock Options that may occur without any action on the part of HSNS or its officers or directors, HSNS has not taken any action that would result in any HSNS Stock Options that are unvested becoming vested in connection with or as a result of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(d) HSNS has made available to JSJ (i) a description of the terms of employment and compensation arrangements of all officers of HSNS and a copy of each such agreement currently in effect; (ii) copies of all agreements with consultants who are individuals obligating HSNS to make annual cash payments in an amount exceeding \$60,000; (iii) a schedule listing all officers of HSNS who have executed a non-competition agreement with HSNS and a copy of each such agreement currently in effect; (iv) copies (or descriptions) of all severance agreements, programs and policies of HSNS with or relating to its employees, except programs and policies required to be maintained by law; and (v) copies of all plans, programs, agreements and other arrangements of HSNS with or relating to its employees which contain change in control provisions all of which are set forth in Section 2.11(d) of the HSNS Disclosure Schedule.

(e) There shall be no payment, accrual of additional benefits, acceleration of payments, or vesting in any benefit under any HSNS Employee Plan or any agreement or arrangement disclosed under this Section 2.11 solely by reason of entering into or in connection with the transactions contemplated by this Agreement.

(f) There are no controversies pending or, to the knowledge of HSNS, threatened, between HSNS and any of their employees, which controversies have or could reasonably be expected to have a Material Adverse Effect on HSNS. Neither HSNS nor any of its subsidiaries is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by HSNS or any of its subsidiaries (and neither HSNS nor any of its subsidiaries has any outstanding material liability with respect to any terminated collective bargaining agreement or labor union contract), nor does HSNS know of any activities or proceedings of any labor union to organize any of its or employees. HSNS has no knowledge of any strike, slowdown, work stoppage, lockout or threat thereof, by or with respect to any of its employees.

#### Section 2.12. Environmental Laws and Regulations.

(a) Except as publicly disclosed by HSNS in the HSNS SEC Reports, (i) HSNS is in material compliance with all applicable federal, state, local and foreign laws and regulations relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) (collectively, "Environmental Laws"), except for non-compliance that would not have a Material Adverse Effect on HSNS, which compliance includes, but is not limited to, the possession by HSNS of all material permits and other governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof; (ii) HSNS has not received written notice of, or, to the knowledge of HSNS, is the subject of, any action, cause of action, claim, investigation, demand or notice by any person or entity alleging liability under or non-compliance with any Environmental Law (an "Environmental Claim") that could reasonably be expected to have a Material Adverse Effect on HSNS; and (iii) to the knowledge of HSNS, there are no circumstances that are reasonably likely to prevent or interfere with such material compliance in the future.

(b) Except as publicly disclosed by HSNS, there are no Environmental Claims which could reasonably be expected to have a Material Adverse Effect on HSNS that are pending or, to the knowledge of HSNS, threatened against HSNS or, to the knowledge of HSNS, against any person or entity whose liability for any Environmental Claim HSNS has or may have retained or assumed either contractually or by operation of law.

#### Section 2.13. Tax Matters.

(a) Except as set forth in Section 2.13 of the HSNS Disclosure Schedule: (i) HSNS has filed or has had filed on its behalf in a timely manner (within any applicable extension periods) with the appropriate Governmental Entity all income and other material Tax Returns (as defined herein) with respect to Taxes (as defined herein) of HSNS and all Tax Returns were in all material respects true, complete and correct; (ii) all material Taxes with respect to HSNS have been paid in full or have been provided for in accordance with GAAP on HSNS's most recent balance sheet which is part of the HSNS SEC Documents. (iii) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, state, local or foreign income or other material Tax Returns required to be filed by or with respect to HSNS; (iv) to the knowledge of HSNS none of the Tax Returns of or with respect to HSNS is currently being audited or examined by any Governmental Entity; and (v) no deficiency for any income or other material Taxes has been assessed with respect to HSNS which has not been abated or paid in full.

(b) For purposes of this Agreement, (i) "Taxes" shall mean all taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, sales, use, ad valorem, goods and services, capital, transfer, franchise, profits, license, withholding, payroll, employment, employer health, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority and (ii) "Tax Return" shall mean any report, return, documents declaration or other information or filing required to be supplied to any taxing authority or jurisdiction with respect to Taxes.

Section 2.14. Title to Property. HSNS has good and defensible title to all of its properties and assets, free and clear of all liens, charges and encumbrances except liens for taxes not yet due and payable and such liens or other imperfections of title, if any, as do not materially detract from the value of or interfere with the present use of the property affected thereby or which, individually or in the aggregate, would not have a Material Adverse Effect on HSNS; and, to HSNS's knowledge, all leases pursuant to which HSNS leases from others real or personal

property are in good standing, valid and effective in accordance with their respective terms, and there is not, to the knowledge of HSNS, under any of such leases, any existing material default or event of default (or event which with notice of lapse of time, or both, would constitute a default and in respect of which HSNS has not taken adequate steps to prevent such a default from occurring) except where the lack of such good standing, validity and effectiveness, or the existence of such default or event, would not have a Material Adverse Effect on HSNS.

#### Section 2.15. Intellectual Property.

(a) HSNS owns, or possesses adequate licenses or other valid rights to use, all existing United States and foreign patents, trademarks, trade names, service marks, copyrights, trade secrets and applications therefore that are material to its business as currently conducted (the "HSNS Intellectual Property Rights").

(b) The validity of the HSNS Intellectual Property Rights and the title thereto of HSNS is not being questioned in any litigation to which HSNS is a party.

(c) Except as set forth in Section 2.15(c) of the HSNS Disclosure Schedule, the conduct of the business of HSNS as now conducted does not, to HSNS's knowledge, infringe any valid patents, trademarks, trade names, service marks or copyrights of others. The consummation of the transactions completed hereby will not result in the loss or impairment of any HSNS Intellectual Property Rights.

(d) HSNS has taken steps it believes appropriate to protect and maintain its trade secrets as such, except in cases where HSNS has elected to rely on patent or copyright protection in lieu of trade secret protection.

#### Section 2.16. Insurance. HSNS currently maintains general liability and other business insurance.

Section 2.17. Vote Required. Approval of this Agreement and Plan of Merger by the Stockholders of HSNS is not required pursuant to current Nevada law.

Section 2.18. Tax Treatment. Neither HSNS nor, to the knowledge of HSNS, any of its affiliates has taken or agreed to take action that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

Section 2.19. Affiliates. Except for the directors and executive officers of HSNS, each of whom is listed in Section 2.19 of the HSNS Disclosure Schedule, there are no persons who, to the knowledge of HSNS, may be deemed to be affiliates of HSNS under Rule 1-02(b) of Regulation S-X of the SEC (the "HSNS Affiliates").

Section 2.20. Certain Business Practices. None of HSNS or any directors, officers, agents or employees of HSNS has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), or (iii) made any other unlawful payment.

Section 2.21. Insider Interests. Except as set forth in Section 2.21 of the HSNS Disclosure Schedule, neither any officer or director of HSNS has any interest in any material property, real or personal, including without limitation, any computer software or HSNS Intellectual Property Rights, used in or pertaining to the business of HSNS, except for the ordinary rights of a stockholder or employee stock optionholder.

Section 2.22. Opinion of Financial Adviser. No advisers, as of the date hereof, have delivered to the HSNS Board a written opinion to the effect that, as of such date, the exchange ratio contemplated by the Merger is fair to the holders of HSNS Shares.

Section 2.23. Brokers. No broker, finder or investment banker (other than the HSNS Financial Adviser, a true and correct copy of whose engagement agreement has been provided to JSJ) is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of HSNS.

Section 2.24. Disclosure. No representation or warranty of HSNS in this Agreement or any certificate, schedule, document or other instrument furnished or to be furnished to JSJ pursuant hereto or in connection herewith contains, as of the date of such representation, warranty or instrument, or will contain any untrue statement of a material fact or, at the date thereof, omits or will omit to state a material fact necessary to make any statement herein or therein, in light of the circumstances under which such statement is or will be made, not misleading.

Section 2.25. No Existing Discussions. As of the date hereof, HSNS is not engaged, directly or indirectly, in any discussions or negotiations with any other party with respect to any Third Party Acquisition (as defined in Section 4.4).

#### Section 2.26. Material Contracts.

(a) HSNS has delivered or otherwise made available to JSJ true, correct and complete copies of all contracts and agreements (and all amendments, modifications and supplements thereto and all side letters to which HSNS is a party affecting the obligations of any party thereunder) to which HSNS is a party or by which any of its properties or assets are bound that are, material to the business, properties or assets of HSNS taken as a whole, including, without limitation, to the extent any of the following are, individually or in the aggregate, material to the business, properties or assets of HSNS taken as a whole, all: (i) employment, product design or development, personal services, consulting, non-competition, severance, golden parachute or indemnification contracts (including, without limitation, any contract to which HSNS is a party involving employees of HSNS); (ii) licensing, publishing, merchandising or distribution agreements; (iii) contracts granting rights of first refusal or first negotiation; (iv) partnership or joint venture agreements; (v) agreements for the acquisition, sale or lease of material properties or assets or stock or otherwise entered into since December 31, 1999; (vi) contracts or agreements with any Governmental Entity, and (vii) all commitments and agreements to enter into any of the foregoing (collectively, together with any such contracts entered into in accordance with Section 4.1 hereof, the "HSNS Contracts"). HSNS is not a party to or bound by any severance, golden parachute or other agreement with any employee or consultant pursuant to which such person would be entitled to receive any additional compensation or an accelerated payment of compensation as a result of the consummation of the transactions contemplated hereby.

(b) Each of the HSNS Contracts is valid and enforceable in accordance with its terms, and there is no default under any HSNS Contract so listed either by HSNS or, to the knowledge of HSNS, by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder by HSNS or, to the knowledge of HSNS, any other party, in any such case in which such default or event could reasonably be expected to have a Material Adverse Effect on HSNS.

(c) No party to any such HSNS Contract has given notice to HSNS of or made a claim against HSNS with respect to any breach or default thereunder, in any such case in which such breach or default could reasonably be expected to have a Material Adverse Effect on HSNS.

### ARTICLE 3

#### Representations and Warranties of JSJ

Except as set forth on the Disclosure Schedule delivered by JSJ to HSNS (the "JSJ Disclosure Schedule"), JSJ hereby represents and warrants to HSNS as follows:

##### Section 3.1. Organization and Qualification.

(a) Each of JSJ and its subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not have a Material Adverse Effect (as defined below) on JSJ. When used in connection with JSJ, the term "Material Adverse Effect" means any change or effect (i) that is or is reasonably likely to be materially adverse to the business, results of operations, condition (financial or otherwise) or prospects of JSJ and its subsidiaries, taken as a whole, other than any change or

effect arising out of general economic conditions unrelated to any businesses in which JSJ and its subsidiaries are engaged, or (ii) that may impair the ability of JSJ to consummate the transactions contemplated hereby.

(b) JSJ has heretofore delivered to HSNS accurate and complete copies of the Articles of Incorporation and Bylaws (or similar governing documents), as currently in effect, of JSJ. Each of JSJ and its subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not have a Material Adverse Effect on JSJ.

### Section 3.2. Capitalization of JSJ.

(a) As of April 18, 2000, the authorized capital stock of JSJ consists of Fifty Million (50,000,000) JSJ common Shares, \$0.0001 par value, of which 672,000 common Shares are issued and outstanding. All of the outstanding JSJ Shares have been duly authorized and validly issued, and are fully paid, nonassessable and free of preemptive rights.

(b) Except as set forth in Section 3.2(b) of the JSJ Disclosure Schedule, JSJ is the record and beneficial owner of all of the issued and outstanding shares of capital stock of its subsidiaries.

(c) Except as set forth in Section 3.2(c) of the JSJ Disclosure Schedule, between December 31, 1999 and the date hereof, no shares of JSJ's capital stock have been issued and no JSJ Stock options have been granted. Except as set forth in Section 3.2(a) above, as of the date hereof, there are no outstanding (i) shares of capital stock or other voting securities of JSJ, (ii) securities of JSJ or its subsidiaries convertible into or exchangeable for shares of capital stock or voting securities of JSJ, (iii) options or other rights to acquire from JSJ or its subsidiaries, or obligations of JSJ or its subsidiaries to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of JSJ, or (iv) equity equivalents, interests in the ownership or earnings of JSJ or its subsidiaries or other similar rights (collectively, "JSJ Securities"). As of the date hereof, there are no outstanding obligations of JSJ or any of its subsidiaries to repurchase, redeem or otherwise acquire any JSJ Securities. There are no stockholder agreements, voting trusts or other agreements or understandings to which JSJ is a party or by which it is bound relating to the voting or registration of any shares of capital stock of JSJ.

(d) Except as set forth in Section 3.2(d) of the JSJ Disclosure Schedule, there are no securities of JSJ convertible into or exchangeable for, no options or other rights to acquire from JSJ, and no other contract, understanding, arrangement or obligation (whether or not contingent) providing for the issuance or sale, directly or indirectly, of any capital stock or other ownership interests in, or any other securities of, any subsidiary of JSJ.

(e) The JSJ Shares constitute the only class of equity securities of JSJ or its subsidiaries.

(f) Except as set forth in Section 3.2(f) of the JSJ Disclosure Schedule, JSJ does not own directly or indirectly more than fifty percent (50%) of the outstanding voting securities or interests (including membership interests) of any entity.

### Section 3.3. Authority Relative to this Agreement; Recommendation.

(a) JSJ has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of JSJ (the "JSJ Board"), and no other corporate proceedings on the part of JSJ are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, except, as referred to in Section 3.17, the approval and adoption of this Agreement by the holders of at least a majority of the then outstanding JSJ Shares. This Agreement has been duly and validly executed and delivered by JSJ and constitutes a valid, legal and binding agreement of JSJ, enforceable against JSJ in accordance with its terms.

(b) The JSJ Board has resolved to recommend that the stockholders of JSJ approve and adopt this Agreement.

#### Section 3.4. SEC Reports; Financial Statements.

(a) JSJ has filed all required forms, reports and documents with the Securities and Exchange Commission (the "SEC") since January 26, 2000, each of which has complied in all material respects with all applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act (and the rules and regulations promulgated thereunder, respectively), each as in effect on the dates such forms, reports and documents were filed. JSJ has heretofore delivered or promptly will deliver prior to the Effective Date to JSJ, in the form filed with the SEC (including any amendments thereto but excluding any exhibits), (i) its initial Registration Statement on Form 10SB12G filed January 26, 2000, (ii) all definitive proxy statements relating to JSJ's meetings of stockholders (whether annual or special) held since January 26, 2000, if any, and (iii) all other reports or registration statements filed by JSJ with the SEC since January 26, 2000 (all of the foregoing, collectively, the "JSJ SEC Reports"). None of such JSJ SEC Reports, including, without limitation, any financial statements or schedules included or incorporated by reference therein, contained, when filed, any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited financial statements of JSJ included in the JSJ SEC Reports fairly present, in conformity with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto), the financial position of JSJ as of the dates thereof and its results of operations and changes in financial position for the periods then ended. All material agreements, contracts and other documents required to be filed as exhibits to any of the JSJ SEC Reports have been so filed.

(b) JSJ has heretofore made available or promptly will make available to HSNS a complete and correct copy of any amendments or modifications which are required to be filed with the SEC but have not yet been filed with the SEC, to agreements, documents or other instruments which previously had been filed by JSJ with the SEC pursuant to the Exchange Act.

Section 3.5. Information Supplied. None of the information supplied or to be supplied by JSJ for inclusion or incorporation by reference to the 8-K will, at the time the 8-K is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

Section 3.6. Consents and Approvals; No Violations. Except as set forth in Section 3.6 of the JSJ Disclosure Schedule, and for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Securities Act, the Exchange Act, state securities or blue sky laws, the HSR Act, the rules of the NASD, and the filing and recordation of the Merger Certificate as required by the NGCL, no filing with or notice to, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the execution and delivery by JSJ of this Agreement or the consummation by JSJ of the transactions contemplated hereby, except where the failure to obtain such permits, authorizations consents or approvals or to make such filings or give such notice would not have a Material Adverse Effect on JSJ.

Neither the execution, delivery and performance of this Agreement by JSJ nor the consummation by JSJ of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of the respective Articles of Incorporation or Bylaws (or similar governing documents) of JSJ or any of JSJ's subsidiaries, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which JSJ or any of JSJ's subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or (iii) violate any order, writ, injunction, decree, law, statute, rule or regulation applicable to JSJ or any of JSJ's subsidiaries or any of their respective properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults which would not have a Material Adverse Effect on JSJ.

Section 3.7. No Default. None of JSJ or any of its subsidiaries is in breach, default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a breach, default or violation) of any term, condition or provision of (i) its Articles of Incorporation or Bylaws (or similar governing documents), (ii) any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which

JSJ or any of its subsidiaries is now a party or by which any of them or any of their respective properties or assets may be bound or (iii) any order, writ, injunction, decree, law, statute, rule or regulation applicable to JSJ, its subsidiaries or any of their respective properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults that would not have a Material Adverse Effect on JSJ. Each note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which JSJ or any of its subsidiaries is now a party or by which any of them or any of their respective properties or assets may be bound that is material to JSJ and its subsidiaries taken as a whole and that has not expired is in full force and effect and is not subject to any material default thereunder of which JSJ is aware by any party obligated to JSJ or any subsidiary thereunder.

Section 3.8. No Undisclosed Liabilities; Absence of Changes. Except as set forth in Section 2.8 of the JSJ Disclosure Schedule and except as and to the extent publicly disclosed by JSJ in the JSJ SEC Reports, as of December 31, 1999, JSJ does not have any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by generally accepted accounting principles to be reflected on a balance sheet of JSJ (including the notes thereto) or which would have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ, since December 31, 1999, JSJ has not incurred any liabilities of any nature, whether or not accrued, contingent or otherwise, which could reasonably be expected to have, and there have been no events, changes or effects with respect to JSJ having or which reasonably could be expected to have, a Material Adverse Effect on JSJ. Except as and to the extent publicly disclosed by JSJ in the JSJ SEC Reports and except as set forth in Section 2.8 of the JSJ Disclosure Schedule, since December 31, 1999, there has not been (i) any material change by JSJ in its accounting methods, principles or practices (other than as required after the date hereof by concurrent changes in generally accepted accounting principles), (ii) any revaluation by JSJ of any of its assets having a Material Adverse Effect on JSJ, including, without limitation, any write-down of the value of any assets other than in the ordinary course of business or (iii) any other action or event that would have required the consent of any other party hereto pursuant to Section 4.1 of this Agreement had such action or event occurred after the date of this Agreement.

Section 3.9. Litigation. Except as publicly disclosed by JSJ in the JSJ SEC Reports, there is no suit, claim, action, proceeding or investigation pending or, to the knowledge of JSJ, threatened against JSJ or any of its subsidiaries or any of their respective properties or assets before any Governmental Entity which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on JSJ or could reasonably be expected to prevent or delay the consummation of the transactions contemplated by this Agreement. Except as publicly disclosed by JSJ in the JSJ SEC Reports, JSJ is not subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen in the future, could reasonably be expected to have a Material Adverse Effect on JSJ or could reasonably be expected to prevent or delay the consummation of the transactions contemplated hereby.

Section 3.10. Compliance with Applicable Law. Except as publicly disclosed by JSJ in the JSJ SEC Reports, JSJ holds all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of their respective businesses (the "JSJ Permits"), except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which would not have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ in the JSJ SEC Reports, JSJ is in compliance with the terms of the JSJ Permits, except where the failure so to comply would not have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ in the JSJ SEC Reports, the business of JSJ is not being conducted in violation of any law, ordinance or regulation of any Governmental Entity except that no representation or warranty is made in this Section 2.10 with respect to Environmental Laws (as defined in Section 2.12 below) and except for violations or possible violations which do not, and, insofar as reasonably can be foreseen, in the future will not, have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ in the JSJ SEC Reports, no investigation or review by any Governmental Entity with respect to JSJ is pending or, to the knowledge of JSJ, threatened, nor, to the knowledge of JSJ, has any Governmental Entity indicated an intention to conduct the same, other than, in each case, those which JSJ reasonably believes will not have a Material Adverse Effect on JSJ.

#### Section 3.11. Employee Benefit Plans; Labor Matters.

(a) With respect to each employee benefit plan, program, policy, arrangement and contract (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of ERISA), maintained or contributed to at any time by JSJ, any of its subsidiaries or any entity required to be aggregated with JSJ or any of its subsidiaries

pursuant to Section 414 of the Code (each, a "JSJ Employee Plan"), no event has occurred and, to the knowledge of JSJ, no condition or set of circumstances exists in connection with which JSJ or any of its subsidiaries could reasonably be expected to be subject to any liability which would have a Material Adverse Effect on JSJ.

(b) (i) No JSJ Employee Plan is or has been subject to Title IV of ERISA or Section 412 of the Code; and (ii) each JSJ Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is the subject of a favorable Internal Revenue Service determination letter, and nothing has occurred which could reasonably be expected to adversely affect such determination.

(c) Section 3.11(c) of the JSJ Disclosure Schedule sets forth a true and complete list, as of the date of this Agreement, of each person who holds any JSJ Stock Options, together with the number of JSJ Shares which are subject to such option, the date of grant of such option, the extent to which such option is vested (or will become vested as a result of the Merger), the option price of such option (to the extent determined as of the date hereof), whether such option is a nonqualified stock option or is intended to qualify as an incentive stock option within the meaning of Section 422(b) of the Code, and the expiration date of such option. Section 3.11(c) of the JSJ Disclosure Schedule also sets forth the total number of such incentive stock options and such nonqualified options. JSJ has furnished HSNS with complete copies of the plans pursuant to which the JSJ Stock Options were issued. Other than the automatic vesting of JSJ Stock Options that may occur without any action on the part of JSJ or its officers or directors, JSJ has not taken any action that would result in any JSJ Stock Options that are unvested becoming vested in connection with or as a result of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(d) JSJ has made available to HSNS (i) a description of the terms of employment and compensation arrangements of all officers of JSJ and a copy of each such agreement currently in effect; (ii) copies of all agreements with consultants who are individuals obligating JSJ to make annual cash payments in an amount exceeding \$60,000; (iii) a schedule listing all officers of JSJ who have executed a non-competition agreement with JSJ and a copy of each such agreement currently in effect; (iv) copies (or descriptions) of all severance agreements, programs and policies of JSJ with or relating to its employees, except programs and policies required to be maintained by law; and (v) copies of all plans, programs, agreements and other arrangements of the JSJ with or relating to its employees which contain change in control provisions.

(e) Except as disclosed in Section 3.11(e) of the JSJ Disclosure Schedule there shall be no payment, accrual of additional benefits, acceleration of payments, or vesting in any benefit under any JSJ Employee Plan or any agreement or arrangement disclosed under this Section 3.11 solely by reason of entering into or in connection with the transactions contemplated by this Agreement.

(f) There are no controversies pending or, to the knowledge of JSJ threatened, between JSJ or any of its subsidiaries and any of their respective employees, which controversies have or could reasonably be expected to have a Material Adverse Effect on JSJ. Neither JSJ nor any of its subsidiaries is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by JSJ or any of its subsidiaries (and neither JSJ nor any of its subsidiaries has any outstanding material liability with respect to any terminated collective bargaining agreement or labor union contract), nor does JSJ know of any activities or proceedings of any labor union to organize any of its or any of its subsidiaries' employees. JSJ has no knowledge of any strike, slowdown, work stoppage, lockout or threat thereof by or with respect to any of its or any of its subsidiaries' employees.

#### Section 3.12. Environmental Laws and Regulations.

(a) Except as disclosed by JSJ, (i) each of JSJ and its subsidiaries is in material compliance with all Environmental Laws, except for non-compliance that would not have a Material Adverse Effect on JSJ, which compliance includes, but is not limited to, the possession by JSJ and its subsidiaries of all material permits and other governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof; (ii) none of JSJ or its subsidiaries has received written notice of, or, to the knowledge of JSJ, is the subject of, any Environmental Claim that could reasonably be expected to have a Material Adverse Effect on JSJ; and (iii) to the knowledge of JSJ, there are no circumstances that are reasonably likely to prevent or interfere with such material compliance in the future.



(b) Except as disclosed by JSJ, there are no Environmental Claims which could reasonably be expected to have a Material Adverse Effect on JSJ that are pending or, to the knowledge of JSJ, threatened against JSJ or any of its subsidiaries or, to the knowledge of JSJ, against any person or entity whose liability for any Environmental Claim JSJ or its subsidiaries has or may have retained or assumed either contractually or by operation of law.

Section 3.13. Tax Matters. Except as set forth in Section 3.13 of the JSJ Disclosure Schedule: (i) JSJ and each of its subsidiaries has filed or has had filed on its behalf in a timely manner (within any applicable extension periods) with the appropriate Governmental Entity all income and other material Tax Returns with respect to Taxes of JSJ and each of its subsidiaries and all Tax Returns were in all material respects true, complete and correct; (ii) all material Taxes with respect to JSJ and each of its subsidiaries have been paid in full or have been provided for in accordance with GAAP on JSJ's most recent balance sheet which is part of the JSJ SEC Documents; (iii) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, state, local or foreign income or other material Tax Returns required to be filed by or with respect to JSJ or its subsidiaries; (iv) to the knowledge of JSJ none of the Tax Returns of or with respect to JSJ or any of its subsidiaries is currently being audited or examined by any Governmental Entity; and (v) no deficiency for any income or other material Taxes has been assessed with respect to JSJ or any of its subsidiaries which has not been abated or paid in full.

Section 3.14. Title to Property. JSJ and each of its subsidiaries have good and defensible title to all of their properties and assets, free and clear of all liens, charges and encumbrances except liens for taxes not yet due and payable and such liens or other imperfections of title, if any, as do not materially detract from the value of or interfere with the present use of the property affected thereby or which, individually or in the aggregate, would not have a Material Adverse Effect on JSJ; and, to JSJ's knowledge, all leases pursuant to which JSJ or any of its subsidiaries lease from others real or personal property are in good standing, valid and effective in accordance with their respective terms, and there is not, to the knowledge of JSJ, under any of such leases, any existing material default or event of default (or event which with notice or lapse of time, or both, would constitute a material default and in respect of which JSJ or such subsidiary has not taken adequate steps to prevent such a default from occurring) except where the lack of such good standing, validity and effectiveness, or the existence of such default or event of default would not have a Material Adverse Effect on JSJ.

Section 3.15. Intellectual Property.

(a) Each of JSJ and its subsidiaries owns, or possesses adequate licenses or other valid rights to use, all existing United States and foreign patents, trademarks, trade names, services marks, copyrights, trade secrets, and applications therefore that are material to its business as currently conducted (the "JSJ Intellectual Property Rights").

(b) Except as set forth in Section 3.15(b) of the JSJ Disclosure Schedule the validity of the JSJ Intellectual Property Rights and the title thereto of JSJ or any subsidiary, as the case may be, is not being questioned in any litigation to which JSJ or any subsidiary is a party.

(c) The conduct of the business of JSJ and its subsidiaries as now conducted does not, to JSJ's knowledge, infringe any valid patents, trademarks, tradenames, service marks or copyrights of others. The consummation of the transactions contemplated hereby will not result in the loss or impairment of any JSJ Intellectual Property Rights.

(d) Each of JSJ and its subsidiaries has taken steps it believes appropriate to protect and maintain its trade secrets as such, except in cases where JSJ has elected to rely on patent or copyright protection in lieu of trade secret protection.

Section 3.16. Insurance. JSJ currently does not maintain general liability and other business insurance.

Section 3.17. Vote Required. The affirmative vote of the holders of at least a majority of the outstanding JSJ Shares is the only vote of the holders of any class or series of JSJ's capital stock necessary to approve and adopt this Agreement and the Merger.

Section 3.18. Tax Treatment. Neither JSJ nor, to the knowledge of JSJ, any of its affiliates has taken or agreed to take any action that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

Section 3.19. Affiliates. Except for the directors and executive officers of JSJ, each of whom is listed in Section 3.19 of the JSJ Disclosure Schedule, there are no persons who, to the knowledge of JSJ, may be deemed to be affiliates of JSJ under Rule 1-02(b) of Regulation S-X of the SEC (the "JSJ Affiliates").

Section 3.20. Certain Business Practices. None of JSJ, any of its subsidiaries or any directors, officers, agents or employees of JSJ or any of its subsidiaries has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the FCPA, or (iii) made any other unlawful payment.

Section 3.21. Insider Interests. Except as set forth in Section 3.21 of the JSJ Disclosure Schedule, no officer or director of JSJ has any interest in any material property, real or personal, including without limitation, any computer software or JSJ Intellectual Property Rights, used in or pertaining to the business of JSJ or any subsidiary, except for the ordinary rights of a stockholder or employee stock optionholder.

Section 3.22. Opinion of Financial Adviser. No advisers, as of the date hereof, have delivered to the JSJ Board a written opinion to the effect that, as of such date, the exchange ratio contemplated by the Merger is fair to the holders of JSJ Shares.

Section 3.23. Brokers. No broker, finder or investment banker (other than the JSJ Financial Adviser, a true and correct copy of whose engagement agreement has been provided to HSNS) is entitled to any brokerage, finders or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of JSJ.

Section 3.24. Disclosure. No representation or warranty of JSJ in this Agreement or any certificate, schedule, document or other instrument furnished or to be furnished to HSNS pursuant hereto or in connection herewith contains, as of the date of such representation, warranty or instrument, or will contain any untrue statement of a material fact or, at the date thereof, omits or will omit to state a material fact necessary to make any statement herein or therein, in light of the circumstances under which such statement is or will be made, not misleading.

Section 3.25. No Existing Discussions. As of the date hereof, JSJ is not engaged, directly or indirectly, in any discussions or negotiations with any other party with respect to any Third Party Acquisition (as defined in Section 5.4).

#### Section 3.26. Material Contracts.

(a) JSJ has delivered or otherwise made available to HSNS true, correct and complete copies of all contracts and agreements (and all amendments, modifications and supplements thereto and all side letters to which JSJ is a party affecting the obligations of any party thereunder) to which JSJ or any of its subsidiaries is a party or by which any of their properties or assets are bound that are, material to the business, properties or assets of JSJ and its subsidiaries taken as a whole, including, without limitation, to the extent any of the following are, individually or in the aggregate, material to the business, properties or assets of JSJ and its subsidiaries taken as a whole, all: (i) employment, product design or development, personal services, consulting, non-competition, severance, golden parachute or indemnification contracts (including, without limitation, any contract to which JSJ is a party involving employees of JSJ); (ii) licensing, publishing, merchandising or distribution agreements; (iii) contracts granting rights of first refusal or first negotiation; (iv) partnership or joint venture agreements; (v) agreements for the acquisition, sale or lease of material properties or assets or stock or otherwise. (vi) contracts or agreements with any Governmental Entity; and (vii) all commitments and agreements to enter into any of the foregoing (collectively, together with any such contracts entered into in accordance with Section 5.2 hereof, the "JSJ Contracts"). Neither JSJ nor any of its subsidiaries is a party to or bound by any severance, golden parachute or other agreement with any employee or consultant pursuant to which such person would be entitled to receive any additional compensation or an accelerated payment of compensation as a result of the consummation of the transactions contemplated hereby.

(b) Each of the JSJ Contracts is valid and enforceable in accordance with its terms, and there is no default under any JSJ Contract so listed either by JSJ or, to the knowledge of JSJ, by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder by JSJ or, to the knowledge of JSJ, any other party, in any such case in which such default or event could reasonably be expected to have a Material Adverse Effect on JSJ.

(c) No party to any such JSJ Contract has given notice to JSJ of or made a claim against JSJ with respect to any breach or default thereunder, in any such case in which such breach or default could reasonably be expected to have a Material Adverse Effect on JSJ.

## ARTICLE 4

### Covenants

Section 4.1. Conduct of Business of HSNS. Except as contemplated by this Agreement or as described in Section 4.1 of the HSNS Disclosure Schedule, during the period from the date hereof to the Effective Time, HSNS will conduct its operations in the ordinary course of business consistent with past practice and, to the extent consistent therewith, with no less diligence and effort than would be applied in the absence of this Agreement, seek to preserve intact its current business organization, keep available the service of its current officers and employees and preserve its relationships with customers, suppliers and others having business dealings with it to the end that goodwill and ongoing businesses shall be unimpaired at the Effective Time. Without limiting the generality of the foregoing, except as otherwise expressly provided in this Agreement or as described in Section 4.1 of the HSNS Disclosure Schedule, prior to the Effective Time, HSNS will not, without the prior written consent of JSJ:

(a) amend its Articles of Incorporation or Bylaws (or other similar governing instrument);

(b) amend the terms of any stock of any class or any other securities (except bank loans) or equity equivalents.

(c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, make any other actual, constructive or deemed distribution in respect of its capital stock or otherwise make any payments to stockholders in their capacity as such, or redeem or otherwise acquire any of its securities;

(d) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of HSNS (other than the Merger);

(e) (i) incur or assume any long-term or short-term debt or issue any debt securities except for borrowings or issuances of letters of credit under existing lines of credit in the ordinary course of business; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person. (iii) make any loans, advances or capital contributions to, or investments in, any other person; (iv) pledge or otherwise encumber shares of capital stock of HSNS; or (v) mortgage or pledge any of its material assets, or create or suffer to exist any material Lien thereupon (other than tax Liens for taxes not yet due);

(f) except as may be required by law, enter into, adopt or amend or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, stock equivalent, stock purchase agreement, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee in any manner, or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any plan and arrangement as in effect as of the date hereof (including, without limitation, the granting of stock appreciation rights or performance units); provided, however, that this paragraph (f) shall not prevent HSNS from (i) entering into employment agreements or severance agreements with employees in the ordinary course of business and consistent with past practice or (ii) increasing

annual compensation and/or providing for or amending bonus arrangements for employees for fiscal 2000 in the ordinary course of year-end compensation reviews consistent with past practice and paying bonuses to employees for fiscal 2000 in amounts previously disclosed to JSJ (to the extent that such compensation increases and new or amended bonus arrangements do not result in a material increase in benefits or compensation expense to HSNS);

(g) acquire, sell, lease or dispose of any assets in any single transaction or series of related transactions (other than in the ordinary course of business);

(h) except as may be required as a result of a change in law or in generally accepted accounting principles, change any of the accounting principles or practices used by it;

(i) revalue in any material respect any of its assets including, without limitation, writing down the value of inventory or writing-off notes or accounts receivable other than in the ordinary course of business;

(j) (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any equity interest therein; (ii) enter into any contract or agreement other than in the ordinary course of business consistent with past practice which would be material to HSNS; (iii) authorize any new capital expenditure or expenditures which, individually is in excess of \$1,000 or, in the aggregate, are in excess of \$5,000; provided, however that none of the foregoing shall limit any capital expenditure required pursuant to existing contracts;

(k) make any tax election or settle or compromise any income tax liability material to HSNS;

(l) settle or compromise any pending or threatened suit, action or claim which (i) relates to the transactions contemplated hereby or (ii) the settlement or compromise of which could have a Material Adverse Effect on HSNS;

(m) commence any material research and development project or terminate any material research and development project that is currently ongoing, in either case, except pursuant to the terms of existing contracts or in the ordinary course of business; or

(n) take, or agree in writing or otherwise to take, any of the actions described in Sections 4.1(a) through 4.1(m) or any action which would make any of the representations or warranties of contained in this Agreement untrue or incorrect.

Section 4.2. Conduct of Business of JSJ. Except as contemplated by this Agreement or as described in Section 4.2 of the JSJ Disclosure Schedule during the period from the date hereof to the Effective Time, JSJ will conduct its operations in the ordinary course of business consistent with past practice and, to the extent consistent therewith, with no less diligence and effort than would be applied in the absence of this Agreement, seek to preserve intact its current business organization, keep available the service of its current officers and employees and preserve its relationships with customers, suppliers and others having business dealings with it to the end that goodwill and ongoing businesses shall be unimpaired at the Effective Time. Without limiting the generality of the foregoing, except as otherwise expressly provided in this Agreement or as described in Section 4.2 of the JSJ Disclosure Schedule, prior to the Effective Time, JSJ will not, without the prior written consent of:

(a) amend its Articles of Incorporation or Bylaws (or other similar governing instrument);

(b) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock of any class or any other securities (except bank loans) or equity equivalents (including, without limitation, any stock options or stock appreciation rights);

(c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, make any other actual, constructive or deemed distribution in respect of its capital stock or otherwise make any payments to stockholders in their capacity as such, or redeem or otherwise acquire any of its securities;

(d) adopt a plan of complete or partial liquidation, dissolution, merger consolidation, restructuring, recapitalization or other reorganization of JSJ (other than the Merger);

(e) (i) incur or assume any long-term or short-term debt or issue any debt securities except for borrowings or issuances of letters of credit under existing lines of credit in the ordinary course of business. (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person; (iii) make any loans, advances or capital contributions to or investments in, any other person; (iv) pledge or otherwise encumber shares of capital stock of JSJ or its subsidiaries; or (v) mortgage or pledge any of its material assets, or create or suffer to exist any material Lien thereupon (other than tax Liens for taxes not yet due);

(f) except as may be required by law, enter into, adopt or amend or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit stock equivalent, stock purchase agreement, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee in any manner, or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any plan and arrangement as in effect as of the date hereof (including, without limitation, the granting of stock appreciation rights or performance units); provided, however, that this paragraph (f) shall not prevent JSJ or its subsidiaries from (i) entering into employment agreements or severance agreements with employees in the ordinary course of business and consistent with past practice or (ii) increasing annual compensation and/or providing for or amending bonus arrangements for employees for fiscal 2000 in the ordinary course of yearend compensation reviews consistent with past practice and paying bonuses to employees for fiscal 2000 in amounts previously disclosed to (to the extent that such compensation increases and new or amended bonus arrangements do not result in a material increase in benefits or compensation expense to JSJ);

(g) acquire, sell, lease or dispose of any assets in any single transaction or series of related transactions other than in the ordinary course of business;

(h) except as may be required as a result of a change in law or in generally accepted accounting principles, change any of the accounting principles or practices used by it;

(i) revalue in any material respect any of its assets, including, without limitation, writing down the value of inventory of writing-off notes or accounts receivable other than in the ordinary course of business;

(j) (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, or other business organization or division thereof or any equity interest therein; (ii) enter into any contract or agreement other than in the ordinary course of business consistent with past practice which would be material to JSJ; (iii) authorize any new capital expenditure or expenditures which, individually, is in excess of \$1,000 or, in the aggregate, are in excess of \$5,000; provided, however that none of the foregoing shall limit any capital expenditure required pursuant to existing contracts;

(k) make any tax election or settle or compromise any income tax liability material to JSJ and its subsidiaries taken as a whole;

(l) settle or compromise any pending or threatened suit, action or claim which (i) relates to the transactions contemplated hereby or (ii) the settlement or compromise of which could have a Material Adverse Effect on JSJ;

(m) commence any material research and development project or terminate any material research and development project that is currently ongoing, in either case, except pursuant to the terms of existing contracts or except in the ordinary course of business; or

(n) take, or agree in writing or otherwise to take, any of the actions described in Sections 4.2(a) through 4.2(m) or any action which would make any of the representations or warranties of the JSJ contained in this Agreement untrue or incorrect.

Section 4.3. Preparation of 8-K. JSJ and HSNS shall promptly prepare and file with the SEC an 8-K disclosing this merger with audited financials of HSNS along with pro forma combined statements.

Section 4.4. Other Potential Acquirers.

(a) JSJ, its affiliates and their respective officers, directors, employees, representatives and agents shall immediately cease any existing discussions or negotiations, if any, with any parties conducted heretofore with respect to any Third Party Acquisition.

Section 4.5. Meetings of Stockholders. JSJ shall take all action necessary, in accordance with the respective General Corporation Law of its respective state, and its respective Articles of Incorporation and bylaws, to duly call, give notice of, convene and hold a meeting of its stockholders as promptly as practicable, to consider and vote upon the adoption and approval of this Agreement and the transactions contemplated hereby. The stockholder votes required for the adoption and approval of the transactions contemplated by this Agreement. JSJ will, through its Boards of Directors, recommend to their respective stockholders approval of such matters

Section 4.6. NASD OTC:BB Listing. The parties shall use all reasonable efforts to cause the HSNS Shares, subject to Rule 144, to be traded on the Over-The-Counter Bulletin Board (OTC:BB).

Section 4.7. Access to Information.

(a) Between the date hereof and the Effective Time, HSNS will give JSJ and its authorized representatives, and JSJ will give HSNS and its authorized representatives, reasonable access to all employees, plants, offices, warehouses and other facilities and to all books and records of itself and its subsidiaries, will permit the other party to make such inspections as such party may reasonably require and will cause its officers and those of its subsidiaries to furnish the other party with such financial and operating data and other information with respect to the business and properties of itself and its subsidiaries as the other party may from time to time reasonably request.

(b) Between the date hereof and the Effective Time, HSNS shall furnish to JSJ, and JSJ will furnish to HSNS, within 25 business days after the end of each quarter, quarterly statements prepared by such party in conformity with its past practices) as of the last day of the period then ended.

(c) Each of the parties hereto will hold and will cause its consultants and advisers to hold in confidence all documents and information furnished to it in connection with the transactions contemplated by this Agreement.

Section 4.8. Additional Agreements, Reasonable Efforts. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, (i) cooperating in the preparation and filing of the 8-K, any filings that may be required under the HSR Act, and any amendments to any thereof; (ii) obtaining consents of all third parties and Governmental Entities necessary, proper or advisable for the consummation of the transactions contemplated by this Agreement; (iii) contesting any legal proceeding relating to the Merger and (iv) the execution of any additional instruments necessary to consummate the transactions contemplated hereby. Subject to the terms and conditions of this Agreement, JSJ and HSNS agree to use all reasonable efforts to cause the Effective Time to occur as soon as practicable after the stockholder votes with respect to the Merger. In case at any time after the Effective Time any further action is necessary to carry out the purposes of this Agreement, the proper officers and directors of each party hereto shall take all such necessary action.

Section 4.9. Indemnification.

(a) To the extent, if any, not provided by an existing right under one of the parties' directors and officers liability insurance policies, from and after the Effective Time, HSNS shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless each person who is now, or has been at any time prior to the date hereof, or who becomes prior to the Effective Time, a director, officer or employee of the parties hereto or any subsidiary thereof (each an "Indemnified Party" and, collectively, the "Indemnified Parties") against all losses,

expenses (including reasonable attorneys' fees and expenses), claims, damages or liabilities or, subject to the proviso of the next succeeding sentence, amounts paid in settlement arising out of actions or omissions occurring at or prior to the Effective Time and whether asserted or claimed prior to, at or after the Effective Time) that are in whole or in part (i) based on, or arising out of the fact that such person is or was a director, officer or employee of such party or a subsidiary of such party or (ii) based on, arising out of or pertaining to the transactions contemplated by this Agreement. In the event of any such loss expense, claim, damage or liability (whether or not arising before the Effective Time), (i) HSNS shall pay the reasonable fees and expenses of counsel selected by the Indemnified Parties, which counsel shall be reasonably satisfactory to HSNS, promptly after statements therefore are received and otherwise advance to such Indemnified Party upon request reimbursement of documented expenses reasonably incurred, in either case to the extent not prohibited by the NGCL or its Articles of Incorporation or bylaws, (ii) HSNS will cooperate in the defense of any such matter and (iii) any determination required to be made with respect to whether an Indemnified Party's conduct complies with the standards set forth under the NGCL and HSNS's Articles of Incorporation or bylaws shall be made by independent counsel mutually acceptable to HSNS and the Indemnified Party; provided, however, that HSNS shall not be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld). The Indemnified Parties as a group may retain only one law firm with respect to each related matter except to the extent there is, in the opinion of counsel to an Indemnified Party, under applicable standards of professional conduct, a conflict on any significant issue between positions of any two or more Indemnified Parties.

(b) In the event HSNS or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity or such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then and in either such case, proper provision shall be made so that the successors and assigns of HSNS shall assume the obligations set forth in this Section 4.9.

(c) To the fullest extent permitted by law, from and after the Effective Time, all rights to indemnification now existing in favor of the employees, agents, directors or officers of HSNS and JSJ and their subsidiaries with respect to their activities as such prior to the Effective Time, as provided in HSNS's and JSJ's Articles of Incorporation or bylaws, in effect on the date thereof or otherwise in effect on the date hereof, shall survive the Merger and shall continue in full force and effect for a period of not less than six years from the Effective Time.

(d) The provisions of this Section 4.9 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, his or her heirs and his or her representatives.

Section 4.10. Notification of Certain Matters. The parties hereto shall give prompt notice to the other parties, of (i) the occurrence or nonoccurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Effective Time, (ii) any material failure of such party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, (iii) any notice of, or other communication relating to, a default or event which, with notice or lapse of time or both, would become a default, received by such party or any of its subsidiaries subsequent to the date of this Agreement and prior to the Effective Time, under any contract or agreement material to the financial condition, properties, businesses or results of operations of such party and its subsidiaries taken as a whole to which such party or any of its subsidiaries is a party or is subject, (iv) any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated by this Agreement, or (v) any material adverse change in their respective financial condition, properties, businesses, results of operations or prospects taken as a whole, other than changes resulting from general economic conditions; provided, however, that the delivery of any notice pursuant to this Section 4.10 shall not cure such breach or non-compliance or limit or otherwise affect the remedies available hereunder to the party receiving such notice.

## ARTICLE 5

### Conditions to Consummation of the Merger

Section 5.1. Conditions to Each Party's Obligations to Effect the Merger. The respective obligations of each party hereto to effect the Merger are subject to the satisfaction at or prior to the Effective Time of the following conditions:

- (a) this Agreement shall have been approved and adopted by the requisite vote of the stockholders of JSJ;
- (b) this Agreement shall have been approved and adopted by the Board of Directors of HSNS and JSJ;
- (c) no statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any United States court or United States governmental authority which prohibits, restrains, enjoins or restricts the consummation of the Merger;
- (d) any waiting period applicable to the Merger under the HSR Act shall have terminated or expired, and any other governmental or regulatory notices or approvals required with respect to the transactions contemplated hereby shall have been either filed or received; and

Section 5.2. Conditions to the Obligations of HSNS. The obligation of HSNS to effect the Merger is subject to the satisfaction at or prior to the Effective Time of the following conditions:

- (a) the representations of JSJ contained in this Agreement or in any other document delivered pursuant hereto shall be true and correct (except to the extent that the breach thereof would not have a Material Adverse Effect on JSJ) at and as of the Effective Time with the same effect as if made at and as of the Effective Time (except to the extent such representations specifically related to an earlier date, in which case such representations shall be true and correct as of such earlier date), and at the Closing JSJ shall have delivered to HSNS a certificate to that effect;
- (b) each of the covenants and obligations of JSJ to be performed at or before the Effective Time pursuant to the terms of this Agreement shall have been duly performed in all material respects at or before the Effective Time and at the Closing JSJ shall have delivered to HSNS a certificate to that effect;
- (d) JSJ shall have obtained the consent or approval of each person whose consent or approval shall be required in order to permit the Merger as relates to any obligation, right or interest of JSJ under any loan or credit agreement, note, mortgage, indenture, lease or other agreement or instrument, except those for which failure to obtain such consents and approvals would not, in the reasonable opinion of HSNS, individually or in the aggregate, have a Material Adverse Effect on JSJ;
- (e) there shall have been no events, changes or effects with respect to JSJ or its subsidiaries having or which could reasonably be expected to have a Material Adverse Effect on JSJ; and

Section 5.3. Conditions to the Obligations of JSJ. The respective obligations of JSJ to effect the Merger are subject to the satisfaction at or prior to the Effective Time of the following conditions:

- (a) the representations of HSNS contained in this Agreement or in any other document delivered pursuant hereto shall be true and correct (except to the extent that the breach thereof would not have a Material Adverse Effect on HSNS) at and as of the Effective Time with the same effect as if made at and as of the Effective Time (except to the extent such representations specifically related to an earlier date, in which case such representations shall be true and correct as of such earlier date), and at the Closing HSNS shall have delivered to JSJ a certificate to that effect;
- (b) each of the covenants and obligations of HSNS to be performed at or before the Effective Time pursuant to the terms of this Agreement shall have been duly performed in all material respects at or before the Effective Time and at the Closing HSNS shall have delivered to JSJ a certificate to that effect;



(c) there shall have been no events, changes or effects with respect to HSNS having or which could reasonably be expected to have a Material Adverse Effect on HSNS.

## ARTICLE 6

### Termination; Amendment; Waiver

Section 6.1. Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after approval and adoption of this Agreement by HSNS's or JSJ's stockholders:

(a) by mutual written consent of HSNS and JSJ;

(b) by JSJ or HSNS if (i) any court of competent jurisdiction in the United States or other United States Governmental Entity shall have issued a final order, decree or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action is or shall have become nonappealable or (ii) the Merger has not been consummated by May 1, 2000; provided, however, that no party may terminate this Agreement pursuant to this clause (ii) if such party's failure to fulfill any of its obligations under this Agreement shall have been the reason that the Effective Time shall not have occurred on or before said date;

(c) by HSNS if (i) there shall have been a breach of any representation or warranty on the part of JSJ set forth in this Agreement, or if any representation or warranty of JSJ shall have become untrue, in either case such that the conditions set forth in Section 5.2(a) would be incapable of being satisfied by May 1, 2000 (or as otherwise extended), (ii) there shall have been a breach by JSJ of any of their respective covenants or agreements hereunder having a Material Adverse Effect on JSJ or materially adversely affecting (or materially delaying) the consummation of the Merger, and JSJ, as the case may be, has not cured such breach within 20 business days after notice by HSNS thereof, provided that HSNS has not breached any of its obligations hereunder, (iii) HSNS shall have convened a meeting of its stockholders to vote upon the Merger and shall have failed to obtain the requisite vote of its stockholders; or (iv) HSNS shall have convened a meeting of its Board of Directors to vote upon the Merger and shall have failed to obtain the requisite vote;

(d) by JSJ if (i) there shall have been a breach of any representation or warranty on the part of HSNS set forth in this Agreement, or if any representation or warranty of HSNS shall have become untrue, in either case such that the conditions set forth in Section 5.3(a) would be incapable of being satisfied by May 1, 2000 (or as otherwise extended), (ii) there shall have been a breach by HSNS of its covenants or agreements hereunder having a Material Adverse Effect on HSNS or materially adversely affecting (or materially delaying) the consummation of the Merger, and HSNS, as the case may be, has not cured such breach within twenty business days after notice by JSJ thereof, provided that JSJ has not breached any of its obligations hereunder, (iii) the HSNS Board shall have recommended to HSNS's stockholders a Superior Proposal, (iv) the HSNS Board shall have withdrawn, modified or changed its approval or recommendation of this Agreement or the Merger, or hold a stockholders' meeting to vote upon the Merger, or shall have adopted any resolution to effect any of the foregoing, (v) JSJ shall have convened a meeting of its stockholders to vote upon the Merger and shall have failed to obtain the requisite vote of its stockholders.

Section 6.2. Effect of Termination. In the event of the termination and abandonment of this Agreement pursuant to Section 6.1, this Agreement shall forthwith become void and have no effect, without any liability on the part of any party hereto or its affiliates, directors, officers or stockholders, other than the provisions of this Section 6.2 and Sections 4.7(c) and 6.3 hereof. Nothing contained in this Section 6.2 shall relieve any party from liability for any breach of this Agreement.

Section 6.3. Fees and Expenses. Except as specifically provided in this Section 6.3, each party shall bear its own expenses in connection with this Agreement and the transactions contemplated hereby.

Section 6.4. Amendment. This Agreement may be amended by action taken by HSNS and JSJ at any time before or after approval of the Merger by the stockholders of HSNS and JSJ (if required by applicable law) but, after any such approval, no amendment shall be made which requires the approval of such stockholders under applicable

law without such approval. This Agreement may not be amended except by an instrument in writing signed on behalf of the parties hereto.

Section 6.5. Extension; Waiver. At any time prior to the Effective Time, each party hereto may (i) extend the time for the performance of any of the obligations or other acts of any other party, (ii) waive any inaccuracies in the representations and warranties of any other party contained herein or in any document, certificate or writing delivered pursuant hereto or (iii) waive compliance by any other party with any of the agreements or conditions contained herein. Any agreement on the part of any party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party hereto to assert any of its rights hereunder shall not constitute a waiver of such rights.

## ARTICLE 7

### Miscellaneous

Section 7.1. Nonsurvival of Representations and Warranties. The representations and warranties made herein shall not survive beyond the Effective Time or a termination of this Agreement. This Section 7.1 shall not limit any covenant or agreement of the parties hereto which by its terms requires performance after the Effective Time.

Section 7.2. Entire Agreement; Assignment. This Agreement (a) constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings both written and oral, between the parties with respect to the subject matter hereof and (b) shall not be assigned by operation of law or otherwise.

Section 7.3. Validity. If any provision of this Agreement, or the application thereof to any person or circumstance, is held invalid or unenforceable, the remainder of this Agreement, and the application of such provision to other persons or circumstances, shall not be affected thereby, and to such end, the provisions of this Agreement are agreed to be severable.

Section 7.4. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by facsimile or by registered or certified mail (postage prepaid, return receipt requested), to each other party as follows:

If to JSJ:

J S J CAPITAL CORP.  
Attn: Anthony N. DeMint, President  
1850 East Flamingo Rd. Suite 111  
Las Vegas, Nevada 89119

with a copy to:

Donald J. Stoecklein  
Sperry Young & Stoecklein  
1850 East Flamingo Rd. Suite 111  
Las Vegas, Nevada 89119  
(702) 792-2590

if to HSNS:

Andrew Fox, President  
HIGH SPEED NET SOLUTIONS, INC.  
Two Hanover Square, Suite 2120  
434 Fayetteville Street Mall  
Raleigh, NC 27601  
(919) 807-0507

or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

Section 7.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without regard to the principles of conflicts of law thereof.

Section 7.6. Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 7.7. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and its successors and permitted assigns, and except as provided in Sections 4.9 and 4.11, nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 7.8. Certain Definitions. For the purposes of this Agreement, the term:

(a) "affiliate" means (except as otherwise provided in Sections 2.19 and 3.19 a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person;

(b) "business day" means any day other than a day on which Nasdaq is closed;

(c) "capital stock" means common stock, preferred stock, partnership interests, limited liability company interests or other ownership interests entitling the holder thereof to vote with respect to matters involving the issuer thereof;

(d) "knowledge" or "known" means, with respect to any matter in question, if an executive officer of HSNS or JSJ or its subsidiaries, as the case may be, has actual knowledge of such matter;

(e) "person" means an individual, corporation, partnership, limited liability company, association, trust, unincorporated organization or other legal entity; and

(f) "subsidiary" or "subsidiaries" of HSNS, JSJ or any other person, means any corporation, partnership, limited liability company, association, trust, unincorporated association or other legal entity of which HSNS, JSJ or any such other person, as the case may be (either alone or through or together with any other subsidiary), owns, directly or indirectly, 50% or more of the capital stock, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

Section 7.9. Personal Liability. This Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any direct or indirect stockholder of HSNS, JSJ or any officer, director, employee, agent, representative or investor of any party hereto.

Section 7.10. Specific Performance. The parties hereby acknowledge and agree that the failure of any party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part to the consummation of the Merger, will cause irreparable injury to the other parties for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder; provided, however, that, if a party hereto is entitled to receive any payment or reimbursement of expenses pursuant to Sections 6.3(a), (b) or (c), it shall not be entitled to specific performance to compel the consummation of the Merger.


Section 7.11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

In Witness Whereof, each of the parties has caused this Agreement to be duly executed on its behalf as of the day and year first above written.

HIGH SPEED NET SOLUTIONS, INC.

By: \_\_\_\_\_  
Name: Andrew Fox  
Title: President

J.S.J. CAPITAL CORP.

By:  \_\_\_\_\_  
Name: Anthony N. DeMint  
Title: President

## HSNS DISCLOSURE SCHEDULE

Schedule 2.1	Organization	See Amended Articles/Bylaws
Schedule 2.2(a)	Options, Stock Preference Rights	See Form 10 and Form 10/A
Schedule 2.6	Consents & Approvals	None Provided
Schedule 2.7	No Default	Not Applicable
Schedule 2.8	No Undisclosed Liability	None Exist
Schedule 2.9	Litigation	See Form 10 and Form 10/A
Schedule 2.10	Compliance with Applicable Law	None
Schedule 2.11	Employee Benefit Plans	See Form 10 and Form 10/A
Schedule 2.12	Environmental Laws and Regs	Not Applicable
Schedule 2.13	Tax Matters	None Exist
Schedule 2.14	Title to Property	None Exist
Schedule 2.15	Intellectual Property	See Form 10 and Form 10/A
Schedule 2.16	Insurance	None Exist
Schedule 2.17	Vote Required	None Required
Schedule 2.18	Tax Treatment	Not Applicable
Schedule 2.19	Affiliates	Andrew Fox Dr. Bjorn Jawerth Richard F Seifert William Bradford Silvernail Alan Kleinmaier Michael M. Cimino Michael Kim Peter Rogina Summus Ltd.
Schedule 2.20	Certain Business Practices	None Exist
Schedule 2.21	Insider Interest	See 2.19
Schedule 2.22	Opinion of Financial Adviser	Waived – None Exist
Schedule 2.23	Broker	None Exist
Schedule 4.1	Conduct of Business	None Provided

## JSJ DISCLOSURE SCHEDULE

Schedule 3.2(b) Subsidiary Stock	None Exist
Schedule 3.2(c) Capital Stock Rights	None Exist other than as in Articles
Schedule 3.2(d) Securities conversions	None Exist
Schedule 3.2 (f) Subsidiaries	None Exist
Schedule 3.6 Consents & Approvals	Provided
Schedule 3.7 No Default	Not Applicable
Schedule 3.8 No Undisclosed Liability	None Exist
Schedule 3.9 Litigation	None Exist
Schedule 3.10 Compliance with Applicable Law	Not Applicable – full disclosed in 10SB
Schedule 3.11 Employee Benefit Plans	Section 3.11( c)No Options Exist Section 3.11(e) No Agreements Exist
Schedule 3.12 Environmental Laws and Regs	Not Applicable
Schedule 3.13 Tax Matters	None Exist
Schedule 3.14 Title to Property	None Exist
Schedule 3.15(b) Intellectual Property	None Exist
Schedule 3.16 Insurance	None Exist
Schedule 3.17 Vote Required	See Shareholder Meeting Certificate
Schedule 3.18 Tax Treatment	Not Applicable
Schedule 3.19 Affiliates	Anthony N. DeMint
Schedule 3.20 Certain Business Practices	None Exist
Schedule 3.21 Insider Interest	None Exist
Schedule 3.22 Opinion of Financial Adviser	Waived – None Exist
Schedule 3.23 Broker	None Exist
Schedule 4.2 Conduct of Business	See Amended & Restated Articles

ACQUISITION AGREEMENT AND PLAN OF MERGER

DATED AS OF APRIL 19, 2000

BETWEEN

HIGH SPEED NET SOLUTIONS, INC.

AND

J S J CAPITAL CORP.

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## AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this "Agreement"), dated as of April 19, 2000, is between HIGH SPEED NET SOLUTIONS, INC., a Florida corporation ("HSNS"), and J S J CAPITAL CORP., a Nevada corporation ("JSJ").

Whereas, the Boards of Directors of HSNS and JSJ each have, in light of and subject to the terms and conditions set forth herein, (i) determined that the Merger (as defined below) is fair to their respective stockholders and in the best interests of such stockholders and (ii) approved the Merger in accordance with this Agreement;

Whereas, for Federal income tax purposes, it is intended that the Merger qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"); and

Whereas, HSNS and JSJ desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

Now, therefore, in consideration of the promises and the representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, HSNS and JSJ hereby agree as follows:

### ARTICLE I

#### The Merger

Section 1.1. The Merger. At the Effective Time (as defined below) and upon the terms and subject to the conditions of this Agreement and in accordance with the General Corporation Law of the State of Nevada (the "NGCL") and the General Corporation Law of the State of Florida (the "FGCL"), JSJ shall be merged with and into HSNS (as defined below) (the "Merger"). Following the Merger, HSNS shall continue as the surviving corporation (the "Successor Corporation"), shall continue to be governed by the laws of the jurisdiction of its incorporation or organization and the separate corporate existence of JSJ shall cease to exist. Prior to the Effective Time, the parties hereto shall mutually agree as to the name of the Successor Corporation; however, initially the Successor Corporation shall be named HIGH SPEED NET SOLUTIONS, INC., a Florida corporation. The Merger is intended to qualify as a tax-free reorganization under Section 368 of the Code as relates to the non-cash exchange of stock referenced herein.

Section 1.2. Effective Time. Subject to the terms and conditions set forth in this Agreement, a Certificate of Merger (the "Merger Certificate") shall be duly executed and acknowledged by each of JSJ and HSNS, and thereafter the Merger Certificate reflecting the Merger shall be delivered to the Secretary of State of the State of Nevada for filing pursuant to the NGCL and to the Secretary of State of the State of Florida for filing pursuant to the FGCL on the Closing Date (as defined in Section 1.3). The Merger shall become effective at such time as a properly executed and certified copy of the Merger Certificate is duly filed by the Secretary of State of the State of Nevada in accordance with the NGCL and by the Secretary of State of the State of Florida in accordance with the FGCL or such later time as the parties may agree upon and set forth in the Merger Certificate (the time at which the Merger becomes effective shall be referred to herein as the "Effective Time").

Section 1.3. Closing of the Merger. The closing of the Merger (the "Closing") will take place at a time and on a date to be specified by the parties, which shall be no later than the second business day after satisfaction of the latest to occur of the conditions set forth in Article 5 (the "Closing Date"), at the offices of Sperry Young & Stoecklein, 1850 E. Flamingo Rd., Suite 111, Las Vegas, Nevada, unless another time, date or place is agreed to in writing by the parties hereto.

Section 1.4. Effects of the Merger. The Merger shall have the effects set forth in the NGCL and FGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers of JSJ shall vest in the Successor Corporation, and all debts, liabilities and duties of JSJ shall become the debts, liabilities and duties of the Successor Corporation.

Section 1.5. Board of Directors and Officers of HSNS. At or prior to the Effective Time, each of JSJ and HSNS agrees to take such action as is necessary (i) to cause the number of directors comprising the full Board of Directors of HSNS to remain the same

Section 1.6. Conversion of Shares. At the Effective Time, each share of common stock, par value \$.0001 per share of JSJ (individually a "JSJ Share" and collectively, the "JSJ Shares") issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of JSJ, HSNS, or the holder thereof, be converted into and shall become fully paid and nonassessable HSNS common shares determined by issuing one (1) share of HSNS common share for every 13.44 shares of JSJ.

Section 1.7. Exchange of Certificates.

(a) Prior to the Effective Time, HSNS shall enter into an agreement with, and shall deposit with, Sperry Young & Stoecklein, or such other agent or agents as may be satisfactory to HSNS and JSJ (the "Exchange Agent"), for the benefit of the holders of JSJ Shares, for exchange through the Exchange Agent in accordance with this Article I: (i) certificates representing the appropriate number of HSNS Shares to be issued to holders of JSJ Shares issuable pursuant to Section 1.6 in exchange for outstanding JSJ Shares.

(b) As soon as reasonably practicable after the Effective Time, the Exchange Agent shall mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding JSJ Shares (the "Certificates") whose shares were converted into the right to receive HSNS Shares pursuant to Section 1.6: (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as JSJ and HSNS may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing HSNS Shares. Upon surrender of a Certificate to the Exchange Agent, together with such letter of transmittal, duly executed, and any other required documents, the holder of such Certificate shall be entitled to receive in exchange therefore a certificate representing that number of whole HSNS Shares, which such holder has the right to receive pursuant to the provisions of this Article I, and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of JSJ Shares which are not registered in the transfer records of JSJ, a certificate representing the proper number of HSNS Shares may be issued to a transferee if the Certificate representing such JSJ Shares is presented to the Exchange Agent accompanied by all documents required by the Exchange Agent or HSNS to evidence and effect such transfer and by evidence that any applicable stock transfer or other taxes have been paid. Until surrendered as contemplated by this Section 1.7, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the certificate representing HSNS Shares as contemplated by this Section 1.7.

(c) No dividends or other distributions declared or made after the Effective Time with respect to HSNS Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the HSNS Shares represented thereby until the holder of record of such Certificate shall surrender such Certificate.

(d) In the event that any Certificate for JSJ Shares or HSNS Shares shall have been lost, stolen or destroyed, the Exchange Agent shall issue in exchange therefore, upon the making of an affidavit of that fact by the holder thereof such HSNS Shares and cash in lieu of fractional HSNS Shares, if any, as may be required pursuant to this Agreement; provided, however, that HSNS or the Exchange Agent, may, in its respective discretion, require the delivery of a suitable bond, opinion or indemnity.

(e) All HSNS Shares issued upon the surrender for exchange of JSJ Shares in accordance with the terms hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to such JSJ Shares. There shall be no further registration of transfers on the stock transfer books of JSJ of the JSJ Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates of JSJ are presented to HSNS for any reason, they shall be canceled and exchanged as provided in this Article I.

(f) No fractional HSNS Shares shall be issued in the Merger, but in lieu thereof each holder of JSJ Shares otherwise entitled to a fractional HSNS Share shall, upon surrender of its, his or her Certificate or Certificates, be entitled to receive an additional share to round up to the nearest round number of shares.

Section 1.8. Taking of Necessary Action; Further Action. If, at any time after the Effective Time, JSJ or HSNS reasonably determines that any deeds, assignments, or instruments or confirmations of transfer are necessary or desirable to carry out the purposes of this Agreement and to vest HSNS with full right, title and possession to all assets, property, rights, privileges, powers and franchises of JSJ, the officers and directors of HSNS and JSJ are fully authorized in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary or desirable action.

## ARTICLE 2

### Representations and Warranties of HSNS

Except as set forth on the Disclosure Schedule delivered by HSNS to JSJ (the "HSNS Disclosure Schedule"), HSNS hereby represents and warrants to JSJ as follows:

#### Section 2.1. Organization and Qualification.

(a) HSNS is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, has 300 or more round lot (100 or more shares) stockholders and has all requisite power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not have a Material Adverse Effect (as defined below) on HSNS. When used in connection with HSNS, the term "Material Adverse Effect" means any change or effect (i) that is or is reasonably likely to be materially adverse to the business, results of operations, condition (financial or otherwise) or prospects of HSNS, other than any change or effect arising out of general economic conditions unrelated to any business in which HSNS is engaged, or (ii) that may impair the ability of HSNS to perform its obligations hereunder or to consummate the transactions contemplated hereby.

(b) HSNS has heretofore delivered to JSJ accurate and complete copies of the Articles of Incorporation and Bylaws (or similar governing documents), as currently in effect, of HSNS. Except as set forth on Schedule 2.1 of the HSNS Disclosure Schedule, HSNS is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not have a Material Adverse Effect on HSNS.

#### Section 2.2. Capitalization of HSNS.

(a) The authorized capital stock of HSNS consists of: (i) Fifty Million (50,000,000) Authorized Shares of Common Stock, \$0.001 par value, 21,062,149 Common shares are issued and outstanding as of February 10, 2000, and held by 300 or more round lot (100 or more shares) stockholders; (ii) Five Million (5,000,000) Authorized Shares of Preferred Stock, \$0.001 par value, no Preferred Shares have been issued. Pursuant to the Merger Agreement HSNS will issue 50,000 shares of 144 restricted common stock to the stockholder of JSJ. All of the outstanding HSNS Shares have been duly authorized and validly issued, and are fully paid, nonassessable and free of preemptive rights. Except as set forth herein, as of the date hereof, there are no outstanding (i) shares of capital stock or other voting securities of HSNS, (ii) securities of HSNS convertible into or exchangeable for shares of capital stock or voting securities of HSNS, (iii) options or other rights to acquire from HSNS, except as set forth in 2.2(a) of the Disclosure Schedule, and, no obligations of HSNS to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of HSNS, and (iv) equity equivalents, interests in the ownership or earnings of HSNS or other similar rights (collectively, "HSNS Securities"). As of the date hereof, except as set forth on Schedule 2.2(a) of the HSNS Disclosure Schedule there are no outstanding obligations of HSNS or its subsidiaries to repurchase, redeem or otherwise acquire any HSNS Securities or stockholder agreements, voting trusts or other agreements or understandings to which HSNS is a party or by which it is bound relating to the voting or registration of any shares of capital stock of HSNS. For purposes of

this Agreement, "Lien" means, with respect to any asset (including, without limitation, any security) any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

(b) The HSNS Shares constitute the only class of equity securities of HSNS registered or required to be registered under the Exchange Act.

(c) HSNS does not own directly or indirectly more than fifty percent (50%) of the outstanding voting securities or interests (including membership interests) of any entity, other than as specifically disclosed in the disclosure documents.

Section 2.3. Authority Relative to this Agreement; Recommendation. HSNS has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of HSNS (the "HSNS Board") and no other corporate proceedings on the part of HSNS are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by HSNS and constitutes a valid, legal and binding agreement of HSNS, enforceable against HSNS in accordance with its terms.

#### Section 2.4. SEC Reports; Financial Statements. SEC Reports; Financial Statements.

(a) HSNS filed a Form 10 with the Securities and Exchange Commission (the "SEC") on February 22, 2000 and a Form 10/A on March 13, 2000, which have complied in all material respects with all applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act (and the rules and regulations promulgated thereunder, respectively), as in effect on the date such form was filed. HSNS has heretofore delivered or promptly will deliver prior to the Effective Date to JSJ, in the form filed with the SEC (including any amendments thereto but excluding any exhibits), (i) its Form 10 filed February 22, 2000, (ii) its Form 10/A filed March 13, 2000, (iii) all definitive proxy statements relating to HSNS's meetings of stockholders (whether annual or special) held since March 13, 2000, if any, and (iv) all other reports or registration statements filed by HSNS with the SEC since March 13, 2000 (all of the foregoing, collectively, the "HSNS SEC Reports"). None of such HSNS SEC Reports, including, without limitation, any financial statements or schedules included or incorporated by reference therein, contained, when filed, any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited financial statements of HSNS included in the HSNS SEC Reports fairly present, in conformity with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto), the financial position of HSNS as of the dates thereof and its results of operations and changes in financial position for the periods then ended. All material agreements, contracts and other documents required to be filed as exhibits to any of the HSNS SEC Reports have been so filed.

(b) HSNS has heretofore made available or promptly will make available to JSJ a complete and correct copy of any amendments or modifications which are required to be filed with the SEC but have not yet been filed with the SEC, to agreements, documents or other instruments which previously had been filed by HSNS with the SEC pursuant to the Exchange Act.

Section 2.5. Information Supplied. None of the information supplied or to be supplied by HSNS for inclusion or incorporation by reference in connection with the Merger will at the date presented to the stockholder of JSJ and at the times of the meeting or meetings of stockholders of HSNS to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

Section 2.6. Consents and Approvals; No Violations. Except for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Securities Act, the Exchange Act, state securities or blue sky laws, the Hart-Scott-Rodino Antitrust Improvements Act of 1916, as amended (the "HSR Act"), the rules of the National Association of Securities Dealers, Inc. ("NASD"), the filing and recordation of the Merger Certificate as required by the NGCL, and as set forth on Schedule 2.6 of the HSNS Disclosure Schedule no

filing with or notice to, and no permit, authorization, consent or approval of, any court or tribunal or administrative, governmental or regulatory body, agency or authority (a "Governmental Entity") is necessary for the execution and delivery by HSNS of this Agreement or the consummation by HSNS of the transactions contemplated hereby, except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings or give such notice would not have a Material Adverse Effect on HSNS.

Except as set forth in Section 2.6 of the HSNS Disclosure Schedule, neither the execution, delivery and performance of this Agreement by HSNS nor the consummation by HSNS of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of the respective Articles of Incorporation or Bylaws (or similar governing documents) of HSNS, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which HSNS is a party or by which any of its properties or assets may be bound, or (iii) violate any order, writ, injunction, decree, law, statute, rule or regulation applicable to HSNS or any of its properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults which would not have a Material Adverse Effect on HSNS.

Section 2.7. No Default. Except as set forth in Section 2.7 of the HSNS Disclosure Schedule, HSNS is not in breach, default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a breach default or violation) of any term, condition or provision of (i) its Articles of Incorporation or Bylaws (or similar governing documents), (ii) any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which HSNS is now a party or by which any of its respective properties or assets may be bound or (iii) any order, writ injunction, decree, law, statute, rule or regulation applicable to HSNS or any of its respective properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults that would not have a Material Adverse Effect on HSNS. Except as set forth in Section 2.7 of the HSNS Disclosure Schedule, each note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which HSNS is now a party or by which its respective properties or assets may be bound that is material to HSNS and that has not expired is in full force and effect and is not subject to any material default thereunder of which HSNS is aware by any party obligated to HSNS thereunder.

Section 2.8. No Undisclosed Liabilities; Absence of Changes. Except as and to the extent disclosed in the December 31, 1999 audited financial statements, none of HSNS or its subsidiaries had any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by generally accepted accounting principles to be reflected on a consolidated balance sheet of HSNS and its consolidated subsidiaries (including the notes thereto) or which would have a Material Adverse Effect on HSNS. Except as disclosed by HSNS, none of HSNS or its subsidiaries has incurred any liabilities of any nature, whether or not accrued, contingent or otherwise, which could reasonably be expected to have, and there have been no events, changes or effects with respect to HSNS or its subsidiaries having or which could reasonably be expected to have, a Material Adverse Effect on HSNS. Except as and to the extent disclosed by HSNS there has not been (i) any material change by HSNS in its accounting methods, principles or practices (other than as required after the date hereof by concurrent changes in generally accepted accounting principles), (ii) any revaluation by HSNS of any of its assets having a Material Adverse Effect on HSNS, including, without limitation, any write-down of the value of any assets other than in the ordinary course of business or (iii) any other action or event that would have required the consent of any other party hereto pursuant to Section 4.2 of this Agreement had such action or event occurred after the date of this Agreement.

Section 2.9. Litigation. Except as set forth in Schedule 2.9 of the HSNS Disclosure Schedule there is no suit, claim, action, proceeding or investigation pending or, to the knowledge of HSNS, threatened against HSNS or any of its subsidiaries or any of their respective properties or assets before any Governmental Entity which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on HSNS or could reasonably be expected to prevent or delay the consummation of the transactions contemplated by this Agreement. Except as disclosed by HSNS, none of HSNS or its subsidiaries is subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen in the future, could reasonably be expected to have a Material Adverse Effect on HSNS or could reasonably be expected to prevent or delay the consummation of the transactions contemplated hereby.

Section 2.10. Compliance with Applicable Law. Except as disclosed by HSNS, HSNS and its subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of their respective businesses (the "HSNS Permits"), except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which would not have a Material Adverse Effect on HSNS. Except as disclosed by HSNS, HSNS and its subsidiaries are in compliance with the terms of the HSNS Permits, except where the failure so to comply would not have a Material Adverse Effect on HSNS. Except as disclosed by HSNS, the businesses of HSNS and its subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity except that no representation or warranty is made in this Section 2.10 with respect to Environmental Laws and except for violations or possible violations which do not, and, insofar as reasonably can be foreseen, in the future will not, have a Material Adverse Effect on HSNS. Except as disclosed by HSNS no investigation or review by any Governmental Entity with respect to HSNS or its subsidiaries is pending or, to the knowledge of HSNS, threatened, nor, to the knowledge of HSNS, has any Governmental Entity indicated an intention to conduct the same, other than, in each case, those which HSNS reasonably believes will not have a Material Adverse Effect on HSNS.

Section 2.11. Employee Benefit Plans; Labor Matters.

(a) Except as set forth in Section 2.11(a) of the HSNS Disclosure Schedule with respect to each employee benefit plan, program, policy, arrangement and contract (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), maintained or contributed to at any time by HSNS or any entity required to be aggregated with HSNS pursuant to Section 414 of the Code (each, a "HSNS Employee Plan"), no event has occurred and to the knowledge of HSNS, no condition or set of circumstances exists in connection with which HSNS could reasonably be expected to be subject to any liability which would have a Material Adverse Effect on HSNS.

(b) (i) No HSNS Employee Plan is or has been subject to Title IV of ERISA or Section 412 of the Code; and (ii) each HSNS Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is the subject of a favorable Internal Revenue Service determination letter, and nothing has occurred which could reasonably be expected to adversely affect such determination.

(c) Section 2.11(c) of the HSNS Disclosure Schedule sets forth a true and complete list, as of the date of this Agreement, of each person who holds any HSNS Stock Options, together with the number of HSNS Shares which are subject to such option, the date of grant of such option, the extent to which such option is vested (or will become vested as a result of the Merger), the option price of such option (to the extent determined as of the date hereof), whether such option is a nonqualified stock option or is intended to qualify as an incentive stock option within the meaning of Section 422(b) of the Code, and the expiration date of such option. Section 2.11(c) of the HSNS Disclosure Schedule also sets forth the total number of such incentive stock options and such nonqualified options. HSNS has furnished JSJ with complete copies of the plans pursuant to which the HSNS Stock Options were issued. Other than the automatic vesting of HSNS Stock Options that may occur without any action on the part of HSNS or its officers or directors, HSNS has not taken any action that would result in any HSNS Stock Options that are unvested becoming vested in connection with or as a result of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(d) HSNS has made available to JSJ (i) a description of the terms of employment and compensation arrangements of all officers of HSNS and a copy of each such agreement currently in effect; (ii) copies of all agreements with consultants who are individuals obligating HSNS to make annual cash payments in an amount exceeding \$60,000; (iii) a schedule listing all officers of HSNS who have executed a non-competition agreement with HSNS and a copy of each such agreement currently in effect; (iv) copies (or descriptions) of all severance agreements, programs and policies of HSNS with or relating to its employees, except programs and policies required to be maintained by law; and (v) copies of all plans, programs, agreements and other arrangements of HSNS with or relating to its employees which contain change in control provisions all of which are set forth in Section 2.11(d) of the HSNS Disclosure Schedule.

(e) There shall be no payment, accrual of additional benefits, acceleration of payments, or vesting in any benefit under any HSNS Employee Plan or any agreement or arrangement disclosed under this Section 2.11 solely by reason of entering into or in connection with the transactions contemplated by this Agreement.

(f) There are no controversies pending or, to the knowledge of HSNS, threatened, between HSNS and any of their employees, which controversies have or could reasonably be expected to have a Material Adverse Effect on HSNS. Neither HSNS nor any of its subsidiaries is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by HSNS or any of its subsidiaries (and neither HSNS nor any of its subsidiaries has any outstanding material liability with respect to any terminated collective bargaining agreement or labor union contract), nor does HSNS know of any activities or proceedings of any labor union to organize any of its or employees. HSNS has no knowledge of any strike, slowdown, work stoppage, lockout or threat thereof, by or with respect to any of its employees.

#### Section 2.12. Environmental Laws and Regulations.

(a) Except as publicly disclosed by HSNS in the HSNS SEC Reports, (i) HSNS is in material compliance with all applicable federal, state, local and foreign laws and regulations relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) (collectively, "Environmental Laws"), except for non-compliance that would not have a Material Adverse Effect on HSNS, which compliance includes, but is not limited to, the possession by HSNS of all material permits and other governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof; (ii) HSNS has not received written notice of, or, to the knowledge of HSNS, is the subject of, any action, cause of action, claim, investigation, demand or notice by any person or entity alleging liability under or non-compliance with any Environmental Law (an "Environmental Claim") that could reasonably be expected to have a Material Adverse Effect on HSNS; and (iii) to the knowledge of HSNS, there are no circumstances that are reasonably likely to prevent or interfere with such material compliance in the future.

(b) Except as publicly disclosed by HSNS, there are no Environmental Claims which could reasonably be expected to have a Material Adverse Effect on HSNS that are pending or, to the knowledge of HSNS, threatened against HSNS or, to the knowledge of HSNS, against any person or entity whose liability for any Environmental Claim HSNS has or may have retained or assumed either contractually or by operation of law.

#### Section 2.13. Tax Matters.

(a) Except as set forth in Section 2.13 of the HSNS Disclosure Schedule: (i) HSNS has filed or has had filed on its behalf in a timely manner (within any applicable extension periods) with the appropriate Governmental Entity all income and other material Tax Returns (as defined herein) with respect to Taxes (as defined herein) of HSNS and all Tax Returns were in all material respects true, complete and correct; (ii) all material Taxes with respect to HSNS have been paid in full or have been provided for in accordance with GAAP on HSNS's most recent balance sheet which is part of the HSNS SEC Documents. (iii) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, state, local or foreign income or other material Tax Returns required to be filed by or with respect to HSNS; (iv) to the knowledge of HSNS none of the Tax Returns of or with respect to HSNS is currently being audited or examined by any Governmental Entity; and (v) no deficiency for any income or other material Taxes has been assessed with respect to HSNS which has not been abated or paid in full.

(b) For purposes of this Agreement, (i) "Taxes" shall mean all taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, sales, use, ad valorem, goods and services, capital, transfer, franchise, profits, license, withholding, payroll, employment, employer health, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority and (ii) "Tax Return" shall mean any report, return, documents declaration or other information or filing required to be supplied to any taxing authority or jurisdiction with respect to Taxes.

Section 2.14. Title to Property. HSNS has good and defensible title to all of its properties and assets, free and clear of all liens, charges and encumbrances except liens for taxes not yet due and payable and such liens or other imperfections of title, if any, as do not materially detract from the value of or interfere with the present use of the property affected thereby or which, individually or in the aggregate, would not have a Material Adverse Effect on HSNS; and, to HSNS's knowledge, all leases pursuant to which HSNS leases from others real or personal



property are in good standing, valid and effective in accordance with their respective terms, and there is not, to the knowledge of HSNS, under any of such leases, any existing material default or event of default (or event which with notice of lapse of time, or both, would constitute a default and in respect of which HSNS has not taken adequate steps to prevent such a default from occurring) except where the lack of such good standing, validity and effectiveness, or the existence of such default or event, would not have a Material Adverse Effect on HSNS.

#### Section 2.15. Intellectual Property.

(a) HSNS owns, or possesses adequate licenses or other valid rights to use, all existing United States and foreign patents, trademarks, trade names, service marks, copyrights, trade secrets and applications therefore that are material to its business as currently conducted (the "HSNS Intellectual Property Rights").

(b) The validity of the HSNS Intellectual Property Rights and the title thereto of HSNS is not being questioned in any litigation to which HSNS is a party.

(c) Except as set forth in Section 2.15(c) of the HSNS Disclosure Schedule, the conduct of the business of HSNS as now conducted does not, to HSNS's knowledge, infringe any valid patents, trademarks, trade names, service marks or copyrights of others. The consummation of the transactions completed hereby will not result in the loss or impairment of any HSNS Intellectual Property Rights.

(d) HSNS has taken steps it believes appropriate to protect and maintain its trade secrets as such, except in cases where HSNS has elected to rely on patent or copyright protection in lieu of trade secret protection.

Section 2.16. Insurance. HSNS currently maintains general liability and other business insurance.

Section 2.17. Vote Required. Approval of this Agreement and Plan of Merger by the Stockholders of HSNS is not required pursuant to current Nevada law.

Section 2.18. Tax Treatment. Neither HSNS nor, to the knowledge of HSNS, any of its affiliates has taken or agreed to take action that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

Section 2.19. Affiliates. Except for the directors and executive officers of HSNS, each of whom is listed in Section 2.19 of the HSNS Disclosure Schedule, there are no persons who, to the knowledge of HSNS, may be deemed to be affiliates of HSNS under Rule 1-02(b) of Regulation S-X of the SEC (the "HSNS Affiliates").

Section 2.20. Certain Business Practices. None of HSNS or any directors, officers, agents or employees of HSNS has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), or (iii) made any other unlawful payment.

Section 2.21. Insider Interests. Except as set forth in Section 2.21 of the HSNS Disclosure Schedule, neither any officer or director of HSNS has any interest in any material property, real or personal, including without limitation, any computer software or HSNS Intellectual Property Rights, used in or pertaining to the business of HSNS, except for the ordinary rights of a stockholder or employee stock optionholder.

Section 2.22. Opinion of Financial Adviser. No advisers, as of the date hereof, have delivered to the HSNS Board a written opinion to the effect that, as of such date, the exchange ratio contemplated by the Merger is fair to the holders of HSNS Shares.

Section 2.23. Brokers. No broker, finder or investment banker (other than the HSNS Financial Adviser, a true and correct copy of whose engagement agreement has been provided to JSJ) is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of HSNS.

Section 2.24. Disclosure. No representation or warranty of HSNS in this Agreement or any certificate, schedule, document or other instrument furnished or to be furnished to JSJ pursuant hereto or in connection herewith contains, as of the date of such representation, warranty or instrument, or will contain any untrue statement of a material fact or, at the date thereof, omits or will omit to state a material fact necessary to make any statement herein or therein, in light of the circumstances under which such statement is or will be made, not misleading.

Section 2.25. No Existing Discussions. As of the date hereof, HSNS is not engaged, directly or indirectly, in any discussions or negotiations with any other party with respect to any Third Party Acquisition (as defined in Section 4.4).

#### Section 2.26. Material Contracts.

(a) HSNS has delivered or otherwise made available to JSJ true, correct and complete copies of all contracts and agreements (and all amendments, modifications and supplements thereto and all side letters to which HSNS is a party affecting the obligations of any party thereunder) to which HSNS is a party or by which any of its properties or assets are bound that are, material to the business, properties or assets of HSNS taken as a whole, including, without limitation, to the extent any of the following are, individually or in the aggregate, material to the business, properties or assets of HSNS taken as a whole, all: (i) employment, product design or development, personal services, consulting, non-competition, severance, golden parachute or indemnification contracts (including, without limitation, any contract to which HSNS is a party involving employees of HSNS); (ii) licensing, publishing, merchandising or distribution agreements; (iii) contracts granting rights of first refusal or first negotiation; (iv) partnership or joint venture agreements; (v) agreements for the acquisition, sale or lease of material properties or assets or stock or otherwise entered into since December 31, 1999; (vi) contracts or agreements with any Governmental Entity, and (vii) all commitments and agreements to enter into any of the foregoing (collectively, together with any such contracts entered into in accordance with Section 4.1 hereof, the "HSNS Contracts"). HSNS is not a party to or bound by any severance, golden parachute or other agreement with any employee or consultant pursuant to which such person would be entitled to receive any additional compensation or an accelerated payment of compensation as a result of the consummation of the transactions contemplated hereby.

(b) Each of the HSNS Contracts is valid and enforceable in accordance with its terms, and there is no default under any HSNS Contract so listed either by HSNS or, to the knowledge of HSNS, by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder by HSNS or, to the knowledge of HSNS, any other party, in any such case in which such default or event could reasonably be expected to have a Material Adverse Effect on HSNS.

(c) No party to any such HSNS Contract has given notice to HSNS of or made a claim against HSNS with respect to any breach or default thereunder, in any such case in which such breach or default could reasonably be expected to have a Material Adverse Effect on HSNS.

### ARTICLE 3

#### Representations and Warranties of JSJ

Except as set forth on the Disclosure Schedule delivered by JSJ to HSNS (the "JSJ Disclosure Schedule"), JSJ hereby represents and warrants to HSNS as follows:

##### Section 3.1. Organization and Qualification.

(a) Each of JSJ and its subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not have a Material Adverse Effect (as defined below) on JSJ. When used in connection with JSJ, the term "Material Adverse Effect" means any change or effect (i) that is or is reasonably likely to be materially adverse to the business, results of operations, condition (financial or otherwise) or prospects of JSJ and its subsidiaries, taken as a whole, other than any change or

effect arising out of general economic conditions unrelated to any businesses in which JSJ and its subsidiaries are engaged, or (ii) that may impair the ability of JSJ to consummate the transactions contemplated hereby.

(b) JSJ has heretofore delivered to HSNS accurate and complete copies of the Articles of Incorporation and Bylaws (or similar governing documents), as currently in effect, of JSJ. Each of JSJ and its subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not have a Material Adverse Effect on JSJ.

### Section 3.2. Capitalization of JSJ.

(a) As of April 18, 2000, the authorized capital stock of JSJ consists of Fifty Million (50,000,000) JSJ common Shares, \$0.0001 par value, of which 672,000 common Shares are issued and outstanding. All of the outstanding JSJ Shares have been duly authorized and validly issued, and are fully paid, nonassessable and free of preemptive rights.

(b) Except as set forth in Section 3.2(b) of the JSJ Disclosure Schedule, JSJ is the record and beneficial owner of all of the issued and outstanding shares of capital stock of its subsidiaries.

(c) Except as set forth in Section 3.2(c) of the JSJ Disclosure Schedule, between December 31, 1999 and the date hereof, no shares of JSJ's capital stock have been issued and no JSJ Stock options have been granted. Except as set forth in Section 3.2(a) above, as of the date hereof, there are no outstanding (i) shares of capital stock or other voting securities of JSJ, (ii) securities of JSJ or its subsidiaries convertible into or exchangeable for shares of capital stock or voting securities of JSJ, (iii) options or other rights to acquire from JSJ or its subsidiaries, or obligations of JSJ or its subsidiaries to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of JSJ, or (iv) equity equivalents, interests in the ownership or earnings of JSJ or its subsidiaries or other similar rights (collectively, "JSJ Securities"). As of the date hereof, there are no outstanding obligations of JSJ or any of its subsidiaries to repurchase, redeem or otherwise acquire any JSJ Securities. There are no stockholder agreements, voting trusts or other agreements or understandings to which JSJ is a party or by which it is bound relating to the voting or registration of any shares of capital stock of JSJ.

(d) Except as set forth in Section 3.2(d) of the JSJ Disclosure Schedule, there are no securities of JSJ convertible into or exchangeable for, no options or other rights to acquire from JSJ, and no other contract, understanding, arrangement or obligation (whether or not contingent) providing for the issuance or sale, directly or indirectly, of any capital stock or other ownership interests in, or any other securities of, any subsidiary of JSJ.

(e) The JSJ Shares constitute the only class of equity securities of JSJ or its subsidiaries.

(f) Except as set forth in Section 3.2(f) of the JSJ Disclosure Schedule, JSJ does not own directly or indirectly more than fifty percent (50%) of the outstanding voting securities or interests (including membership interests) of any entity.

### Section 3.3. Authority Relative to this Agreement; Recommendation.

(a) JSJ has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of JSJ (the "JSJ Board"), and no other corporate proceedings on the part of JSJ are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, except, as referred to in Section 3.17, the approval and adoption of this Agreement by the holders of at least a majority of the then outstanding JSJ Shares. This Agreement has been duly and validly executed and delivered by JSJ and constitutes a valid, legal and binding agreement of JSJ, enforceable against JSJ in accordance with its terms.

(b) The JSJ Board has resolved to recommend that the stockholders of JSJ approve and adopt this Agreement.

### Section 3.4. SEC Reports; Financial Statements.

(a) JSJ has filed all required forms, reports and documents with the Securities and Exchange Commission (the "SEC") since January 26, 2000, each of which has complied in all material respects with all applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act (and the rules and regulations promulgated thereunder, respectively), each as in effect on the dates such forms, reports and documents were filed. JSJ has heretofore delivered or promptly will deliver prior to the Effective Date to JSJ, in the form filed with the SEC (including any amendments thereto but excluding any exhibits), (i) its initial Registration Statement on Form 10SB12G filed January 26, 2000, (ii) all definitive proxy statements relating to JSJ's meetings of stockholders (whether annual or special) held since January 26, 2000, if any, and (iii) all other reports or registration statements filed by JSJ with the SEC since January 26, 2000 (all of the foregoing, collectively, the "JSJ SEC Reports"). None of such JSJ SEC Reports, including, without limitation, any financial statements or schedules included or incorporated by reference therein, contained, when filed, any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited financial statements of JSJ included in the JSJ SEC Reports fairly present, in conformity with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto), the financial position of JSJ as of the dates thereof and its results of operations and changes in financial position for the periods then ended. All material agreements, contracts and other documents required to be filed as exhibits to any of the JSJ SEC Reports have been so filed.

(b) JSJ has heretofore made available or promptly will make available to HSNS a complete and correct copy of any amendments or modifications which are required to be filed with the SEC but have not yet been filed with the SEC, to agreements, documents or other instruments which previously had been filed by JSJ with the SEC pursuant to the Exchange Act.

Section 3.5. Information Supplied. None of the information supplied or to be supplied by JSJ for inclusion or incorporation by reference to the 8-K will, at the time the 8-K is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

Section 3.6. Consents and Approvals; No Violations. Except as set forth in Section 3.6 of the JSJ Disclosure Schedule, and for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Securities Act, the Exchange Act, state securities or blue sky laws, the HSR Act, the rules of the NASD, and the filing and recordation of the Merger Certificate as required by the NGCL, no filing with or notice to, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the execution and delivery by JSJ of this Agreement or the consummation by JSJ of the transactions contemplated hereby, except where the failure to obtain such permits, authorizations consents or approvals or to make such filings or give such notice would not have a Material Adverse Effect on JSJ.

Neither the execution, delivery and performance of this Agreement by JSJ nor the consummation by JSJ of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of the respective Articles of Incorporation or Bylaws (or similar governing documents) of JSJ or any of JSJ's subsidiaries, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which JSJ or any of JSJ's subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or (iii) violate any order, writ, injunction, decree, law, statute, rule or regulation applicable to JSJ or any of JSJ's subsidiaries or any of their respective properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults which would not have a Material Adverse Effect on JSJ.

Section 3.7. No Default. None of JSJ or any of its subsidiaries is in breach, default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a breach, default or violation) of any term, condition or provision of (i) its Articles of Incorporation or Bylaws (or similar governing documents), (ii) any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which

JSJ or any of its subsidiaries is now a party or by which any of them or any of their respective properties or assets may be bound or (iii) any order, writ, injunction, decree, law, statute, rule or regulation applicable to JSJ, its subsidiaries or any of their respective properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults that would not have a Material Adverse Effect on JSJ. Each note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which JSJ or any of its subsidiaries is now a party or by which any of them or any of their respective properties or assets may be bound that is material to JSJ and its subsidiaries taken as a whole and that has not expired is in full force and effect and is not subject to any material default thereunder of which JSJ is aware by any party obligated to JSJ or any subsidiary thereunder.

Section 3.8. No Undisclosed Liabilities; Absence of Changes. Except as set forth in Section 2.8 of the JSJ Disclosure Schedule and except as and to the extent publicly disclosed by JSJ in the JSJ SEC Reports, as of December 31, 1999, JSJ does not have any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by generally accepted accounting principles to be reflected on a balance sheet of JSJ (including the notes thereto) or which would have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ, since December 31, 1999, JSJ has not incurred any liabilities of any nature, whether or not accrued, contingent or otherwise, which could reasonably be expected to have, and there have been no events, changes or effects with respect to JSJ having or which reasonably could be expected to have, a Material Adverse Effect on JSJ. Except as and to the extent publicly disclosed by JSJ in the JSJ SEC Reports and except as set forth in Section 2.8 of the JSJ Disclosure Schedule, since December 31, 1999, there has not been (i) any material change by JSJ in its accounting methods, principles or practices (other than as required after the date hereof by concurrent changes in generally accepted accounting principles), (ii) any revaluation by JSJ of any of its assets having a Material Adverse Effect on JSJ, including, without limitation, any write-down of the value of any assets other than in the ordinary course of business or (iii) any other action or event that would have required the consent of any other party hereto pursuant to Section 4.1 of this Agreement had such action or event occurred after the date of this Agreement.

Section 3.9. Litigation. Except as publicly disclosed by JSJ in the JSJ SEC Reports, there is no suit, claim, action, proceeding or investigation pending or, to the knowledge of JSJ, threatened against JSJ or any of its subsidiaries or any of their respective properties or assets before any Governmental Entity which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on JSJ or could reasonably be expected to prevent or delay the consummation of the transactions contemplated by this Agreement. Except as publicly disclosed by JSJ in the JSJ SEC Reports, JSJ is not subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen in the future, could reasonably be expected to have a Material Adverse Effect on JSJ or could reasonably be expected to prevent or delay the consummation of the transactions contemplated hereby.

Section 3.10. Compliance with Applicable Law. Except as publicly disclosed by JSJ in the JSJ SEC Reports, JSJ holds all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of their respective businesses (the "JSJ Permits"), except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which would not have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ in the JSJ SEC Reports, JSJ is in compliance with the terms of the JSJ Permits, except where the failure so to comply would not have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ in the JSJ SEC Reports, the business of JSJ is not being conducted in violation of any law, ordinance or regulation of any Governmental Entity except that no representation or warranty is made in this Section 2.10 with respect to Environmental Laws (as defined in Section 2.12 below) and except for violations or possible violations which do not, and, insofar as reasonably can be foreseen, in the future will not, have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ in the JSJ SEC Reports, no investigation or review by any Governmental Entity with respect to JSJ is pending or, to the knowledge of JSJ, threatened, nor, to the knowledge of JSJ, has any Governmental Entity indicated an intention to conduct the same, other than, in each case, those which JSJ reasonably believes will not have a Material Adverse Effect on JSJ.

#### Section 3.11. Employee Benefit Plans; Labor Matters.

(a) With respect to each employee benefit plan, program, policy, arrangement and contract (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of ERISA), maintained or contributed to at any time by JSJ, any of its subsidiaries or any entity required to be aggregated with JSJ or any of its subsidiaries

pursuant to Section 414 of the Code (each, a "JSJ Employee Plan"), no event has occurred and, to the knowledge of JSJ, no condition or set of circumstances exists in connection with which JSJ or any of its subsidiaries could reasonably be expected to be subject to any liability which would have a Material Adverse Effect on JSJ.

(b) (i) No JSJ Employee Plan is or has been subject to Title IV of ERISA or Section 412 of the Code; and (ii) each JSJ Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is the subject of a favorable Internal Revenue Service determination letter, and nothing has occurred which could reasonably be expected to adversely affect such determination.

(c) Section 3.11(c) of the JSJ Disclosure Schedule sets forth a true and complete list, as of the date of this Agreement, of each person who holds any JSJ Stock Options, together with the number of JSJ Shares which are subject to such option, the date of grant of such option, the extent to which such option is vested (or will become vested as a result of the Merger), the option price of such option (to the extent determined as of the date hereof), whether such option is a nonqualified stock option or is intended to qualify as an incentive stock option within the meaning of Section 422(b) of the Code, and the expiration date of such option. Section 3.11(c) of the JSJ Disclosure Schedule also sets forth the total number of such incentive stock options and such nonqualified options. JSJ has furnished HSNS with complete copies of the plans pursuant to which the JSJ Stock Options were issued. Other than the automatic vesting of JSJ Stock Options that may occur without any action on the part of JSJ or its officers or directors, JSJ has not taken any action that would result in any JSJ Stock Options that are unvested becoming vested in connection with or as a result of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(d) JSJ has made available to HSNS (i) a description of the terms of employment and compensation arrangements of all officers of JSJ and a copy of each such agreement currently in effect; (ii) copies of all agreements with consultants who are individuals obligating JSJ to make annual cash payments in an amount exceeding \$60,000; (iii) a schedule listing all officers of JSJ who have executed a non-competition agreement with JSJ and a copy of each such agreement currently in effect; (iv) copies (or descriptions) of all severance agreements, programs and policies of JSJ with or relating to its employees, except programs and policies required to be maintained by law; and (v) copies of all plans, programs, agreements and other arrangements of the JSJ with or relating to its employees which contain change in control provisions.

(e) Except as disclosed in Section 3.11(e) of the JSJ Disclosure Schedule there shall be no payment, accrual of additional benefits, acceleration of payments, or vesting in any benefit under any JSJ Employee Plan or any agreement or arrangement disclosed under this Section 3.11 solely by reason of entering into or in connection with the transactions contemplated by this Agreement.

(f) There are no controversies pending or, to the knowledge of JSJ threatened, between JSJ or any of its subsidiaries and any of their respective employees, which controversies have or could reasonably be expected to have a Material Adverse Effect on JSJ. Neither JSJ nor any of its subsidiaries is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by JSJ or any of its subsidiaries (and neither JSJ nor any of its subsidiaries has any outstanding material liability with respect to any terminated collective bargaining agreement or labor union contract), nor does JSJ know of any activities or proceedings of any labor union to organize any of its or any of its subsidiaries' employees. JSJ has no knowledge of any strike, slowdown, work stoppage, lockout or threat thereof by or with respect to any of its or any of its subsidiaries' employees.

#### Section 3.12. Environmental Laws and Regulations.

(a) Except as disclosed by JSJ, (i) each of JSJ and its subsidiaries is in material compliance with all Environmental Laws, except for non-compliance that would not have a Material Adverse Effect on JSJ, which compliance includes, but is not limited to, the possession by JSJ and its subsidiaries of all material permits and other governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof; (ii) none of JSJ or its subsidiaries has received written notice of, or, to the knowledge of JSJ, is the subject of, any Environmental Claim that could reasonably be expected to have a Material Adverse Effect on JSJ; and (iii) to the knowledge of JSJ, there are no circumstances that are reasonably likely to prevent or interfere with such material compliance in the future.

(b) Except as disclosed by JSJ, there are no Environmental Claims which could reasonably be expected to have a Material Adverse Effect on JSJ that are pending or, to the knowledge of JSJ, threatened against JSJ or any of its subsidiaries or, to the knowledge of JSJ, against any person or entity whose liability for any Environmental Claim JSJ or its subsidiaries has or may have retained or assumed either contractually or by operation of law.

Section 3.13. Tax Matters. Except as set forth in Section 3.13 of the JSJ Disclosure Schedule: (i) JSJ and each of its subsidiaries has filed or has had filed on its behalf in a timely manner (within any applicable extension periods) with the appropriate Governmental Entity all income and other material Tax Returns with respect to Taxes of JSJ and each of its subsidiaries and all Tax Returns were in all material respects true, complete and correct; (ii) all material Taxes with respect to JSJ and each of its subsidiaries have been paid in full or have been provided for in accordance with GAAP on JSJ's most recent balance sheet which is part of the JSJ SEC Documents; (iii) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, state, local or foreign income or other material Tax Returns required to be filed by or with respect to JSJ or its subsidiaries; (iv) to the knowledge of JSJ none of the Tax Returns of or with respect to JSJ or any of its subsidiaries is currently being audited or examined by any Governmental Entity; and (v) no deficiency for any income or other material Taxes has been assessed with respect to JSJ or any of its subsidiaries which has not been abated or paid in full.

Section 3.14. Title to Property. JSJ and each of its subsidiaries have good and defensible title to all of their properties and assets, free and clear of all liens, charges and encumbrances except liens for taxes not yet due and payable and such liens or other imperfections of title, if any, as do not materially detract from the value of or interfere with the present use of the property affected thereby or which, individually or in the aggregate, would not have a Material Adverse Effect on JSJ; and, to JSJ's knowledge, all leases pursuant to which JSJ or any of its subsidiaries lease from others real or personal property are in good standing, valid and effective in accordance with their respective terms, and there is not, to the knowledge of JSJ, under any of such leases, any existing material default or event of default (or event which with notice or lapse of time, or both, would constitute a material default and in respect of which JSJ or such subsidiary has not taken adequate steps to prevent such a default from occurring) except where the lack of such good standing, validity and effectiveness, or the existence of such default or event of default would not have a Material Adverse Effect on JSJ.

#### Section 3.15. Intellectual Property.

(a) Each of JSJ and its subsidiaries owns, or possesses adequate licenses or other valid rights to use, all existing United States and foreign patents, trademarks, trade names, services marks, copyrights, trade secrets, and applications therefore that are material to its business as currently conducted (the "JSJ Intellectual Property Rights").

(b) Except as set forth in Section 3.15(b) of the JSJ Disclosure Schedule the validity of the JSJ Intellectual Property Rights and the title thereto of JSJ or any subsidiary, as the case may be, is not being questioned in any litigation to which JSJ or any subsidiary is a party.

(c) The conduct of the business of JSJ and its subsidiaries as now conducted does not, to JSJ's knowledge, infringe any valid patents, trademarks, tradenames, service marks or copyrights of others. The consummation of the transactions contemplated hereby will not result in the loss or impairment of any JSJ Intellectual Property Rights.

(d) Each of JSJ and its subsidiaries has taken steps it believes appropriate to protect and maintain its trade secrets as such, except in cases where JSJ has elected to rely on patent or copyright protection in lieu of trade secret protection.

#### Section 3.16. Insurance. JSJ currently does not maintain general liability and other business insurance.

Section 3.17. Vote Required. The affirmative vote of the holders of at least a majority of the outstanding JSJ Shares is the only vote of the holders of any class or series of JSJ's capital stock necessary to approve and adopt this Agreement and the Merger.

Section 3.18. Tax Treatment. Neither JSJ nor, to the knowledge of JSJ, any of its affiliates has taken or agreed to take any action that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

Section 3.19. Affiliates. Except for the directors and executive officers of JSJ, each of whom is listed in Section 3.19 of the JSJ Disclosure Schedule, there are no persons who, to the knowledge of JSJ, may be deemed to be affiliates of JSJ under Rule 1-02(b) of Regulation S-X of the SEC (the "JSJ Affiliates").

Section 3.20. Certain Business Practices. None of JSJ, any of its subsidiaries or any directors, officers, agents or employees of JSJ or any of its subsidiaries has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the FCPA, or (iii) made any other unlawful payment.

Section 3.21. Insider Interests. Except as set forth in Section 3.21 of the JSJ Disclosure Schedule, no officer or director of JSJ has any interest in any material property, real or personal, including without limitation, any computer software or JSJ Intellectual Property Rights, used in or pertaining to the business of JSJ or any subsidiary, except for the ordinary rights of a stockholder or employee stock optionholder.

Section 3.22. Opinion of Financial Adviser. No advisers, as of the date hereof, have delivered to the JSJ Board a written opinion to the effect that, as of such date, the exchange ratio contemplated by the Merger is fair to the holders of JSJ Shares.

Section 3.23. Brokers. No broker, finder or investment banker (other than the JSJ Financial Adviser, a true and correct copy of whose engagement agreement has been provided to HSNS) is entitled to any brokerage, finders or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of JSJ.

Section 3.24. Disclosure. No representation or warranty of JSJ in this Agreement or any certificate, schedule, document or other instrument furnished or to be furnished to HSNS pursuant hereto or in connection herewith contains, as of the date of such representation, warranty or instrument, or will contain any untrue statement of a material fact or, at the date thereof, omits or will omit to state a material fact necessary to make any statement herein or therein, in light of the circumstances under which such statement is or will be made, not misleading.

Section 3.25. No Existing Discussions. As of the date hereof, JSJ is not engaged, directly or indirectly, in any discussions or negotiations with any other party with respect to any Third Party Acquisition (as defined in Section 5.4).

Section 3.26. Material Contracts.

(a) JSJ has delivered or otherwise made available to HSNS true, correct and complete copies of all contracts and agreements (and all amendments, modifications and supplements thereto and all side letters to which JSJ is a party affecting the obligations of any party thereunder) to which JSJ or any of its subsidiaries is a party or by which any of their properties or assets are bound that are, material to the business, properties or assets of JSJ and its subsidiaries taken as a whole, including, without limitation, to the extent any of the following are, individually or in the aggregate, material to the business, properties or assets of JSJ and its subsidiaries taken as a whole, all: (i) employment, product design or development, personal services, consulting, non-competition, severance, golden parachute or indemnification contracts (including, without limitation, any contract to which JSJ is a party involving employees of JSJ); (ii) licensing, publishing, merchandising or distribution agreements; (iii) contracts granting rights of first refusal or first negotiation; (iv) partnership or joint venture agreements; (v) agreements for the acquisition, sale or lease of material properties or assets or stock or otherwise; (vi) contracts or agreements with any Governmental Entity; and (vii) all commitments and agreements to enter into any of the foregoing (collectively, together with any such contracts entered into in accordance with Section 5.2 hereof, the "JSJ Contracts"). Neither JSJ nor any of its subsidiaries is a party to or bound by any severance, golden parachute or other agreement with any employee or consultant pursuant to which such person would be entitled to receive any additional compensation or an accelerated payment of compensation as a result of the consummation of the transactions contemplated hereby.



(b) Each of the JSJ Contracts is valid and enforceable in accordance with its terms, and there is no default under any JSJ Contract so listed either by JSJ or, to the knowledge of JSJ, by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder by JSJ or, to the knowledge of JSJ, any other party, in any such case in which such default or event could reasonably be expected to have a Material Adverse Effect on JSJ.

(c) No party to any such JSJ Contract has given notice to JSJ of or made a claim against JSJ with respect to any breach or default thereunder, in any such case in which such breach or default could reasonably be expected to have a Material Adverse Effect on JSJ.

#### ARTICLE 4

##### Covenants

Section 4.1. Conduct of Business of HSNS. Except as contemplated by this Agreement or as described in Section 4.1 of the HSNS Disclosure Schedule, during the period from the date hereof to the Effective Time, HSNS will conduct its operations in the ordinary course of business consistent with past practice and, to the extent consistent therewith, with no less diligence and effort than would be applied in the absence of this Agreement, seek to preserve intact its current business organization, keep available the service of its current officers and employees and preserve its relationships with customers, suppliers and others having business dealings with it to the end that goodwill and ongoing businesses shall be unimpaired at the Effective Time. Without limiting the generality of the foregoing, except as otherwise expressly provided in this Agreement or as described in Section 4.1 of the HSNS Disclosure Schedule, prior to the Effective Time, HSNS will not, without the prior written consent of JSJ:

(a) amend its Articles of Incorporation or Bylaws (or other similar governing instrument);

(b) amend the terms of any stock of any class or any other securities (except bank loans) or equity equivalents.

(c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, make any other actual, constructive or deemed distribution in respect of its capital stock or otherwise make any payments to stockholders in their capacity as such, or redeem or otherwise acquire any of its securities;

(d) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of HSNS (other than the Merger);

(e) (i) incur or assume any long-term or short-term debt or issue any debt securities except for borrowings or issuances of letters of credit under existing lines of credit in the ordinary course of business; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person. (iii) make any loans, advances or capital contributions to, or investments in, any other person; (iv) pledge or otherwise encumber shares of capital stock of HSNS; or (v) mortgage or pledge any of its material assets, or create or suffer to exist any material Lien thereupon (other than tax Liens for taxes not yet due);

(f) except as may be required by law, enter into, adopt or amend or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, stock equivalent, stock purchase agreement, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee in any manner, or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any plan and arrangement as in effect as of the date hereof (including, without limitation, the granting of stock appreciation rights or performance units); provided, however, that this paragraph (f) shall not prevent HSNS from (i) entering into employment agreements or severance agreements with employees in the ordinary course of business and consistent with past practice or (ii) increasing

annual compensation and/or providing for or amending bonus arrangements for employees for fiscal 2000 in the ordinary course of year-end compensation reviews consistent with past practice and paying bonuses to employees for fiscal 2000 in amounts previously disclosed to JSJ (to the extent that such compensation increases and new or amended bonus arrangements do not result in a material increase in benefits or compensation expense to HSNS);

(g) acquire, sell, lease or dispose of any assets in any single transaction or series of related transactions (other than in the ordinary course of business);

(h) except as may be required as a result of a change in law or in generally accepted accounting principles, change any of the accounting principles or practices used by it;

(i) revalue in any material respect any of its assets including, without limitation, writing down the value of inventory or writing-off notes or accounts receivable other than in the ordinary course of business;

(j) (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any equity interest therein; (ii) enter into any contract or agreement other than in the ordinary course of business consistent with past practice which would be material to HSNS; (iii) authorize any new capital expenditure or expenditures which, individually is in excess of \$1,000 or, in the aggregate, are in excess of \$5,000; provided, however that none of the foregoing shall limit any capital expenditure required pursuant to existing contracts;

(k) make any tax election or settle or compromise any income tax liability material to HSNS;

(l) settle or compromise any pending or threatened suit, action or claim which (i) relates to the transactions contemplated hereby or (ii) the settlement or compromise of which could have a Material Adverse Effect on HSNS;

(m) commence any material research and development project or terminate any material research and development project that is currently ongoing, in either case, except pursuant to the terms of existing contracts or in the ordinary course of business; or

(n) take, or agree in writing or otherwise to take, any of the actions described in Sections 4.1(a) through 4.1(m) or any action which would make any of the representations or warranties of contained in this Agreement untrue or incorrect.

Section 4.2. Conduct of Business of JSJ. Except as contemplated by this Agreement or as described in Section 4.2 of the JSJ Disclosure Schedule during the period from the date hereof to the Effective Time, JSJ will conduct its operations in the ordinary course of business consistent with past practice and, to the extent consistent therewith, with no less diligence and effort than would be applied in the absence of this Agreement, seek to preserve intact its current business organization, keep available the service of its current officers and employees and preserve its relationships with customers, suppliers and others having business dealings with it to the end that goodwill and ongoing businesses shall be unimpaired at the Effective Time. Without limiting the generality of the foregoing, except as otherwise expressly provided in this Agreement or as described in Section 4.2 of the JSJ Disclosure Schedule, prior to the Effective Time, JSJ will not, without the prior written consent of:

(a) amend its Articles of Incorporation or Bylaws (or other similar governing instrument);

(b) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock of any class or any other securities (except bank loans) or equity equivalents (including, without limitation, any stock options or stock appreciation rights);

(c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, make any other actual, constructive or deemed distribution in respect of its capital stock or otherwise make any payments to stockholders in their capacity as such, or redeem or otherwise acquire any of its securities;

(d) adopt a plan of complete or partial liquidation, dissolution, merger consolidation, restructuring, recapitalization or other reorganization of JSJ (other than the Merger);

(e) (i) incur or assume any long-term or short-term debt or issue any debt securities except for borrowings or issuances of letters of credit under existing lines of credit in the ordinary course of business. (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person; (iii) make any loans, advances or capital contributions to or investments in, any other person; (iv) pledge or otherwise encumber shares of capital stock of JSJ or its subsidiaries; or (v) mortgage or pledge any of its material assets, or create or suffer to exist any material Lien thereupon (other than tax Liens for taxes not yet due);

(f) except as may be required by law, enter into, adopt or amend or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit stock equivalent, stock purchase agreement, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee in any manner, or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any plan and arrangement as in effect as of the date hereof (including, without limitation, the granting of stock appreciation rights or performance units); provided, however, that this paragraph (f) shall not prevent JSJ or its subsidiaries from (i) entering into employment agreements or severance agreements with employees in the ordinary course of business and consistent with past practice or (ii) increasing annual compensation and/or providing for or amending bonus arrangements for employees for fiscal 2000 in the ordinary course of year-end compensation reviews consistent with past practice and paying bonuses to employees for fiscal 2000 in amounts previously disclosed to (to the extent that such compensation increases and new or amended bonus arrangements do not result in a material increase in benefits or compensation expense to JSJ);

(g) acquire, sell, lease or dispose of any assets in any single transaction or series of related transactions other than in the ordinary course of business;

(h) except as may be required as a result of a change in law or in generally accepted accounting principles, change any of the accounting principles or practices used by it;

(i) revalue in any material respect any of its assets, including, without limitation, writing down the value of inventory of writing-off notes or accounts receivable other than in the ordinary course of business;

(j) (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, or other business organization or division thereof or any equity interest therein; (ii) enter into any contract or agreement other than in the ordinary course of business consistent with past practice which would be material to JSJ; (iii) authorize any new capital expenditure or expenditures which, individually, is in excess of \$1,000 or, in the aggregate, are in excess of \$5,000; provided, however that none of the foregoing shall limit any capital expenditure required pursuant to existing contracts;

(k) make any tax election or settle or compromise any income tax liability material to JSJ and its subsidiaries taken as a whole;

(l) settle or compromise any pending or threatened suit, action or claim which (i) relates to the transactions contemplated hereby or (ii) the settlement or compromise of which could have a Material Adverse Effect on JSJ;

(m) commence any material research and development project or terminate any material research and development project that is currently ongoing, in either case, except pursuant to the terms of existing contracts or except in the ordinary course of business; or

(n) take, or agree in writing or otherwise to take, any of the actions described in Sections 4.2(a) through 4.2(m) or any action which would make any of the representations or warranties of the JSJ contained in this Agreement untrue or incorrect.

Section 4.3. Preparation of 8-K. JSJ and HSNS shall promptly prepare and file with the SEC an 8-K disclosing this merger with audited financials of HSNS along with pro forma combined statements.

Section 4.4. Other Potential Acquirers.

(a) JSJ, its affiliates and their respective officers, directors, employees, representatives and agents shall immediately cease any existing discussions or negotiations, if any, with any parties conducted heretofore with respect to any Third Party Acquisition.

Section 4.5. Meetings of Stockholders. JSJ shall take all action necessary, in accordance with the respective General Corporation Law of its respective state, and its respective Articles of Incorporation and bylaws, to duly call, give notice of, convene and hold a meeting of its stockholders as promptly as practicable, to consider and vote upon the adoption and approval of this Agreement and the transactions contemplated hereby. The stockholder votes required for the adoption and approval of the transactions contemplated by this Agreement. JSJ will, through its Boards of Directors, recommend to their respective stockholders approval of such matters

Section 4.6. NASD OTC:BB Listing. The parties shall use all reasonable efforts to cause the HSNS Shares, subject to Rule 144, to be traded on the Over-The-Counter Bulletin Board (OTC:BB).

Section 4.7. Access to Information.

(a) Between the date hereof and the Effective Time, HSNS will give JSJ and its authorized representatives, and JSJ will give HSNS and its authorized representatives, reasonable access to all employees, plants, offices, warehouses and other facilities and to all books and records of itself and its subsidiaries, will permit the other party to make such inspections as such party may reasonably require and will cause its officers and those of its subsidiaries to furnish the other party with such financial and operating data and other information with respect to the business and properties of itself and its subsidiaries as the other party may from time to time reasonably request.

(b) Between the date hereof and the Effective Time, HSNS shall furnish to JSJ, and JSJ will furnish to HSNS, within 25 business days after the end of each quarter, quarterly statements prepared by such party in conformity with its past practices) as of the last day of the period then ended.

(c) Each of the parties hereto will hold and will cause its consultants and advisers to hold in confidence all documents and information furnished to it in connection with the transactions contemplated by this Agreement.

Section 4.8. Additional Agreements, Reasonable Efforts. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, (i) cooperating in the preparation and filing of the 8-K, any filings that may be required under the HSR Act, and any amendments to any thereof; (ii) obtaining consents of all third parties and Governmental Entities necessary, proper or advisable for the consummation of the transactions contemplated by this Agreement; (iii) contesting any legal proceeding relating to the Merger and (iv) the execution of any additional instruments necessary to consummate the transactions contemplated hereby. Subject to the terms and conditions of this Agreement, JSJ and HSNS agree to use all reasonable efforts to cause the Effective Time to occur as soon as practicable after the stockholder votes with respect to the Merger. In case at any time after the Effective Time any further action is necessary to carry out the purposes of this Agreement, the proper officers and directors of each party hereto shall take all such necessary action.

Section 4.9. Indemnification.

(a) To the extent, if any, not provided by an existing right under one of the parties' directors and officers liability insurance policies, from and after the Effective Time, HSNS shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless each person who is now, or has been at any time prior to the date hereof, or who becomes prior to the Effective Time, a director, officer or employee of the parties hereto or any subsidiary thereof (each an "Indemnified Party" and, collectively, the "Indemnified Parties") against all losses,

expenses (including reasonable attorneys' fees and expenses), claims, damages or liabilities or, subject to the proviso of the next succeeding sentence, amounts paid in settlement arising out of actions or omissions occurring at or prior to the Effective Time and whether asserted or claimed prior to, at or after the Effective Time) that are in whole or in part (i) based on, or arising out of the fact that such person is or was a director, officer or employee of such party or a subsidiary of such party or (ii) based on, arising out of or pertaining to the transactions contemplated by this Agreement. In the event of any such loss expense, claim, damage or liability (whether or not arising before the Effective Time), (i) HSNS shall pay the reasonable fees and expenses of counsel selected by the Indemnified Parties, which counsel shall be reasonably satisfactory to HSNS, promptly after statements therefore are received and otherwise advance to such Indemnified Party upon request reimbursement of documented expenses reasonably incurred, in either case to the extent not prohibited by the NGCL or its Articles of Incorporation or bylaws, (ii) HSNS will cooperate in the defense of any such matter and (iii) any determination required to be made with respect to whether an Indemnified Party's conduct complies with the standards set forth under the NGCL and HSNS's Articles of Incorporation or bylaws shall be made by independent counsel mutually acceptable to HSNS and the Indemnified Party; provided, however, that HSNS shall not be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld). The Indemnified Parties as a group may retain only one law firm with respect to each related matter except to the extent there is, in the opinion of counsel to an Indemnified Party, under applicable standards of professional conduct, a conflict on any significant issue between positions of any two or more Indemnified Parties.

(b) In the event HSNS or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity or such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then and in either such case, proper provision shall be made so that the successors and assigns of HSNS shall assume the obligations set forth in this Section 4.9.

(c) To the fullest extent permitted by law, from and after the Effective Time, all rights to indemnification now existing in favor of the employees, agents, directors or officers of HSNS and JSJ and their subsidiaries with respect to their activities as such prior to the Effective Time, as provided in HSNS's and JSJ's Articles of Incorporation or bylaws, in effect on the date thereof or otherwise in effect on the date hereof, shall survive the Merger and shall continue in full force and effect for a period of not less than six years from the Effective Time.

(d) The provisions of this Section 4.9 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, his or her heirs and his or her representatives.

Section 4.10. Notification of Certain Matters. The parties hereto shall give prompt notice to the other parties, of (i) the occurrence or nonoccurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Effective Time, (ii) any material failure of such party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, (iii) any notice of, or other communication relating to, a default or event which, with notice or lapse of time or both, would become a default, received by such party or any of its subsidiaries subsequent to the date of this Agreement and prior to the Effective Time, under any contract or agreement material to the financial condition, properties, businesses or results of operations of such party and its subsidiaries taken as a whole to which such party or any of its subsidiaries is a party or is subject, (iv) any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated by this Agreement, or (v) any material adverse change in their respective financial condition, properties, businesses, results of operations or prospects taken as a whole, other than changes resulting from general economic conditions; provided, however, that the delivery of any notice pursuant to this Section 4.10 shall not cure such breach or non-compliance or limit or otherwise affect the remedies available hereunder to the party receiving such notice.

## ARTICLE 5

### Conditions to Consummation of the Merger

Section 5.1. Conditions to Each Party's Obligations to Effect the Merger. The respective obligations of each party hereto to effect the Merger are subject to the satisfaction at or prior to the Effective Time of the following conditions:

- (a) this Agreement shall have been approved and adopted by the requisite vote of the stockholders of JSJ;
- (b) this Agreement shall have been approved and adopted by the Board of Directors of HSNS and JSJ;
- (c) no statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any United States court or United States governmental authority which prohibits, restrains, enjoins or restricts the consummation of the Merger;
- (d) any waiting period applicable to the Merger under the HSR Act shall have terminated or expired, and any other governmental or regulatory notices or approvals required with respect to the transactions contemplated hereby shall have been either filed or received; and

Section 5.2. Conditions to the Obligations of HSNS. The obligation of HSNS to effect the Merger is subject to the satisfaction at or prior to the Effective Time of the following conditions:

- (a) the representations of JSJ contained in this Agreement or in any other document delivered pursuant hereto shall be true and correct (except to the extent that the breach thereof would not have a Material Adverse Effect on JSJ) at and as of the Effective Time with the same effect as if made at and as of the Effective Time (except to the extent such representations specifically related to an earlier date, in which case such representations shall be true and correct as of such earlier date), and at the Closing JSJ shall have delivered to HSNS a certificate to that effect;
- (b) each of the covenants and obligations of JSJ to be performed at or before the Effective Time pursuant to the terms of this Agreement shall have been duly performed in all material respects at or before the Effective Time and at the Closing JSJ shall have delivered to HSNS a certificate to that effect;
- (d) JSJ shall have obtained the consent or approval of each person whose consent or approval shall be required in order to permit the Merger as relates to any obligation, right or interest of JSJ under any loan or credit agreement, note, mortgage, indenture, lease or other agreement or instrument, except those for which failure to obtain such consents and approvals would not, in the reasonable opinion of HSNS, individually or in the aggregate, have a Material Adverse Effect on JSJ;
- (e) there shall have been no events, changes or effects with respect to JSJ or its subsidiaries having or which could reasonably be expected to have a Material Adverse Effect on JSJ; and

Section 5.3. Conditions to the Obligations of JSJ. The respective obligations of JSJ to effect the Merger are subject to the satisfaction at or prior to the Effective Time of the following conditions:

- (a) the representations of HSNS contained in this Agreement or in any other document delivered pursuant hereto shall be true and correct (except to the extent that the breach thereof would not have a Material Adverse Effect on HSNS) at and as of the Effective Time with the same effect as if made at and as of the Effective Time (except to the extent such representations specifically related to an earlier date, in which case such representations shall be true and correct as of such earlier date), and at the Closing HSNS shall have delivered to JSJ a certificate to that effect;
- (b) each of the covenants and obligations of HSNS to be performed at or before the Effective Time pursuant to the terms of this Agreement shall have been duly performed in all material respects at or before the Effective Time and at the Closing HSNS shall have delivered to JSJ a certificate to that effect;

(c) there shall have been no events, changes or effects with respect to HSNS having or which could reasonably be expected to have a Material Adverse Effect on HSNS.

## ARTICLE 6

### Termination; Amendment; Waiver

Section 6.1. Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after approval and adoption of this Agreement by HSNS's or JSJ's stockholders:

(a) by mutual written consent of HSNS and JSJ;

(b) by JSJ or HSNS if (i) any court of competent jurisdiction in the United States or other United States Governmental Entity shall have issued a final order, decree or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action is or shall have become nonappealable or (ii) the Merger has not been consummated by May 1, 2000; provided, however, that no party may terminate this Agreement pursuant to this clause (ii) if such party's failure to fulfill any of its obligations under this Agreement shall have been the reason that the Effective Time shall not have occurred on or before said date;

(c) by HSNS if (i) there shall have been a breach of any representation or warranty on the part of JSJ set forth in this Agreement, or if any representation or warranty of JSJ shall have become untrue, in either case such that the conditions set forth in Section 5.2(a) would be incapable of being satisfied by May 1, 2000 (or as otherwise extended), (ii) there shall have been a breach by JSJ of any of their respective covenants or agreements hereunder having a Material Adverse Effect on JSJ or materially adversely affecting (or materially delaying) the consummation of the Merger, and JSJ, as the case may be, has not cured such breach within 20 business days after notice by HSNS thereof, provided that HSNS has not breached any of its obligations hereunder, (iii) HSNS shall have convened a meeting of its stockholders to vote upon the Merger and shall have failed to obtain the requisite vote of its stockholders; or (iv) HSNS shall have convened a meeting of its Board of Directors to vote upon the Merger and shall have failed to obtain the requisite vote;

(d) by JSJ if (i) there shall have been a breach of any representation or warranty on the part of HSNS set forth in this Agreement, or if any representation or warranty of HSNS shall have become untrue, in either case such that the conditions set forth in Section 5.3(a) would be incapable of being satisfied by May 1, 2000 (or as otherwise extended), (ii) there shall have been a breach by HSNS of its covenants or agreements hereunder having a Material Adverse Effect on HSNS or materially adversely affecting (or materially delaying) the consummation of the Merger, and HSNS, as the case may be, has not cured such breach within twenty business days after notice by JSJ thereof, provided that JSJ has not breached any of its obligations hereunder, (iii) the HSNS Board shall have recommended to HSNS's stockholders a Superior Proposal, (iv) the HSNS Board shall have withdrawn, modified or changed its approval or recommendation of this Agreement or the Merger, or hold a stockholders' meeting to vote upon the Merger, or shall have adopted any resolution to effect any of the foregoing, (v) JSJ shall have convened a meeting of its stockholders to vote upon the Merger and shall have failed to obtain the requisite vote of its stockholders.

Section 6.2. Effect of Termination. In the event of the termination and abandonment of this Agreement pursuant to Section 6.1, this Agreement shall forthwith become void and have no effect, without any liability on the part of any party hereto or its affiliates, directors, officers or stockholders, other than the provisions of this Section 6.2 and Sections 4.7(c) and 6.3 hereof. Nothing contained in this Section 6.2 shall relieve any party from liability for any breach of this Agreement.

Section 6.3. Fees and Expenses. Except as specifically provided in this Section 6.3, each party shall bear its own expenses in connection with this Agreement and the transactions contemplated hereby.

Section 6.4. Amendment. This Agreement may be amended by action taken by HSNS and JSJ at any time before or after approval of the Merger by the stockholders of HSNS and JSJ (if required by applicable law) but, after any such approval, no amendment shall be made which requires the approval of such stockholders under applicable

law without such approval. This Agreement may not be amended except by an instrument in writing signed on behalf of the parties hereto.

Section 6.5. Extension; Waiver. At any time prior to the Effective Time, each party hereto may (i) extend the time for the performance of any of the obligations or other acts of any other party, (ii) waive any inaccuracies in the representations and warranties of any other party contained herein or in any document, certificate or writing delivered pursuant hereto or (iii) waive compliance by any other party with any of the agreements or conditions contained herein. Any agreement on the part of any party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party hereto to assert any of its rights hereunder shall not constitute a waiver of such rights.

## ARTICLE 7

### Miscellaneous

Section 7.1. Nonsurvival of Representations and Warranties. The representations and warranties made herein shall not survive beyond the Effective Time or a termination of this Agreement. This Section 7.1 shall not limit any covenant or agreement of the parties hereto which by its terms requires performance after the Effective Time.

Section 7.2. Entire Agreement; Assignment. This Agreement (a) constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings both written and oral, between the parties with respect to the subject matter hereof and (b) shall not be assigned by operation of law or otherwise.

Section 7.3. Validity. If any provision of this Agreement, or the application thereof to any person or circumstance, is held invalid or unenforceable, the remainder of this Agreement, and the application of such provision to other persons or circumstances, shall not be affected thereby, and to such end, the provisions of this Agreement are agreed to be severable.

Section 7.4. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by facsimile or by registered or certified mail (postage prepaid, return receipt requested), to each other party as follows:

If to JSJ:

J S J CAPITAL CORP.  
Attn: Anthony N. DeMint, President  
1850 East Flamingo Rd. Suite 111  
Las Vegas, Nevada 89119

with a copy to:

Donald J. Stoecklein  
Sperry Young & Stoecklein  
1850 East Flamingo Rd. Suite 111  
Las Vegas, Nevada 89119  
(702) 792-2590

if to HSNS:

Andrew Fox, President  
HIGH SPEED NET SOLUTIONS, INC.  
Two Hanover Square, Suite 2120  
434 Fayetteville Street Mall  
Raleigh, NC 27601  
(919) 807-0507



or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

Section 7.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without regard to the principles of conflicts of law thereof.

Section 7.6. Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 7.7. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and its successors and permitted assigns, and except as provided in Sections 4.9 and 4.11, nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 7.8. Certain Definitions. For the purposes of this Agreement, the term:

(a) "affiliate" means (except as otherwise provided in Sections 2.19 and 3.19 a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person;

(b) "business day" means any day other than a day on which Nasdaq is closed;

(c) "capital stock" means common stock, preferred stock, partnership interests, limited liability company interests or other ownership interests entitling the holder thereof to vote with respect to matters involving the issuer thereof;

(d) "knowledge" or "known" means, with respect to any matter in question, if an executive officer of HSNS or JSJ or its subsidiaries, as the case may be, has actual knowledge of such matter;

(e) "person" means an individual, corporation, partnership, limited liability company, association, trust, unincorporated organization or other legal entity; and

(f) "subsidiary" or "subsidiaries" of HSNS, JSJ or any other person, means any corporation, partnership, limited liability company, association, trust, unincorporated association or other legal entity of which HSNS, JSJ or any such other person, as the case may be (either alone or through or together with any other subsidiary), owns, directly or indirectly, 50% or more of the capital stock, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

Section 7.9. Personal Liability. This Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any direct or indirect stockholder of HSNS, JSJ or any officer, director, employee, agent, representative or investor of any party hereto.

Section 7.10. Specific Performance. The parties hereby acknowledge and agree that the failure of any party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part to the consummation of the Merger, will cause irreparable injury to the other parties for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder; provided, however, that, if a party hereto is entitled to receive any payment or reimbursement of expenses pursuant to Sections 6.3(a), (b) or (c), it shall not be entitled to specific performance to compel the consummation of the Merger.

Section 7.11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

In Witness Whereof, each of the parties has caused this Agreement to be duly executed on its behalf as of the day and year first above written.

HIGH SPEED NET SOLUTIONS, INC.

By: 

Name: Andrew Fox

Title: President

J S J CAPITAL CORP.

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

Name: Anthony N. DeMint

Title: President

## HSNS DISCLOSURE SCHEDULE

Schedule 2.1	Organization	See Amended Articles/Bylaws
Schedule 2.2(a)	Options, Stock Preference Rights	See Form 10 and Form 10/A
Schedule 2.6	Consents & Approvals	None Provided
Schedule 2.7	No Default	Not Applicable
Schedule 2.8	No Undisclosed Liability	None Exist
Schedule 2.9	Litigation	See Form 10 and Form 10/A
Schedule 2.10	Compliance with Applicable Law	None
Schedule 2.11	Employee Benefit Plans	See Form 10 and Form 10/A
Schedule 2.12	Environmental Laws and Regs	Not Applicable
Schedule 2.13	Tax Matters	None Exist
Schedule 2.14	Title to Property	None Exist
Schedule 2.15	Intellectual Property	See Form 10 and Form 10/A
Schedule 2.16	Insurance	None Exist
Schedule 2.17	Vote Required	None Required
Schedule 2.18	Tax Treatment	Not Applicable
Schedule 2.19	Affiliates	Andrew Fox Dr. Bjorn Jawerth Richard F Seifert William Bradford Silvernail Alan Kleinmaier Michael M. Cimino Michael Kim Peter Rogina Summus Ltd.
Schedule 2.20	Certain Business Practices	None Exist
Schedule 2.21	Insider Interest	See 2.19
Schedule 2.22	Opinion of Financial Adviser	Waived – None Exist
Schedule 2.23	Broker	None Exist
Schedule 4.1	Conduct of Business	None Provided

## JSJ DISCLOSURE SCHEDULE

Schedule 3.2(b) Subsidiary Stock	None Exist
Schedule 3.2(c) Capital Stock Rights	None Exist other than as in Articles
Schedule 3.2(d) Securities conversions	None Exist
Schedule 3.2 (f) Subsidiaries	None Exist
Schedule 3.6 Consents & Approvals	Provided
Schedule 3.7 No Default	Not Applicable
Schedule 3.8 No Undisclosed Liability	None Exist
Schedule 3.9 Litigation	None Exist
Schedule 3.10 Compliance with Applicable Law	Not Applicable – full disclosed in 10SB
Schedule 3.11 Employee Benefit Plans	Section 3.11( c)No Options Exist Section 3.11(e) No Agreements Exist
Schedule 3.12 Environmental Laws and Regs	Not Applicable
Schedule 3.13 Tax Matters	None Exist
Schedule 3.14 Title to Property	None Exist
Schedule 3.15(b) Intellectual Property	None Exist
Schedule 3.16 Insurance	None Exist
Schedule 3.17 Vote Required	See Shareholder Meeting Certificate
Schedule 3.18 Tax Treatment	Not Applicable
Schedule 3.19 Affiliates	Anthony N. DeMint
Schedule 3.20 Certain Business Practices	None Exist
Schedule 3.21 Insider Interest	None Exist
Schedule 3.22 Opinion of Financial Adviser	Waived – None Exist
Schedule 3.23 Broker	None Exist
Schedule 4.2 Conduct of Business	See Amended & Restated Articles

ACQUISITION AGREEMENT AND PLAN OF MERGER

DATED AS OF APRIL 19, 2000

BETWEEN

HIGH SPEED NET SOLUTIONS, INC.

AND

J.S.J. CAPITAL CORP.

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## AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this "Agreement"), dated as of April 19, 2000, is between HIGH SPEED NET SOLUTIONS, INC., a Florida corporation ("HSNS"), and J.S.J. CAPITAL CORP., a Nevada corporation ("JSJ").

Whereas, the Boards of Directors of HSNS and JSJ each have, in light of and subject to the terms and conditions set forth herein, (i) determined that the Merger (as defined below) is fair to their respective stockholders and in the best interests of such stockholders and (ii) approved the Merger in accordance with this Agreement;

Whereas, for Federal income tax purposes, it is intended that the Merger qualify as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"); and

Whereas, HSNS and JSJ desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

Now, therefore, in consideration of the promises and the representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, HSNS and JSJ hereby agree as follows:

### ARTICLE I

#### The Merger

Section 1.1. The Merger. At the Effective Time (as defined below) and upon the terms and subject to the conditions of this Agreement and in accordance with the General Corporation Law of the State of Nevada (the "NGCL") and the General Corporation Law of the State of Florida (the "FGCL"), JSJ shall be merged with and into HSNS (as defined below) (the "Merger"). Following the Merger, HSNS shall continue as the surviving corporation (the "Successor Corporation"), shall continue to be governed by the laws of the jurisdiction of its incorporation or organization and the separate corporate existence of JSJ shall cease to exist. Prior to the Effective Time, the parties hereto shall mutually agree as to the name of the Successor Corporation; however, initially the Successor Corporation shall be named HIGH SPEED NET SOLUTIONS, INC., a Florida corporation. The Merger is intended to qualify as a tax-free reorganization under Section 368 of the Code as relates to the non-cash exchange of stock referenced herein.

Section 1.2. Effective Time. Subject to the terms and conditions set forth in this Agreement, a Certificate of Merger (the "Merger Certificate") shall be duly executed and acknowledged by each of JSJ and HSNS, and thereafter the Merger Certificate reflecting the Merger shall be delivered to the Secretary of State of the State of Nevada for filing pursuant to the NGCL and to the Secretary of State of the State of Florida for filing pursuant to the FGCL on the Closing Date (as defined in Section 1.3). The Merger shall become effective at such time as a properly executed and certified copy of the Merger Certificate is duly filed by the Secretary of State of the State of Nevada in accordance with the NGCL and by the Secretary of State of the State of Florida in accordance with the FGCL or such later time as the parties may agree upon and set forth in the Merger Certificate (the time at which the Merger becomes effective shall be referred to herein as the "Effective Time").

Section 1.3. Closing of the Merger. The closing of the Merger (the "Closing") will take place at a time and on a date to be specified by the parties, which shall be no later than the second business day after satisfaction of the latest to occur of the conditions set forth in Article 5 (the "Closing Date"), at the offices of Sperry Young & Stoecklein, 1850 E. Flamingo Rd., Suite 111, Las Vegas, Nevada, unless another time, date or place is agreed to in writing by the parties hereto.

Section 1.4. Effects of the Merger. The Merger shall have the effects set forth in the NGCL and FGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers of JSJ shall vest in the Successor Corporation, and all debts, liabilities and duties of JSJ shall become the debts, liabilities and duties of the Successor Corporation.



Section 1.5. Board of Directors and Officers of HSNS. At or prior to the Effective Time, each of JSJ and HSNS agrees to take such action as is necessary (i) to cause the number of directors comprising the full Board of Directors of HSNS to remain the same

Section 1.6. Conversion of Shares. At the Effective Time, each share of common stock, par value \$.0001 per share of JSJ (individually a "JSJ Share" and collectively, the "JSJ Shares") issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of JSJ, HSNS, or the holder thereof, be converted into and shall become fully paid and nonassessable HSNS common shares determined by issuing one (1) share of HSNS common share for every 13.44 shares of JSJ.

Section 1.7. Exchange of Certificates.

(a) Prior to the Effective Time, HSNS shall enter into an agreement with, and shall deposit with, Sperry Young & Stoecklein, or such other agent or agents as may be satisfactory to HSNS and JSJ (the "Exchange Agent"), for the benefit of the holders of JSJ Shares, for exchange through the Exchange Agent in accordance with this Article I: (i) certificates representing the appropriate number of HSNS Shares to be issued to holders of JSJ Shares issuable pursuant to Section 1.6 in exchange for outstanding JSJ Shares.

(b) As soon as reasonably practicable after the Effective Time, the Exchange Agent shall mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding JSJ Shares (the "Certificates") whose shares were converted into the right to receive HSNS Shares pursuant to Section 1.6: (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as JSJ and HSNS may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing HSNS Shares. Upon surrender of a Certificate to the Exchange Agent, together with such letter of transmittal, duly executed, and any other required documents, the holder of such Certificate shall be entitled to receive in exchange therefore a certificate representing that number of whole HSNS Shares, which such holder has the right to receive pursuant to the provisions of this Article I, and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of JSJ Shares which are not registered in the transfer records of JSJ, a certificate representing the proper number of HSNS Shares may be issued to a transferee if the Certificate representing such JSJ Shares is presented to the Exchange Agent accompanied by all documents required by the Exchange Agent or HSNS to evidence and effect such transfer and by evidence that any applicable stock transfer or other taxes have been paid. Until surrendered as contemplated by this Section 1.7, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the certificate representing HSNS Shares as contemplated by this Section 1.7.

(c) No dividends or other distributions declared or made after the Effective Time with respect to HSNS Shares with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the HSNS Shares represented thereby until the holder of record of such Certificate shall surrender such Certificate.

(d) In the event that any Certificate for JSJ Shares or HSNS Shares shall have been lost, stolen or destroyed, the Exchange Agent shall issue in exchange therefore, upon the making of an affidavit of that fact by the holder thereof such HSNS Shares and cash in lieu of fractional HSNS Shares, if any, as may be required pursuant to this Agreement; provided, however, that HSNS or the Exchange Agent, may, in its respective discretion, require the delivery of a suitable bond, opinion or indemnity.

(e) All HSNS Shares issued upon the surrender for exchange of JSJ Shares in accordance with the terms hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to such JSJ Shares. There shall be no further registration of transfers on the stock transfer books of JSJ of the JSJ Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates of JSJ are presented to HSNS for any reason, they shall be canceled and exchanged as provided in this Article I.

(f) No fractional HSNS Shares shall be issued in the Merger, but in lieu thereof each holder of JSJ Shares otherwise entitled to a fractional HSNS Share shall, upon surrender of its, his or her Certificate or Certificates, be entitled to receive an additional share to round up to the nearest round number of shares.

Section 1.8. Taking of Necessary Action; Further Action. If, at any time after the Effective Time, JSJ or HSNS reasonably determines that any deeds, assignments, or instruments or confirmations of transfer are necessary or desirable to carry out the purposes of this Agreement and to vest HSNS with full right, title and possession to all assets, property, rights, privileges, powers and franchises of JSJ, the officers and directors of HSNS and JSJ are fully authorized in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary or desirable action.

## ARTICLE 2

### Representations and Warranties of HSNS

Except as set forth on the Disclosure Schedule delivered by HSNS to JSJ (the "HSNS Disclosure Schedule"), HSNS hereby represents and warrants to JSJ as follows:

#### Section 2.1. Organization and Qualification.

(a) HSNS is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, has 300 or more round lot (100 or more shares) stockholders and has all requisite power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not have a Material Adverse Effect (as defined below) on HSNS. When used in connection with HSNS, the term "Material Adverse Effect" means any change or effect (i) that is or is reasonably likely to be materially adverse to the business, results of operations, condition (financial or otherwise) or prospects of HSNS, other than any change or effect arising out of general economic conditions unrelated to any business in which HSNS is engaged, or (ii) that may impair the ability of HSNS to perform its obligations hereunder or to consummate the transactions contemplated hereby.

(b) HSNS has heretofore delivered to JSJ accurate and complete copies of the Articles of Incorporation and Bylaws (or similar governing documents), as currently in effect, of HSNS. Except as set forth on Schedule 2.1 of the HSNS Disclosure Schedule, HSNS is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not have a Material Adverse Effect on HSNS.

#### Section 2.2. Capitalization of HSNS.

(a) The authorized capital stock of HSNS consists of: (i) Fifty Million (50,000,000) Authorized Shares of Common Stock, \$0.001 par value, 21,062,149 Common shares are issued and outstanding as of February 10, 2000, and held by 300 or more round lot (100 or more shares) stockholders; (ii) Five Million (5,000,000) Authorized Shares of Preferred Stock, \$0.001 par value, no Preferred Shares have been issued. Pursuant to the Merger Agreement HSNS will issue 50,000 shares of 144 restricted common stock to the stockholder of JSJ. All of the outstanding HSNS Shares have been duly authorized and validly issued, and are fully paid, nonassessable and free of preemptive rights. Except as set forth herein, as of the date hereof, there are no outstanding (i) shares of capital stock or other voting securities of HSNS, (ii) securities of HSNS convertible into or exchangeable for shares of capital stock or voting securities of HSNS, (iii) options or other rights to acquire from HSNS, except as set forth in 2.2(a) of the Disclosure Schedule, and, no obligations of HSNS to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of HSNS, and (iv) equity equivalents, interests in the ownership or earnings of HSNS or other similar rights (collectively, "HSNS Securities"). As of the date hereof, except as set forth on Schedule 2.2(a) of the HSNS Disclosure Schedule there are no outstanding obligations of HSNS or its subsidiaries to repurchase, redeem or otherwise acquire any HSNS Securities or stockholder agreements, voting trusts or other agreements or understandings to which HSNS is a party or by which it is bound relating to the voting or registration of any shares of capital stock of HSNS. For purposes of

this Agreement, "Lien" means, with respect to any asset (including, without limitation, any security) any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

(b) The HSNS Shares constitute the only class of equity securities of HSNS registered or required to be registered under the Exchange Act.

(c) HSNS does not own directly or indirectly more than fifty percent (50%) of the outstanding voting securities or interests (including membership interests) of any entity, other than as specifically disclosed in the disclosure documents.

Section 2.3. Authority Relative to this Agreement; Recommendation. HSNS has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of HSNS (the "HSNS Board") and no other corporate proceedings on the part of HSNS are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by HSNS and constitutes a valid, legal and binding agreement of HSNS, enforceable against HSNS in accordance with its terms.

#### Section 2.4. SEC Reports; Financial Statements. SEC Reports; Financial Statements.

(a) HSNS filed a Form 10 with the Securities and Exchange Commission (the "SEC") on February 22, 2000 and a Form 10/A on March 13, 2000, which have complied in all material respects with all applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act (and the rules and regulations promulgated thereunder, respectively), as in effect on the date such form was filed. HSNS has heretofore delivered or promptly will deliver prior to the Effective Date to JSJ, in the form filed with the SEC (including any amendments thereto but excluding any exhibits), (i) its Form 10 filed February 22, 2000, (ii) its Form 10/A filed March 13, 2000, (iii) all definitive proxy statements relating to HSNS's meetings of stockholders (whether annual or special) held since March 13, 2000, if any, and (iv) all other reports or registration statements filed by HSNS with the SEC since March 13, 2000 (all of the foregoing, collectively, the "HSNS SEC Reports"). None of such HSNS SEC Reports, including, without limitation, any financial statements or schedules included or incorporated by reference therein, contained, when filed, any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited financial statements of HSNS included in the HSNS SEC Reports fairly present, in conformity with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto), the financial position of HSNS as of the dates thereof and its results of operations and changes in financial position for the periods then ended. All material agreements, contracts and other documents required to be filed as exhibits to any of the HSNS SEC Reports have been so filed.

(b) HSNS has heretofore made available or promptly will make available to JSJ a complete and correct copy of any amendments or modifications which are required to be filed with the SEC but have not yet been filed with the SEC, to agreements, documents or other instruments which previously had been filed by HSNS with the SEC pursuant to the Exchange Act.

Section 2.5. Information Supplied. None of the information supplied or to be supplied by HSNS for inclusion or incorporation by reference in connection with the Merger will at the date presented to the stockholder of JSJ and at the times of the meeting or meetings of stockholders of HSNS to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

Section 2.6. Consents and Approvals; No Violations. Except for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Securities Act, the Exchange Act, state securities or blue sky laws, the Hart-Scott-Rodino Antitrust Improvements Act of 1916, as amended (the "HSR Act"), the rules of the National Association of Securities Dealers, Inc. ("NASD"), the filing and recordation of the Merger Certificate as required by the NGCL, and as set forth on Schedule 2.6 of the HSNS Disclosure Schedule no

filing with or notice to, and no permit, authorization, consent or approval of, any court or tribunal or administrative, governmental or regulatory body, agency or authority (a "Governmental Entity") is necessary for the execution and delivery by HSNS of this Agreement or the consummation by HSNS of the transactions contemplated hereby, except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings or give such notice would not have a Material Adverse Effect on HSNS.

Except as set forth in Section 2.6 of the HSNS Disclosure Schedule, neither the execution, delivery and performance of this Agreement by HSNS nor the consummation by HSNS of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of the respective Articles of Incorporation or Bylaws (or similar governing documents) of HSNS, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which HSNS is a party or by which any of its properties or assets may be bound, or (iii) violate any order, writ, injunction, decree, law, statute, rule or regulation applicable to HSNS or any of its properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults which would not have a Material Adverse Effect on HSNS.

Section 2.7. No Default. Except as set forth in Section 2.7 of the HSNS Disclosure Schedule, HSNS is not in breach, default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a breach default or violation) of any term, condition or provision of (i) its Articles of Incorporation or Bylaws (or similar governing documents), (ii) any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which HSNS is now a party or by which any of its respective properties or assets may be bound or (iii) any order, writ injunction, decree, law, statute, rule or regulation applicable to HSNS or any of its respective properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults that would not have a Material Adverse Effect on HSNS. Except as set forth in Section 2.7 of the HSNS Disclosure Schedule, each note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which HSNS is now a party or by which its respective properties or assets may be bound that is material to HSNS and that has not expired is in full force and effect and is not subject to any material default thereunder of which HSNS is aware by any party obligated to HSNS thereunder.

Section 2.8. No Undisclosed Liabilities; Absence of Changes. Except as and to the extent disclosed in the December 31, 1999 audited financial statements, none of HSNS or its subsidiaries had any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by generally accepted accounting principles to be reflected on a consolidated balance sheet of HSNS and its consolidated subsidiaries (including the notes thereto) or which would have a Material Adverse Effect on HSNS. Except as disclosed by HSNS, none of HSNS or its subsidiaries has incurred any liabilities of any nature, whether or not accrued, contingent or otherwise, which could reasonably be expected to have, and there have been no events, changes or effects with respect to HSNS or its subsidiaries having or which could reasonably be expected to have, a Material Adverse Effect on HSNS. Except as and to the extent disclosed by HSNS there has not been (i) any material change by HSNS in its accounting methods, principles or practices (other than as required after the date hereof by concurrent changes in generally accepted accounting principles), (ii) any revaluation by HSNS of any of its assets having a Material Adverse Effect on HSNS, including, without limitation, any write-down of the value of any assets other than in the ordinary course of business or (iii) any other action or event that would have required the consent of any other party hereto pursuant to Section 4.2 of this Agreement had such action or event occurred after the date of this Agreement.

Section 2.9. Litigation. Except as set forth in Schedule 2.9 of the HSNS Disclosure Schedule there is no suit, claim, action, proceeding or investigation pending or, to the knowledge of HSNS, threatened against HSNS or any of its subsidiaries or any of their respective properties or assets before any Governmental Entity which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on HSNS or could reasonably be expected to prevent or delay the consummation of the transactions contemplated by this Agreement. Except as disclosed by HSNS, none of HSNS or its subsidiaries is subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen in the future, could reasonably be expected to have a Material Adverse Effect on HSNS or could reasonably be expected to prevent or delay the consummation of the transactions contemplated hereby.

Section 2.10. Compliance with Applicable Law. Except as disclosed by HSNS, HSNS and its subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of their respective businesses (the "HSNS Permits"), except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which would not have a Material Adverse Effect on HSNS. Except as disclosed by HSNS, HSNS and its subsidiaries are in compliance with the terms of the HSNS Permits, except where the failure so to comply would not have a Material Adverse Effect on HSNS. Except as disclosed by HSNS, the businesses of HSNS and its subsidiaries are not being conducted in violation of any law, ordinance or regulation of any Governmental Entity except that no representation or warranty is made in this Section 2.10 with respect to Environmental Laws and except for violations or possible violations which do not, and, insofar as reasonably can be foreseen, in the future will not, have a Material Adverse Effect on HSNS. Except as disclosed by HSNS no investigation or review by any Governmental Entity with respect to HSNS or its subsidiaries is pending or, to the knowledge of HSNS, threatened, nor, to the knowledge of HSNS, has any Governmental Entity indicated an intention to conduct the same, other than, in each case, those which HSNS reasonably believes will not have a Material Adverse Effect on HSNS.

Section 2.11. Employee Benefit Plans; Labor Matters.

(a) Except as set forth in Section 2.11(a) of the HSNS Disclosure Schedule with respect to each employee benefit plan, program, policy, arrangement and contract (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), maintained or contributed to at any time by HSNS or any entity required to be aggregated with HSNS pursuant to Section 414 of the Code (each, a "HSNS Employee Plan"), no event has occurred and to the knowledge of HSNS, no condition or set of circumstances exists in connection with which HSNS could reasonably be expected to be subject to any liability which would have a Material Adverse Effect on HSNS.

(b) (i) No HSNS Employee Plan is or has been subject to Title IV of ERISA or Section 412 of the Code; and (ii) each HSNS Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is the subject of a favorable Internal Revenue Service determination letter, and nothing has occurred which could reasonably be expected to adversely affect such determination.

(c) Section 2.11(c) of the HSNS Disclosure Schedule sets forth a true and complete list, as of the date of this Agreement, of each person who holds any HSNS Stock Options, together with the number of HSNS Shares which are subject to such option, the date of grant of such option, the extent to which such option is vested (or will become vested as a result of the Merger), the option price of such option (to the extent determined as of the date hereof), whether such option is a nonqualified stock option or is intended to qualify as an incentive stock option within the meaning of Section 422(b) of the Code, and the expiration date of such option. Section 2.11(c) of the HSNS Disclosure Schedule also sets forth the total number of such incentive stock options and such nonqualified options. HSNS has furnished JSJ with complete copies of the plans pursuant to which the HSNS Stock Options were issued. Other than the automatic vesting of HSNS Stock Options that may occur without any action on the part of HSNS or its officers or directors, HSNS has not taken any action that would result in any HSNS Stock Options that are unvested becoming vested in connection with or as a result of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(d) HSNS has made available to JSJ (i) a description of the terms of employment and compensation arrangements of all officers of HSNS and a copy of each such agreement currently in effect; (ii) copies of all agreements with consultants who are individuals obligating HSNS to make annual cash payments in an amount exceeding \$60,000; (iii) a schedule listing all officers of HSNS who have executed a non-competition agreement with HSNS and a copy of each such agreement currently in effect; (iv) copies (or descriptions) of all severance agreements, programs and policies of HSNS with or relating to its employees, except programs and policies required to be maintained by law; and (v) copies of all plans, programs, agreements and other arrangements of HSNS with or relating to its employees which contain change in control provisions all of which are set forth in Section 2.11(d) of the HSNS Disclosure Schedule.

(e) There shall be no payment, accrual of additional benefits, acceleration of payments, or vesting in any benefit under any HSNS Employee Plan or any agreement or arrangement disclosed under this Section 2.11 solely by reason of entering into or in connection with the transactions contemplated by this Agreement.

(f) There are no controversies pending or, to the knowledge of HSNS, threatened, between HSNS and any of their employees, which controversies have or could reasonably be expected to have a Material Adverse Effect on HSNS. Neither HSNS nor any of its subsidiaries is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by HSNS or any of its subsidiaries (and neither HSNS nor any of its subsidiaries has any outstanding material liability with respect to any terminated collective bargaining agreement or labor union contract), nor does HSNS know of any activities or proceedings of any labor union to organize any of its or employees. HSNS has no knowledge of any strike, slowdown, work stoppage, lockout or threat thereof, by or with respect to any of its employees.

#### Section 2.12. Environmental Laws and Regulations.

(a) Except as publicly disclosed by HSNS in the HSNS SEC Reports, (i) HSNS is in material compliance with all applicable federal, state, local and foreign laws and regulations relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) (collectively, "Environmental Laws"), except for non-compliance that would not have a Material Adverse Effect on HSNS, which compliance includes, but is not limited to, the possession by HSNS of all material permits and other governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof; (ii) HSNS has not received written notice of, or, to the knowledge of HSNS, is the subject of, any action, cause of action, claim, investigation, demand or notice by any person or entity alleging liability under or non-compliance with any Environmental Law (an "Environmental Claim") that could reasonably be expected to have a Material Adverse Effect on HSNS; and (iii) to the knowledge of HSNS, there are no circumstances that are reasonably likely to prevent or interfere with such material compliance in the future.

(b) Except as publicly disclosed by HSNS, there are no Environmental Claims which could reasonably be expected to have a Material Adverse Effect on HSNS that are pending or, to the knowledge of HSNS, threatened against HSNS or, to the knowledge of HSNS, against any person or entity whose liability for any Environmental Claim HSNS has or may have retained or assumed either contractually or by operation of law.

#### Section 2.13. Tax Matters.

(a) Except as set forth in Section 2.13 of the HSNS Disclosure Schedule: (i) HSNS has filed or has had filed on its behalf in a timely manner (within any applicable extension periods) with the appropriate Governmental Entity all income and other material Tax Returns (as defined herein) with respect to Taxes (as defined herein) of HSNS and all Tax Returns were in all material respects true, complete and correct; (ii) all material Taxes with respect to HSNS have been paid in full or have been provided for in accordance with GAAP on HSNS's most recent balance sheet which is part of the HSNS SEC Documents. (iii) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, state, local or foreign income or other material Tax Returns required to be filed by or with respect to HSNS; (iv) to the knowledge of HSNS none of the Tax Returns of or with respect to HSNS is currently being audited or examined by any Governmental Entity; and (v) no deficiency for any income or other material Taxes has been assessed with respect to HSNS which has not been abated or paid in full.

(b) For purposes of this Agreement, (i) "Taxes" shall mean all taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, sales, use, ad valorem, goods and services, capital, transfer, franchise, profits, license, withholding, payroll, employment, employer health, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority and (ii) "Tax Return" shall mean any report, return, documents declaration or other information or filing required to be supplied to any taxing authority or jurisdiction with respect to Taxes.

Section 2.14. Title to Property. HSNS has good and defensible title to all of its properties and assets, free and clear of all liens, charges and encumbrances except liens for taxes not yet due and payable and such liens or other imperfections of title, if any, as do not materially detract from the value of or interfere with the present use of the property affected thereby or which, individually or in the aggregate, would not have a Material Adverse Effect on HSNS; and, to HSNS's knowledge, all leases pursuant to which HSNS leases from others real or personal

property are in good standing, valid and effective in accordance with their respective terms, and there is not, to the knowledge of HSNS, under any of such leases, any existing material default or event of default (or event which with notice of lapse of time, or both, would constitute a default and in respect of which HSNS has not taken adequate steps to prevent such a default from occurring) except where the lack of such good standing, validity and effectiveness, or the existence of such default or event, would not have a Material Adverse Effect on HSNS.

#### Section 2.15. Intellectual Property.

(a) HSNS owns, or possesses adequate licenses or other valid rights to use, all existing United States and foreign patents, trademarks, trade names, service marks, copyrights, trade secrets and applications therefore that are material to its business as currently conducted (the "HSNS Intellectual Property Rights").

(b) The validity of the HSNS Intellectual Property Rights and the title thereto of HSNS is not being questioned in any litigation to which HSNS is a party.

(c) Except as set forth in Section 2.15(c) of the HSNS Disclosure Schedule, the conduct of the business of HSNS as now conducted does not, to HSNS's knowledge, infringe any valid patents, trademarks, trade names, service marks or copyrights of others. The consummation of the transactions completed hereby will not result in the loss or impairment of any HSNS Intellectual Property Rights.

(d) HSNS has taken steps it believes appropriate to protect and maintain its trade secrets as such, except in cases where HSNS has elected to rely on patent or copyright protection in lieu of trade secret protection.

#### Section 2.16. Insurance. HSNS currently maintains general liability and other business insurance.

Section 2.17. Vote Required. Approval of this Agreement and Plan of Merger by the Stockholders of HSNS is not required pursuant to current Nevada law.

Section 2.18. Tax Treatment. Neither HSNS nor, to the knowledge of HSNS, any of its affiliates has taken or agreed to take action that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

Section 2.19. Affiliates. Except for the directors and executive officers of HSNS, each of whom is listed in Section 2.19 of the HSNS Disclosure Schedule, there are no persons who, to the knowledge of HSNS, may be deemed to be affiliates of HSNS under Rule 1-02(b) of Regulation S-X of the SEC (the "HSNS Affiliates").

Section 2.20. Certain Business Practices. None of HSNS or any directors, officers, agents or employees of HSNS has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), or (iii) made any other unlawful payment.

Section 2.21. Insider Interests. Except as set forth in Section 2.21 of the HSNS Disclosure Schedule, neither any officer or director of HSNS has any interest in any material property, real or personal, including without limitation, any computer software or HSNS Intellectual Property Rights, used in or pertaining to the business of HSNS, except for the ordinary rights of a stockholder or employee stock optionholder.

Section 2.22. Opinion of Financial Adviser. No advisers, as of the date hereof, have delivered to the HSNS Board a written opinion to the effect that, as of such date, the exchange ratio contemplated by the Merger is fair to the holders of HSNS Shares.

Section 2.23. Brokers. No broker, finder or investment banker (other than the HSNS Financial Adviser, a true and correct copy of whose engagement agreement has been provided to JSJ) is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of HSNS.

Section 2.24. Disclosure. No representation or warranty of HSNS in this Agreement or any certificate, schedule, document or other instrument furnished or to be furnished to JSJ pursuant hereto or in connection herewith contains, as of the date of such representation, warranty or instrument, or will contain any untrue statement of a material fact or, at the date thereof, omits or will omit to state a material fact necessary to make any statement herein or therein, in light of the circumstances under which such statement is or will be made, not misleading.

Section 2.25. No Existing Discussions. As of the date hereof, HSNS is not engaged, directly or indirectly, in any discussions or negotiations with any other party with respect to any Third Party Acquisition (as defined in Section 4.4).

#### Section 2.26. Material Contracts.

(a) HSNS has delivered or otherwise made available to JSJ true, correct and complete copies of all contracts and agreements (and all amendments, modifications and supplements thereto and all side letters to which HSNS is a party affecting the obligations of any party thereunder) to which HSNS is a party or by which any of its properties or assets are bound that are, material to the business, properties or assets of HSNS taken as a whole, including, without limitation, to the extent any of the following are, individually or in the aggregate, material to the business, properties or assets of HSNS taken as a whole, all: (i) employment, product design or development, personal services, consulting, non-competition, severance, golden parachute or indemnification contracts (including, without limitation, any contract to which HSNS is a party involving employees of HSNS); (ii) licensing, publishing, merchandising or distribution agreements; (iii) contracts granting rights of first refusal or first negotiation; (iv) partnership or joint venture agreements; (v) agreements for the acquisition, sale or lease of material properties or assets or stock or otherwise entered into since December 31, 1999; (vi) contracts or agreements with any Governmental Entity, and (vii) all commitments and agreements to enter into any of the foregoing (collectively, together with any such contracts entered into in accordance with Section 4.1 hereof, the "HSNS Contracts"). HSNS is not a party to or bound by any severance, golden parachute or other agreement with any employee or consultant pursuant to which such person would be entitled to receive any additional compensation or an accelerated payment of compensation as a result of the consummation of the transactions contemplated hereby.

(b) Each of the HSNS Contracts is valid and enforceable in accordance with its terms, and there is no default under any HSNS Contract so listed either by HSNS or, to the knowledge of HSNS, by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder by HSNS or, to the knowledge of HSNS, any other party, in any such case in which such default or event could reasonably be expected to have a Material Adverse Effect on HSNS.

(c) No party to any such HSNS Contract has given notice to HSNS of or made a claim against HSNS with respect to any breach or default thereunder, in any such case in which such breach or default could reasonably be expected to have a Material Adverse Effect on HSNS.

### ARTICLE 3

#### Representations and Warranties of JSJ

Except as set forth on the Disclosure Schedule delivered by JSJ to HSNS (the "JSJ Disclosure Schedule"), JSJ hereby represents and warrants to HSNS as follows:

##### Section 3.1. Organization and Qualification.

(a) Each of JSJ and its subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite power and authority to own, lease and operate its properties and to carry on its businesses as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not have a Material Adverse Effect (as defined below) on JSJ. When used in connection with JSJ, the term "Material Adverse Effect" means any change or effect (i) that is or is reasonably likely to be materially adverse to the business, results of operations, condition (financial or otherwise) or prospects of JSJ and its subsidiaries, taken as a whole, other than any change or



effect arising out of general economic conditions unrelated to any businesses in which JSJ and its subsidiaries are engaged, or (ii) that may impair the ability of JSJ to consummate the transactions contemplated hereby.

(b) JSJ has heretofore delivered to HSNS accurate and complete copies of the Articles of Incorporation and Bylaws (or similar governing documents), as currently in effect, of JSJ. Each of JSJ and its subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not have a Material Adverse Effect on JSJ.

### Section 3.2. Capitalization of JSJ.

(a) As of April 18, 2000, the authorized capital stock of JSJ consists of Fifty Million (50,000,000) JSJ common Shares, \$0.0001 par value, of which 672,000 common Shares are issued and outstanding. All of the outstanding JSJ Shares have been duly authorized and validly issued, and are fully paid, nonassessable and free of preemptive rights.

(b) Except as set forth in Section 3.2(b) of the JSJ Disclosure Schedule, JSJ is the record and beneficial owner of all of the issued and outstanding shares of capital stock of its subsidiaries.

(c) Except as set forth in Section 3.2(c) of the JSJ Disclosure Schedule, between December 31, 1999 and the date hereof, no shares of JSJ's capital stock have been issued and no JSJ Stock options have been granted. Except as set forth in Section 3.2(a) above, as of the date hereof, there are no outstanding (i) shares of capital stock or other voting securities of JSJ, (ii) securities of JSJ or its subsidiaries convertible into or exchangeable for shares of capital stock or voting securities of JSJ, (iii) options or other rights to acquire from JSJ or its subsidiaries, or obligations of JSJ or its subsidiaries to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of JSJ, or (iv) equity equivalents, interests in the ownership or earnings of JSJ or its subsidiaries or other similar rights (collectively, "JSJ Securities"). As of the date hereof, there are no outstanding obligations of JSJ or any of its subsidiaries to repurchase, redeem or otherwise acquire any JSJ Securities. There are no stockholder agreements, voting trusts or other agreements or understandings to which JSJ is a party or by which it is bound relating to the voting or registration of any shares of capital stock of JSJ.

(d) Except as set forth in Section 3.2(d) of the JSJ Disclosure Schedule, there are no securities of JSJ convertible into or exchangeable for, no options or other rights to acquire from JSJ, and no other contract, understanding, arrangement or obligation (whether or not contingent) providing for the issuance or sale, directly or indirectly, of any capital stock or other ownership interests in, or any other securities of, any subsidiary of JSJ.

(e) The JSJ Shares constitute the only class of equity securities of JSJ or its subsidiaries.

(f) Except as set forth in Section 3.2(f) of the JSJ Disclosure Schedule, JSJ does not own directly or indirectly more than fifty percent (50%) of the outstanding voting securities or interests (including membership interests) of any entity.

### Section 3.3. Authority Relative to this Agreement; Recommendation.

(a) JSJ has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of JSJ (the "JSJ Board"), and no other corporate proceedings on the part of JSJ are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, except, as referred to in Section 3.17, the approval and adoption of this Agreement by the holders of at least a majority of the then outstanding JSJ Shares. This Agreement has been duly and validly executed and delivered by JSJ and constitutes a valid, legal and binding agreement of JSJ, enforceable against JSJ in accordance with its terms.

(b) The JSJ Board has resolved to recommend that the stockholders of JSJ approve and adopt this Agreement.

#### Section 3.4. SEC Reports; Financial Statements.

(a) JSJ has filed all required forms, reports and documents with the Securities and Exchange Commission (the "SEC") since January 26, 2000, each of which has complied in all material respects with all applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act (and the rules and regulations promulgated thereunder, respectively), each as in effect on the dates such forms, reports and documents were filed. JSJ has heretofore delivered or promptly will deliver prior to the Effective Date to JSJ, in the form filed with the SEC (including any amendments thereto but excluding any exhibits), (i) its initial Registration Statement on Form 10SB12G filed January 26, 2000, (ii) all definitive proxy statements relating to JSJ's meetings of stockholders (whether annual or special) held since January 26, 2000, if any, and (iii) all other reports or registration statements filed by JSJ with the SEC since January 26, 2000 (all of the foregoing, collectively, the "JSJ SEC Reports"). None of such JSJ SEC Reports, including, without limitation, any financial statements or schedules included or incorporated by reference therein, contained, when filed, any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited financial statements of JSJ included in the JSJ SEC Reports fairly present, in conformity with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto), the financial position of JSJ as of the dates thereof and its results of operations and changes in financial position for the periods then ended. All material agreements, contracts and other documents required to be filed as exhibits to any of the JSJ SEC Reports have been so filed.

(b) JSJ has heretofore made available or promptly will make available to HSNS a complete and correct copy of any amendments or modifications which are required to be filed with the SEC but have not yet been filed with the SEC, to agreements, documents or other instruments which previously had been filed by JSJ with the SEC pursuant to the Exchange Act.

Section 3.5. Information Supplied. None of the information supplied or to be supplied by JSJ for inclusion or incorporation by reference to the 8-K will, at the time the 8-K is filed with the SEC and at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

Section 3.6. Consents and Approvals; No Violations. Except as set forth in Section 3.6 of the JSJ Disclosure Schedule, and for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of, the Securities Act, the Exchange Act, state securities or blue sky laws, the HSR Act, the rules of the NASD, and the filing and recordation of the Merger Certificate as required by the NGCL, no filing with or notice to, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the execution and delivery by JSJ of this Agreement or the consummation by JSJ of the transactions contemplated hereby, except where the failure to obtain such permits, authorizations consents or approvals or to make such filings or give such notice would not have a Material Adverse Effect on JSJ.

Neither the execution, delivery and performance of this Agreement by JSJ nor the consummation by JSJ of the transactions contemplated hereby will (i) conflict with or result in any breach of any provision of the respective Articles of Incorporation or Bylaws (or similar governing documents) of JSJ or any of JSJ's subsidiaries, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration or Lien) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which JSJ or any of JSJ's subsidiaries is a party or by which any of them or any of their respective properties or assets may be bound or (iii) violate any order, writ, injunction, decree, law, statute, rule or regulation applicable to JSJ or any of JSJ's subsidiaries or any of their respective properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults which would not have a Material Adverse Effect on JSJ.

Section 3.7. No Default. None of JSJ or any of its subsidiaries is in breach, default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a breach, default or violation) of any term, condition or provision of (i) its Articles of Incorporation or Bylaws (or similar governing documents), (ii) any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which

JSJ or any of its subsidiaries is now a party or by which any of them or any of their respective properties or assets may be bound or (iii) any order, writ, injunction, decree, law, statute, rule or regulation applicable to JSJ, its subsidiaries or any of their respective properties or assets, except in the case of (ii) or (iii) for violations, breaches or defaults that would not have a Material Adverse Effect on JSJ. Each note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which JSJ or any of its subsidiaries is now a party or by which any of them or any of their respective properties or assets may be bound that is material to JSJ and its subsidiaries taken as a whole and that has not expired is in full force and effect and is not subject to any material default thereunder of which JSJ is aware by any party obligated to JSJ or any subsidiary thereunder.

**Section 3.8. No Undisclosed Liabilities; Absence of Changes.** Except as set forth in Section 2.8 of the JSJ Disclosure Schedule and except as and to the extent publicly disclosed by JSJ in the JSJ SEC Reports, as of December 31, 1999, JSJ does not have any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by generally accepted accounting principles to be reflected on a balance sheet of JSJ (including the notes thereto) or which would have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ, since December 31, 1999, JSJ has not incurred any liabilities of any nature, whether or not accrued, contingent or otherwise, which could reasonably be expected to have, and there have been no events, changes or effects with respect to JSJ having or which reasonably could be expected to have, a Material Adverse Effect on JSJ. Except as and to the extent publicly disclosed by JSJ in the JSJ SEC Reports and except as set forth in Section 2.8 of the JSJ Disclosure Schedule, since December 31, 1999, there has not been (i) any material change by JSJ in its accounting methods, principles or practices (other than as required after the date hereof by concurrent changes in generally accepted accounting principles), (ii) any revaluation by JSJ of any of its assets having a Material Adverse Effect on JSJ, including, without limitation, any write-down of the value of any assets other than in the ordinary course of business or (iii) any other action or event that would have required the consent of any other party hereto pursuant to Section 4.1 of this Agreement had such action or event occurred after the date of this Agreement.

**Section 3.9. Litigation.** Except as publicly disclosed by JSJ in the JSJ SEC Reports, there is no suit, claim, action, proceeding or investigation pending or, to the knowledge of JSJ, threatened against JSJ or any of its subsidiaries or any of their respective properties or assets before any Governmental Entity which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on JSJ or could reasonably be expected to prevent or delay the consummation of the transactions contemplated by this Agreement. Except as publicly disclosed by JSJ in the JSJ SEC Reports, JSJ is not subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen in the future, could reasonably be expected to have a Material Adverse Effect on JSJ or could reasonably be expected to prevent or delay the consummation of the transactions contemplated hereby.

**Section 3.10. Compliance with Applicable Law.** Except as publicly disclosed by JSJ in the JSJ SEC Reports, JSJ holds all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of their respective businesses (the "JSJ Permits"), except for failures to hold such permits, licenses, variances, exemptions, orders and approvals which would not have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ in the JSJ SEC Reports, JSJ is in compliance with the terms of the JSJ Permits, except where the failure so to comply would not have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ in the JSJ SEC Reports, the business of JSJ is not being conducted in violation of any law, ordinance or regulation of any Governmental Entity except that no representation or warranty is made in this Section 2.10 with respect to Environmental Laws (as defined in Section 2.12 below) and except for violations or possible violations which do not, and, insofar as reasonably can be foreseen, in the future will not, have a Material Adverse Effect on JSJ. Except as publicly disclosed by JSJ in the JSJ SEC Reports, no investigation or review by any Governmental Entity with respect to JSJ is pending or, to the knowledge of JSJ, threatened, nor, to the knowledge of JSJ, has any Governmental Entity indicated an intention to conduct the same, other than, in each case, those which JSJ reasonably believes will not have a Material Adverse Effect on JSJ.

**Section 3.11. Employee Benefit Plans; Labor Matters.**

(a) With respect to each employee benefit plan, program, policy, arrangement and contract (including, without limitation, any "employee benefit plan," as defined in Section 3(3) of ERISA), maintained or contributed to at any time by JSJ, any of its subsidiaries or any entity required to be aggregated with JSJ or any of its subsidiaries

pursuant to Section 414 of the Code (each, a "JSJ Employee Plan"), no event has occurred and, to the knowledge of JSJ, no condition or set of circumstances exists in connection with which JSJ or any of its subsidiaries could reasonably be expected to be subject to any liability which would have a Material Adverse Effect on JSJ.

(b) (i) No JSJ Employee Plan is or has been subject to Title IV of ERISA or Section 412 of the Code; and (ii) each JSJ Employee Plan intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code is the subject of a favorable Internal Revenue Service determination letter, and nothing has occurred which could reasonably be expected to adversely affect such determination.

(c) Section 3.11(c) of the JSJ Disclosure Schedule sets forth a true and complete list, as of the date of this Agreement, of each person who holds any JSJ Stock Options, together with the number of JSJ Shares which are subject to such option, the date of grant of such option, the extent to which such option is vested (or will become vested as a result of the Merger), the option price of such option (to the extent determined as of the date hereof), whether such option is a nonqualified stock option or is intended to qualify as an incentive stock option within the meaning of Section 422(b) of the Code, and the expiration date of such option. Section 3.11(c) of the JSJ Disclosure Schedule also sets forth the total number of such incentive stock options and such nonqualified options. JSJ has furnished HSNS with complete copies of the plans pursuant to which the JSJ Stock Options were issued. Other than the automatic vesting of JSJ Stock Options that may occur without any action on the part of JSJ or its officers or directors, JSJ has not taken any action that would result in any JSJ Stock Options that are unvested becoming vested in connection with or as a result of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(d) JSJ has made available to HSNS (i) a description of the terms of employment and compensation arrangements of all officers of JSJ and a copy of each such agreement currently in effect; (ii) copies of all agreements with consultants who are individuals obligating JSJ to make annual cash payments in an amount exceeding \$60,000; (iii) a schedule listing all officers of JSJ who have executed a non-competition agreement with JSJ and a copy of each such agreement currently in effect; (iv) copies (or descriptions) of all severance agreements, programs and policies of JSJ with or relating to its employees, except programs and policies required to be maintained by law; and (v) copies of all plans, programs, agreements and other arrangements of the JSJ with or relating to its employees which contain change in control provisions.

(e) Except as disclosed in Section 3.11(e) of the JSJ Disclosure Schedule there shall be no payment, accrual of additional benefits, acceleration of payments, or vesting in any benefit under any JSJ Employee Plan or any agreement or arrangement disclosed under this Section 3.11 solely by reason of entering into or in connection with the transactions contemplated by this Agreement.

(f) There are no controversies pending or, to the knowledge of JSJ threatened, between JSJ or any of its subsidiaries and any of their respective employees, which controversies have or could reasonably be expected to have a Material Adverse Effect on JSJ. Neither JSJ nor any of its subsidiaries is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by JSJ or any of its subsidiaries (and neither JSJ nor any of its subsidiaries has any outstanding material liability with respect to any terminated collective bargaining agreement or labor union contract), nor does JSJ know of any activities or proceedings of any labor union to organize any of its or any of its subsidiaries' employees. JSJ has no knowledge of any strike, slowdown, work stoppage, lockout or threat thereof by or with respect to any of its or any of its subsidiaries' employees.

#### Section 3.12. Environmental Laws and Regulations.

(a) Except as disclosed by JSJ, (i) each of JSJ and its subsidiaries is in material compliance with all Environmental Laws, except for non-compliance that would not have a Material Adverse Effect on JSJ, which compliance includes, but is not limited to, the possession by JSJ and its subsidiaries of all material permits and other governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof; (ii) none of JSJ or its subsidiaries has received written notice of, or, to the knowledge of JSJ, is the subject of, any Environmental Claim that could reasonably be expected to have a Material Adverse Effect on JSJ; and (iii) to the knowledge of JSJ, there are no circumstances that are reasonably likely to prevent or interfere with such material compliance in the future.

(b) Except as disclosed by JSJ, there are no Environmental Claims which could reasonably be expected to have a Material Adverse Effect on JSJ that are pending or, to the knowledge of JSJ, threatened against JSJ or any of its subsidiaries or, to the knowledge of JSJ, against any person or entity whose liability for any Environmental Claim JSJ or its subsidiaries has or may have retained or assumed either contractually or by operation of law.

Section 3.13. Tax Matters. Except as set forth in Section 3.13 of the JSJ Disclosure Schedule: (i) JSJ and each of its subsidiaries has filed or has had filed on its behalf in a timely manner (within any applicable extension periods) with the appropriate Governmental Entity all income and other material Tax Returns with respect to Taxes of JSJ and each of its subsidiaries and all Tax Returns were in all material respects true, complete and correct; (ii) all material Taxes with respect to JSJ and each of its subsidiaries have been paid in full or have been provided for in accordance with GAAP on JSJ's most recent balance sheet which is part of the JSJ SEC Documents; (iii) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any federal, state, local or foreign income or other material Tax Returns required to be filed by or with respect to JSJ or its subsidiaries; (iv) to the knowledge of JSJ none of the Tax Returns of or with respect to JSJ or any of its subsidiaries is currently being audited or examined by any Governmental Entity; and (v) no deficiency for any income or other material Taxes has been assessed with respect to JSJ or any of its subsidiaries which has not been abated or paid in full.

Section 3.14. Title to Property. JSJ and each of its subsidiaries have good and defensible title to all of their properties and assets, free and clear of all liens, charges and encumbrances except liens for taxes not yet due and payable and such liens or other imperfections of title, if any, as do not materially detract from the value of or interfere with the present use of the property affected thereby or which, individually or in the aggregate, would not have a Material Adverse Effect on JSJ; and, to JSJ's knowledge, all leases pursuant to which JSJ or any of its subsidiaries lease from others real or personal property are in good standing, valid and effective in accordance with their respective terms, and there is not, to the knowledge of JSJ, under any of such leases, any existing material default or event of default (or event which with notice or lapse of time, or both, would constitute a material default and in respect of which JSJ or such subsidiary has not taken adequate steps to prevent such a default from occurring) except where the lack of such good standing, validity and effectiveness, or the existence of such default or event of default would not have a Material Adverse Effect on JSJ.

#### Section 3.15. Intellectual Property.

(a) Each of JSJ and its subsidiaries owns, or possesses adequate licenses or other valid rights to use, all existing United States and foreign patents, trademarks, trade names, services marks, copyrights, trade secrets, and applications therefore that are material to its business as currently conducted (the "JSJ Intellectual Property Rights").

(b) Except as set forth in Section 3.15(b) of the JSJ Disclosure Schedule the validity of the JSJ Intellectual Property Rights and the title thereto of JSJ or any subsidiary, as the case may be, is not being questioned in any litigation to which JSJ or any subsidiary is a party.

(c) The conduct of the business of JSJ and its subsidiaries as now conducted does not, to JSJ's knowledge, infringe any valid patents, trademarks, tradenames, service marks or copyrights of others. The consummation of the transactions contemplated hereby will not result in the loss or impairment of any JSJ Intellectual Property Rights.

(d) Each of JSJ and its subsidiaries has taken steps it believes appropriate to protect and maintain its trade secrets as such, except in cases where JSJ has elected to rely on patent or copyright protection in lieu of trade secret protection.

Section 3.16. Insurance. JSJ currently does not maintain general liability and other business insurance.

Section 3.17. Vote Required. The affirmative vote of the holders of at least a majority of the outstanding JSJ Shares is the only vote of the holders of any class or series of JSJ's capital stock necessary to approve and adopt this Agreement and the Merger.

Section 3.18. Tax Treatment. Neither JSJ nor, to the knowledge of JSJ, any of its affiliates has taken or agreed to take any action that would prevent the Merger from constituting a reorganization qualifying under the provisions of Section 368(a) of the Code.

Section 3.19. Affiliates. Except for the directors and executive officers of JSJ, each of whom is listed in Section 3.19 of the JSJ Disclosure Schedule, there are no persons who, to the knowledge of JSJ, may be deemed to be affiliates of JSJ under Rule 1-02(b) of Regulation S-X of the SEC (the "JSJ Affiliates").

Section 3.20. Certain Business Practices. None of JSJ, any of its subsidiaries or any directors, officers, agents or employees of JSJ or any of its subsidiaries has (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the FCPA, or (iii) made any other unlawful payment.

Section 3.21. Insider Interests. Except as set forth in Section 3.21 of the JSJ Disclosure Schedule, no officer or director of JSJ has any interest in any material property, real or personal, including without limitation, any computer software or JSJ Intellectual Property Rights, used in or pertaining to the business of JSJ or any subsidiary, except for the ordinary rights of a stockholder or employee stock optionholder.

Section 3.22. Opinion of Financial Adviser. No advisers, as of the date hereof, have delivered to the JSJ Board a written opinion to the effect that, as of such date, the exchange ratio contemplated by the Merger is fair to the holders of JSJ Shares.

Section 3.23. Brokers. No broker, finder or investment banker (other than the JSJ Financial Adviser, a true and correct copy of whose engagement agreement has been provided to HSNS) is entitled to any brokerage, finders or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of JSJ.

Section 3.24. Disclosure. No representation or warranty of JSJ in this Agreement or any certificate, schedule, document or other instrument furnished or to be furnished to HSNS pursuant hereto or in connection herewith contains, as of the date of such representation, warranty or instrument, or will contain any untrue statement of a material fact or, at the date thereof, omits or will omit to state a material fact necessary to make any statement herein or therein, in light of the circumstances under which such statement is or will be made, not misleading.

Section 3.25. No Existing Discussions. As of the date hereof, JSJ is not engaged, directly or indirectly, in any discussions or negotiations with any other party with respect to any Third Party Acquisition (as defined in Section 5.4).

#### Section 3.26. Material Contracts.

(a) JSJ has delivered or otherwise made available to HSNS true, correct and complete copies of all contracts and agreements (and all amendments, modifications and supplements thereto and all side letters to which JSJ is a party affecting the obligations of any party thereunder) to which JSJ or any of its subsidiaries is a party or by which any of their properties or assets are bound that are, material to the business, properties or assets of JSJ and its subsidiaries taken as a whole, including, without limitation, to the extent any of the following are, individually or in the aggregate, material to the business, properties or assets of JSJ and its subsidiaries taken as a whole, all: (i) employment, product design or development, personal services, consulting, non-competition, severance, golden parachute or indemnification contracts (including, without limitation, any contract to which JSJ is a party involving employees of JSJ); (ii) licensing, publishing, merchandising or distribution agreements; (iii) contracts granting rights of first refusal or first negotiation; (iv) partnership or joint venture agreements; (v) agreements for the acquisition, sale or lease of material properties or assets or stock or otherwise; (vi) contracts or agreements with any Governmental Entity; and (vii) all commitments and agreements to enter into any of the foregoing (collectively, together with any such contracts entered into in accordance with Section 5.2 hereof, the "JSJ Contracts"). Neither JSJ nor any of its subsidiaries is a party to or bound by any severance, golden parachute or other agreement with any employee or consultant pursuant to which such person would be entitled to receive any additional compensation or an accelerated payment of compensation as a result of the consummation of the transactions contemplated hereby.

(b) Each of the JSJ Contracts is valid and enforceable in accordance with its terms, and there is no default under any JSJ Contract so listed either by JSJ or, to the knowledge of JSJ, by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder by JSJ or, to the knowledge of JSJ, any other party, in any such case in which such default or event could reasonably be expected to have a Material Adverse Effect on JSJ.

(c) No party to any such JSJ Contract has given notice to JSJ of or made a claim against JSJ with respect to any breach or default thereunder, in any such case in which such breach or default could reasonably be expected to have a Material Adverse Effect on JSJ.

## ARTICLE 4

### Covenants

Section 4.1. Conduct of Business of HSNS. Except as contemplated by this Agreement or as described in Section 4.1 of the HSNS Disclosure Schedule, during the period from the date hereof to the Effective Time, HSNS will conduct its operations in the ordinary course of business consistent with past practice and, to the extent consistent therewith, with no less diligence and effort than would be applied in the absence of this Agreement, seek to preserve intact its current business organization, keep available the service of its current officers and employees and preserve its relationships with customers, suppliers and others having business dealings with it to the end that goodwill and ongoing businesses shall be unimpaired at the Effective Time. Without limiting the generality of the foregoing, except as otherwise expressly provided in this Agreement or as described in Section 4.1 of the HSNS Disclosure Schedule, prior to the Effective Time, HSNS will not, without the prior written consent of JSJ:

- (a) amend its Articles of Incorporation or Bylaws (or other similar governing instrument);
- (b) amend the terms of any stock of any class or any other securities (except bank loans) or equity equivalents.
- (c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, make any other actual, constructive or deemed distribution in respect of its capital stock or otherwise make any payments to stockholders in their capacity as such, or redeem or otherwise acquire any of its securities;
- (d) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of HSNS (other than the Merger);
- (e) (i) incur or assume any long-term or short-term debt or issue any debt securities except for borrowings or issuances of letters of credit under existing lines of credit in the ordinary course of business; (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person. (iii) make any loans, advances or capital contributions to, or investments in, any other person; (iv) pledge or otherwise encumber shares of capital stock of HSNS; or (v) mortgage or pledge any of its material assets, or create or suffer to exist any material Lien thereupon (other than tax Liens for taxes not yet due);
- (f) except as may be required by law, enter into, adopt or amend or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, stock equivalent, stock purchase agreement, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee in any manner, or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any plan and arrangement as in effect as of the date hereof (including, without limitation, the granting of stock appreciation rights or performance units); provided, however, that this paragraph (f) shall not prevent HSNS from (i) entering into employment agreements or severance agreements with employees in the ordinary course of business and consistent with past practice or (ii) increasing

annual compensation and/or providing for or amending bonus arrangements for employees for fiscal 2000 in the ordinary course of year-end compensation reviews consistent with past practice and paying bonuses to employees for fiscal 2000 in amounts previously disclosed to JSJ (to the extent that such compensation increases and new or amended bonus arrangements do not result in a material increase in benefits or compensation expense to HSNS);

(g) acquire, sell, lease or dispose of any assets in any single transaction or series of related transactions (other than in the ordinary course of business);

(h) except as may be required as a result of a change in law or in generally accepted accounting principles, change any of the accounting principles or practices used by it;

(i) revalue in any material respect any of its assets including, without limitation, writing down the value of inventory or writing-off notes or accounts receivable other than in the ordinary course of business;

(j) (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any equity interest therein; (ii) enter into any contract or agreement other than in the ordinary course of business consistent with past practice which would be material to HSNS; (iii) authorize any new capital expenditure or expenditures which, individually is in excess of \$1,000 or, in the aggregate, are in excess of \$5,000; provided, however that none of the foregoing shall limit any capital expenditure required pursuant to existing contracts;

(k) make any tax election or settle or compromise any income tax liability material to HSNS;

(l) settle or compromise any pending or threatened suit, action or claim which (i) relates to the transactions contemplated hereby or (ii) the settlement or compromise of which could have a Material Adverse Effect on HSNS;

(m) commence any material research and development project or terminate any material research and development project that is currently ongoing, in either case, except pursuant to the terms of existing contracts or in the ordinary course of business; or

(n) take, or agree in writing or otherwise to take, any of the actions described in Sections 4.1(a) through 4.1(m) or any action which would make any of the representations or warranties of contained in this Agreement untrue or incorrect.

Section 4.2. Conduct of Business of JSJ. Except as contemplated by this Agreement or as described in Section 4.2 of the JSJ Disclosure Schedule during the period from the date hereof to the Effective Time, JSJ will conduct its operations in the ordinary course of business consistent with past practice and, to the extent consistent therewith, with no less diligence and effort than would be applied in the absence of this Agreement, seek to preserve intact its current business organization, keep available the service of its current officers and employees and preserve its relationships with customers, suppliers and others having business dealings with it to the end that goodwill and ongoing businesses shall be unimpaired at the Effective Time. Without limiting the generality of the foregoing, except as otherwise expressly provided in this Agreement or as described in Section 4.2 of the JSJ Disclosure Schedule, prior to the Effective Time, JSJ will not, without the prior written consent of:

(a) amend its Articles of Incorporation or Bylaws (or other similar governing instrument);

(b) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock of any class or any other securities (except bank loans) or equity equivalents (including, without limitation, any stock options or stock appreciation rights);

(c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, make any other actual, constructive or deemed distribution in respect of its capital stock or otherwise make any payments to stockholders in their capacity as such, or redeem or otherwise acquire any of its securities;



(d) adopt a plan of complete or partial liquidation, dissolution, merger consolidation, restructuring, recapitalization or other reorganization of JSJ (other than the Merger);

(e) (i) incur or assume any long-term or short-term debt or issue any debt securities except for borrowings or issuances of letters of credit under existing lines of credit in the ordinary course of business. (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person; (iii) make any loans, advances or capital contributions to or investments in, any other person; (iv) pledge or otherwise encumber shares of capital stock of JSJ or its subsidiaries; or (v) mortgage or pledge any of its material assets, or create or suffer to exist any material Lien thereupon (other than tax Liens for taxes not yet due);

(f) except as may be required by law, enter into, adopt or amend or terminate any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit stock equivalent, stock purchase agreement, pension, retirement, deferred compensation, employment, severance or other employee benefit agreement, trust, plan, fund or other arrangement for the benefit or welfare of any director, officer or employee in any manner, or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any plan and arrangement as in effect as of the date hereof (including, without limitation, the granting of stock appreciation rights or performance units); provided, however, that this paragraph (f) shall not prevent JSJ or its subsidiaries from (i) entering into employment agreements or severance agreements with employees in the ordinary course of business and consistent with past practice or (ii) increasing annual compensation and/or providing for or amending bonus arrangements for employees for fiscal 2000 in the ordinary course of yearend compensation reviews consistent with past practice and paying bonuses to employees for fiscal 2000 in amounts previously disclosed to (to the extent that such compensation increases and new or amended bonus arrangements do not result in a material increase in benefits or compensation expense to JSJ);

(g) acquire, sell, lease or dispose of any assets in any single transaction or series of related transactions other than in the ordinary course of business;

(h) except as may be required as a result of a change in law or in generally accepted accounting principles, change any of the accounting principles or practices used by it;

(i) revalue in any material respect any of its assets, including, without limitation, writing down the value of inventory of writing-off notes or accounts receivable other than in the ordinary course of business;

(j) (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, or other business organization or division thereof or any equity interest therein; (ii) enter into any contract or agreement other than in the ordinary course of business consistent with past practice which would be material to JSJ; (iii) authorize any new capital expenditure or expenditures which, individually, is in excess of \$1,000 or, in the aggregate, are in excess of \$5,000; provided, however that none of the foregoing shall limit any capital expenditure required pursuant to existing contracts;

(k) make any tax election or settle or compromise any income tax liability material to JSJ and its subsidiaries taken as a whole;

(l) settle or compromise any pending or threatened suit, action or claim which (i) relates to the transactions contemplated hereby or (ii) the settlement or compromise of which could have a Material Adverse Effect on JSJ;

(m) commence any material research and development project or terminate any material research and development project that is currently ongoing, in either case, except pursuant to the terms of existing contracts or except in the ordinary course of business; or

(n) take, or agree in writing or otherwise to take, any of the actions described in Sections 4.2(a) through 4.2(m) or any action which would make any of the representations or warranties of the JSJ contained in this Agreement untrue or incorrect.

Section 4.3. Preparation of 8-K. JSJ and HSNS shall promptly prepare and file with the SEC an 8-K disclosing this merger with audited financials of HSNS along with pro forma combined statements.

Section 4.4. Other Potential Acquirers.

(a) JSJ, its affiliates and their respective officers, directors, employees, representatives and agents shall immediately cease any existing discussions or negotiations, if any, with any parties conducted heretofore with respect to any Third Party Acquisition.

Section 4.5. Meetings of Stockholders. JSJ shall take all action necessary, in accordance with the respective General Corporation Law of its respective state, and its respective Articles of Incorporation and bylaws, to duly call, give notice of, convene and hold a meeting of its stockholders as promptly as practicable, to consider and vote upon the adoption and approval of this Agreement and the transactions contemplated hereby. The stockholder votes required for the adoption and approval of the transactions contemplated by this Agreement. JSJ will, through its Boards of Directors, recommend to their respective stockholders approval of such matters

Section 4.6. NASD OTC:BB Listing. The parties shall use all reasonable efforts to cause the HSNS Shares, subject to Rule 144, to be traded on the Over-The-Counter Bulletin Board (OTC:BB).

Section 4.7. Access to Information.

(a) Between the date hereof and the Effective Time, HSNS will give JSJ and its authorized representatives, and JSJ will give HSNS and its authorized representatives, reasonable access to all employees, plants, offices, warehouses and other facilities and to all books and records of itself and its subsidiaries, will permit the other party to make such inspections as such party may reasonably require and will cause its officers and those of its subsidiaries to furnish the other party with such financial and operating data and other information with respect to the business and properties of itself and its subsidiaries as the other party may from time to time reasonably request.

(b) Between the date hereof and the Effective Time, HSNS shall furnish to JSJ, and JSJ will furnish to HSNS, within 25 business days after the end of each quarter, quarterly statements prepared by such party in conformity with its past practices) as of the last day of the period then ended.

(c) Each of the parties hereto will hold and will cause its consultants and advisers to hold in confidence all documents and information furnished to it in connection with the transactions contemplated by this Agreement.

Section 4.8. Additional Agreements, Reasonable Efforts. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, (i) cooperating in the preparation and filing of the 8-K, any filings that may be required under the HSR Act, and any amendments to any thereof; (ii) obtaining consents of all third parties and Governmental Entities necessary, proper or advisable for the consummation of the transactions contemplated by this Agreement; (iii) contesting any legal proceeding relating to the Merger and (iv) the execution of any additional instruments necessary to consummate the transactions contemplated hereby. Subject to the terms and conditions of this Agreement, JSJ and HSNS agree to use all reasonable efforts to cause the Effective Time to occur as soon as practicable after the stockholder votes with respect to the Merger. In case at any time after the Effective Time any further action is necessary to carry out the purposes of this Agreement, the proper officers and directors of each party hereto shall take all such necessary action.

Section 4.9. Indemnification.

(a) To the extent, if any, not provided by an existing right under one of the parties' directors and officers liability insurance policies, from and after the Effective Time, HSNS shall, to the fullest extent permitted by applicable law, indemnify, defend and hold harmless each person who is now, or has been at any time prior to the date hereof, or who becomes prior to the Effective Time, a director, officer or employee of the parties hereto or any subsidiary thereof (each an "Indemnified Party" and, collectively, the "Indemnified Parties") against all losses,

expenses (including reasonable attorneys' fees and expenses), claims, damages or liabilities or, subject to the proviso of the next succeeding sentence, amounts paid in settlement arising out of actions or omissions occurring at or prior to the Effective Time and whether asserted or claimed prior to, at or after the Effective Time) that are in whole or in part (i) based on, or arising out of the fact that such person is or was a director, officer or employee of such party or a subsidiary of such party or (ii) based on, arising out of or pertaining to the transactions contemplated by this Agreement. In the event of any such loss expense, claim, damage or liability (whether or not arising before the Effective Time), (i) HSNS shall pay the reasonable fees and expenses of counsel selected by the Indemnified Parties, which counsel shall be reasonably satisfactory to HSNS, promptly after statements therefore are received and otherwise advance to such Indemnified Party upon request reimbursement of documented expenses reasonably incurred, in either case to the extent not prohibited by the NGCL or its Articles of Incorporation or bylaws, (ii) HSNS will cooperate in the defense of any such matter and (iii) any determination required to be made with respect to whether an Indemnified Party's conduct complies with the standards set forth under the NGCL and HSNS's Articles of Incorporation or bylaws shall be made by independent counsel mutually acceptable to HSNS and the Indemnified Party; provided, however, that HSNS shall not be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld). The Indemnified Parties as a group may retain only one law firm with respect to each related matter except to the extent there is, in the opinion of counsel to an Indemnified Party, under applicable standards of professional conduct, a conflict on any significant issue between positions of any two or more Indemnified Parties.

(b) In the event HSNS or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity or such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then and in either such case, proper provision shall be made so that the successors and assigns of HSNS shall assume the obligations set forth in this Section 4.9.

(c) To the fullest extent permitted by law, from and after the Effective Time, all rights to indemnification now existing in favor of the employees, agents, directors or officers of HSNS and JSJ and their subsidiaries with respect to their activities as such prior to the Effective Time, as provided in HSNS's and JSJ's Articles of Incorporation or bylaws, in effect on the date thereof or otherwise in effect on the date hereof, shall survive the Merger and shall continue in full force and effect for a period of not less than six years from the Effective Time.

(d) The provisions of this Section 4.9 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, his or her heirs and his or her representatives.

Section 4.10. Notification of Certain Matters. The parties hereto shall give prompt notice to the other parties, of (i) the occurrence or nonoccurrence of any event the occurrence or nonoccurrence of which would be likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Effective Time, (ii) any material failure of such party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, (iii) any notice of, or other communication relating to, a default or event which, with notice or lapse of time or both, would become a default, received by such party or any of its subsidiaries subsequent to the date of this Agreement and prior to the Effective Time, under any contract or agreement material to the financial condition, properties, businesses or results of operations of such party and its subsidiaries taken as a whole to which such party or any of its subsidiaries is a party or is subject, (iv) any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated by this Agreement, or (v) any material adverse change in their respective financial condition, properties, businesses, results of operations or prospects taken as a whole, other than changes resulting from general economic conditions; provided, however, that the delivery of any notice pursuant to this Section 4.10 shall not cure such breach or non-compliance or limit or otherwise affect the remedies available hereunder to the party receiving such notice.

## ARTICLE 5

### Conditions to Consummation of the Merger

Section 5.1. Conditions to Each Party's Obligations to Effect the Merger. The respective obligations of each party hereto to effect the Merger are subject to the satisfaction at or prior to the Effective Time of the following conditions:

- (a) this Agreement shall have been approved and adopted by the requisite vote of the stockholders of JSJ;
- (b) this Agreement shall have been approved and adopted by the Board of Directors of HSNS and JSJ;
- (c) no statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or enforced by any United States court or United States governmental authority which prohibits, restrains, enjoins or restricts the consummation of the Merger;
- (d) any waiting period applicable to the Merger under the HSR Act shall have terminated or expired, and any other governmental or regulatory notices or approvals required with respect to the transactions contemplated hereby shall have been either filed or received; and

Section 5.2. Conditions to the Obligations of HSNS. The obligation of HSNS to effect the Merger is subject to the satisfaction at or prior to the Effective Time of the following conditions:

- (a) the representations of JSJ contained in this Agreement or in any other document delivered pursuant hereto shall be true and correct (except to the extent that the breach thereof would not have a Material Adverse Effect on JSJ) at and as of the Effective Time with the same effect as if made at and as of the Effective Time (except to the extent such representations specifically related to an earlier date, in which case such representations shall be true and correct as of such earlier date), and at the Closing JSJ shall have delivered to HSNS a certificate to that effect;
- (b) each of the covenants and obligations of JSJ to be performed at or before the Effective Time pursuant to the terms of this Agreement shall have been duly performed in all material respects at or before the Effective Time and at the Closing JSJ shall have delivered to HSNS a certificate to that effect;
- (d) JSJ shall have obtained the consent or approval of each person whose consent or approval shall be required in order to permit the Merger as relates to any obligation, right or interest of JSJ under any loan or credit agreement, note, mortgage, indenture, lease or other agreement or instrument, except those for which failure to obtain such consents and approvals would not, in the reasonable opinion of HSNS, individually or in the aggregate, have a Material Adverse Effect on JSJ;
- (e) there shall have been no events, changes or effects with respect to JSJ or its subsidiaries having or which could reasonably be expected to have a Material Adverse Effect on JSJ; and

Section 5.3. Conditions to the Obligations of JSJ. The respective obligations of JSJ to effect the Merger are subject to the satisfaction at or prior to the Effective Time of the following conditions:

- (a) the representations of HSNS contained in this Agreement or in any other document delivered pursuant hereto shall be true and correct (except to the extent that the breach thereof would not have a Material Adverse Effect on HSNS) at and as of the Effective Time with the same effect as if made at and as of the Effective Time (except to the extent such representations specifically related to an earlier date, in which case such representations shall be true and correct as of such earlier date), and at the Closing HSNS shall have delivered to JSJ a certificate to that effect;
- (b) each of the covenants and obligations of HSNS to be performed at or before the Effective Time pursuant to the terms of this Agreement shall have been duly performed in all material respects at or before the Effective Time and at the Closing HSNS shall have delivered to JSJ a certificate to that effect;

(c) there shall have been no events, changes or effects with respect to HSNS having or which could reasonably be expected to have a Material Adverse Effect on HSNS.

## ARTICLE 6

### Termination; Amendment; Waiver

Section 6.1. Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after approval and adoption of this Agreement by HSNS's or JSJ's stockholders:

(a) by mutual written consent of HSNS and JSJ;

(b) by JSJ or HSNS if (i) any court of competent jurisdiction in the United States or other United States Governmental Entity shall have issued a final order, decree or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action is or shall have become nonappealable or (ii) the Merger has not been consummated by May 1, 2000; provided, however, that no party may terminate this Agreement pursuant to this clause (ii) if such party's failure to fulfill any of its obligations under this Agreement shall have been the reason that the Effective Time shall not have occurred on or before said date;

(c) by HSNS if (i) there shall have been a breach of any representation or warranty on the part of JSJ set forth in this Agreement, or if any representation or warranty of JSJ shall have become untrue, in either case such that the conditions set forth in Section 5.2(a) would be incapable of being satisfied by May 1, 2000 (or as otherwise extended), (ii) there shall have been a breach by JSJ of any of their respective covenants or agreements hereunder having a Material Adverse Effect on JSJ or materially adversely affecting (or materially delaying) the consummation of the Merger, and JSJ, as the case may be, has not cured such breach within 20 business days after notice by HSNS thereof, provided that HSNS has not breached any of its obligations hereunder, (iii) HSNS shall have convened a meeting of its stockholders to vote upon the Merger and shall have failed to obtain the requisite vote of its stockholders; or (iv) HSNS shall have convened a meeting of its Board of Directors to vote upon the Merger and shall have failed to obtain the requisite vote;

(d) by JSJ if (i) there shall have been a breach of any representation or warranty on the part of HSNS set forth in this Agreement, or if any representation or warranty of HSNS shall have become untrue, in either case such that the conditions set forth in Section 5.3(a) would be incapable of being satisfied by May 1, 2000 (or as otherwise extended), (ii) there shall have been a breach by HSNS of its covenants or agreements hereunder having a Material Adverse Effect on HSNS or materially adversely affecting (or materially delaying) the consummation of the Merger, and HSNS, as the case may be, has not cured such breach within twenty business days after notice by JSJ thereof, provided that JSJ has not breached any of its obligations hereunder, (iii) the HSNS Board shall have recommended to HSNS's stockholders a Superior Proposal, (iv) the HSNS Board shall have withdrawn, modified or changed its approval or recommendation of this Agreement or the Merger, or hold a stockholders' meeting to vote upon the Merger, or shall have adopted any resolution to effect any of the foregoing, (v) JSJ shall have convened a meeting of its stockholders to vote upon the Merger and shall have failed to obtain the requisite vote of its stockholders.

Section 6.2. Effect of Termination. In the event of the termination and abandonment of this Agreement pursuant to Section 6.1, this Agreement shall forthwith become void and have no effect, without any liability on the part of any party hereto or its affiliates, directors, officers or stockholders, other than the provisions of this Section 6.2 and Sections 4.7(c) and 6.3 hereof. Nothing contained in this Section 6.2 shall relieve any party from liability for any breach of this Agreement.

Section 6.3. Fees and Expenses. Except as specifically provided in this Section 6.3, each party shall bear its own expenses in connection with this Agreement and the transactions contemplated hereby.

Section 6.4. Amendment. This Agreement may be amended by action taken by HSNS and JSJ at any time before or after approval of the Merger by the stockholders of HSNS and JSJ (if required by applicable law) but, after any such approval, no amendment shall be made which requires the approval of such stockholders under applicable

law without such approval. This Agreement may not be amended except by an instrument in writing signed on behalf of the parties hereto.

Section 6.5. Extension; Waiver. At any time prior to the Effective Time, each party hereto may (i) extend the time for the performance of any of the obligations or other acts of any other party, (ii) waive any inaccuracies in the representations and warranties of any other party contained herein or in any document, certificate or writing delivered pursuant hereto or (iii) waive compliance by any other party with any of the agreements or conditions contained herein. Any agreement on the part of any party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party hereto to assert any of its rights hereunder shall not constitute a waiver of such rights.

## ARTICLE 7

### Miscellaneous

Section 7.1. Nonsurvival of Representations and Warranties. The representations and warranties made herein shall not survive beyond the Effective Time or a termination of this Agreement. This Section 7.1 shall not limit any covenant or agreement of the parties hereto which by its terms requires performance after the Effective Time.

Section 7.2. Entire Agreement; Assignment. This Agreement (a) constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all other prior agreements and understandings both written and oral, between the parties with respect to the subject matter hereof and (b) shall not be assigned by operation of law or otherwise.

Section 7.3. Validity. If any provision of this Agreement, or the application thereof to any person or circumstance, is held invalid or unenforceable, the remainder of this Agreement, and the application of such provision to other persons or circumstances, shall not be affected thereby, and to such end, the provisions of this Agreement are agreed to be severable.

Section 7.4. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by facsimile or by registered or certified mail (postage prepaid, return receipt requested), to each other party as follows:

If to JSJ:

J S J CAPITAL CORP.  
Attn: Anthony N. DeMint, President  
1850 East Flamingo Rd. Suite 111  
Las Vegas, Nevada 89119

with a copy to:

Donald J. Stoecklein  
Sperry Young & Stoecklein  
1850 East Flamingo Rd. Suite 111  
Las Vegas, Nevada 89119  
(702) 792-2590

if to HSNS:

Andrew Fox, President  
HIGH SPEED NET SOLUTIONS, INC.  
Two Hanover Square, Suite 2120  
434 Fayetteville Street Mall  
Raleigh, NC 27601  
(919) 807-0507

or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

Section 7.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without regard to the principles of conflicts of law thereof.

Section 7.6. Descriptive Headings. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 7.7. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and its successors and permitted assigns, and except as provided in Sections 4.9 and 4.11, nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 7.8. Certain Definitions. For the purposes of this Agreement, the term:

(a) "affiliate" means (except as otherwise provided in Sections 2.19 and 3.19 a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person;

(b) "business day" means any day other than a day on which Nasdaq is closed;

(c) "capital stock" means common stock, preferred stock, partnership interests, limited liability company interests or other ownership interests entitling the holder thereof to vote with respect to matters involving the issuer thereof;

(d) "knowledge" or "known" means, with respect to any matter in question, if an executive officer of HSNS or JSJ or its subsidiaries, as the case may be, has actual knowledge of such matter;

(e) "person" means an individual, corporation, partnership, limited liability company, association, trust, unincorporated organization or other legal entity; and

(f) "subsidiary" or "subsidiaries" of HSNS, JSJ or any other person, means any corporation, partnership, limited liability company, association, trust, unincorporated association or other legal entity of which HSNS, JSJ or any such other person, as the case may be (either alone or through or together with any other subsidiary), owns, directly or indirectly, 50% or more of the capital stock, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

Section 7.9. Personal Liability. This Agreement shall not create or be deemed to create or permit any personal liability or obligation on the part of any direct or indirect stockholder of HSNS, JSJ or any officer, director, employee, agent, representative or investor of any party hereto.

Section 7.10. Specific Performance. The parties hereby acknowledge and agree that the failure of any party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part to the consummation of the Merger, will cause irreparable injury to the other parties for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder; provided, however, that, if a party hereto is entitled to receive any payment or reimbursement of expenses pursuant to Sections 6.3(a), (b) or (c), it shall not be entitled to specific performance to compel the consummation of the Merger.

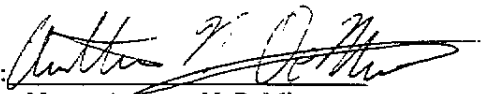
Section 7.11. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

In Witness Whereof, each of the parties has caused this Agreement to be duly executed on its behalf as of the day and year first above written.

HIGH SPEED NET SOLUTIONS, INC.

By: \_\_\_\_\_  
Name: Andrew Fox  
Title: President

J.S.J. CAPITAL CORP.

By:  \_\_\_\_\_  
Name: Anthony N. DeMint  
Title: President



## HSNS DISCLOSURE SCHEDULE

Schedule 2.1	Organization	See Amended Articles/Bylaws
Schedule 2.2(a)	Options, Stock Preference Rights	See Form 10 and Form 10/A
Schedule 2.6	Consents & Approvals	None Provided
Schedule 2.7	No Default	Not Applicable
Schedule 2.8	No Undisclosed Liability	None Exist
Schedule 2.9	Litigation	See Form 10 and Form 10/A
Schedule 2.10	Compliance with Applicable Law	None
Schedule 2.11	Employee Benefit Plans	See Form 10 and Form 10/A
Schedule 2.12	Environmental Laws and Regs	Not Applicable
Schedule 2.13	Tax Matters	None Exist
Schedule 2.14	Title to Property	None Exist
Schedule 2.15	Intellectual Property	See Form 10 and Form 10/A
Schedule 2.16	Insurance	None Exist
Schedule 2.17	Vote Required	None Required
Schedule 2.18	Tax Treatment	Not Applicable
Schedule 2.19	Affiliates	Andrew Fox Dr. Bjorn Jawerth Richard F Seifert William Bradford Silvernail Alan Kleinmaier Michael M. Cimino Michael Kim Peter Rogina Summus Ltd.
Schedule 2.20	Certain Business Practices	None Exist
Schedule 2.21	Insider Interest	See 2.19
Schedule 2.22	Opinion of Financial Adviser	Waived – None Exist
Schedule 2.23	Broker	None Exist
Schedule 4.1	Conduct of Business	None Provided

## JSJ DISCLOSURE SCHEDULE

Schedule 3.2(b) Subsidiary Stock	None Exist
Schedule 3.2(c) Capital Stock Rights	None Exist other than as in Articles
Schedule 3.2(d) Securities conversions	None Exist
Schedule 3.2 (f) Subsidiaries	None Exist
Schedule 3.6 Consents & Approvals	Provided
Schedule 3.7 No Default	Not Applicable
Schedule 3.8 No Undisclosed Liability	None Exist
Schedule 3.9 Litigation	None Exist
Schedule 3.10 Compliance with Applicable Law	Not Applicable – full disclosed in 10SB
Schedule 3.11 Employee Benefit Plans	Section 3.11( c)No Options Exist Section 3.11(e) No Agreements Exist
Schedule 3.12 Environmental Laws and Regs	Not Applicable
Schedule 3.13 Tax Matters	None Exist
Schedule 3.14 Title to Property	None Exist
Schedule 3.15(b) Intellectual Property	None Exist
Schedule 3.16 Insurance	None Exist
Schedule 3.17 Vote Required	See Shareholder Meeting Certificate
Schedule 3.18 Tax Treatment	Not Applicable
Schedule 3.19 Affiliates	Anthony N. DeMint
Schedule 3.20 Certain Business Practices	None Exist
Schedule 3.21 Insider Interest	None Exist
Schedule 3.22 Opinion of Financial Adviser	Waived – None Exist
Schedule 3.23 Broker	None Exist
Schedule 4.2 Conduct of Business	See Amended & Restated Articles