

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-22773
NETSOL TECHNOLOGIES, INC.

(Name of small business issuer as specified in its charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)

95-4627685
(I.R.S. Employer
Identification Number)

23901 Calabasas Road, Suite 2072,
Calabasas, CA 91302
(Address of principal executive offices) (Zip code)

(818) 222-9195 / (818) 222-9197
(Issuer's telephone/facsimile numbers, including area code)

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT:

COMMON STOCK, \$.001 PAR VALUE
THE NASDAQ STOCK MARKET LLC

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE EXCHANGE ACT:

COMMON STOCK, \$.001 PAR VALUE
NASDAQ CAPITAL MARKET

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes No

Registrant's revenues for the fiscal year ended June 30, 2008 were \$36,642,175.

The aggregate market value of the voting and non-voting common equity held by non-affiliates was \$50,705,662 as of September 15, 2008.

As of September 15, 2008, Registrant had 26,419,770 shares of its \$.001 par value Common Stock issued and outstanding and 1,920 shares of its Preferred Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

(None)

Transitional Small Business Disclosure Format (Check one): Yes ; No

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PART I

This Form 10-KSB contains forward looking statements relating to the development of the Company's products and services and future operation results, including statements regarding the Company that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. The words "believe," "expect," "anticipate," "intend," variations of such words, and similar expressions, identify forward looking statements, but their absence does not mean that the statement is not forward looking. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Factors that could affect the Company's actual results include the progress and costs of the development of products and services and the timing of the market acceptance.

ITEM 1 - BUSINESS

GENERAL

NetSol Technologies, Inc. ("NetSol" or the "Company") (NasdaqCM: NTWK) (DIFX: NTWK) is a worldwide provider of global business services and enterprise application solutions. NetSol uses its BestShoring™ practices and highly-experienced resources in analysis, development, quality assurance, and implementation to deliver high-quality, cost-effective solutions. Organized into specialized practices, these product and services offerings include portfolio management systems for the financial services industry, consulting, custom development, systems integration, and technical services for the global Healthcare, Insurance, Real Estate, and Technology markets. NetSol's commitment to quality is demonstrated by its achievement of the ISO 9001, ISO 279001, and SEI (Software Engineering Institute, Carnegie Mellon University, USA) CMMi (Capability Maturity Model) Level 5 assessments, a distinction shared by fewer than 100 companies worldwide. NetSol's clients include Fortune 500 manufacturers, global automakers, financial institutions, technology providers, and governmental agencies.

Founded in 1996, NetSol is headquartered in Calabasas, California. NetSol also has operations and/or offices in: Horsham, United Kingdom; the San Francisco Bay Area, California, USA; Sydney and Adelaide, Australia; Beijing, China; Lahore, Islamabad, Rawalpindi and Karachi, Pakistan; and, Bangkok, Thailand.

OUR BUSINESS

In today's highly competitive marketplace, business executives with labor or services-centric budgetary responsibilities are not just encouraged but are, in fact, obliged to engage in "Make or Buy" decision process when contemplating how to support and staff new development, testing, services support and delivery activities. The Company has initiated the strategic evolution of its business offerings that is a BestShoring™ solutions strategy. BestShoring™ is simply defined as NetSol Technologies' ability to draw upon its global resource base and construct the best possible solution and price for each and every customer. Unlike traditional outsourcing offshore vendors, NetSol draws upon an international workforce and delivery capability to ensure a "BestShoring™ delivers BestSolution™" approach.

NetSol combines domain expertise, not only with lowest cost blended rates from its design centers and campuses located around the world, but also with the guarantee of localized program and project management while minimizing any implementation risk associated with a single service center. Our BestShoring™ approach, which we consider a unique and cost effective global development model, is leading the way into the 21st century, providing value added Solutions for Global Business Services through a win-win partnership, rather than the traditional outsourced vendor framework. Our focus "Solutions" serves to ensure the most favorable pricing while delivering in-depth domain experience. NetSol currently has locations in Bangkok, Beijing, Lahore, London, the San Francisco Bay Area, and Sydney to best serve its clients and partners worldwide. This provides NetSol customers with the optimum balance of subject matter expertise, in-depth domain experience, and cost effective labor, all merged into a scalable solution. In this way, "BestShoring delivers BestSolution".

Information technology services are valuable only if they fulfill the business strategy and project objectives set forth by the customer. NetSol's expert consultants have the technical knowledge and business experience to ensure the optimization of the development process in alignment with basic business principles. The Company offers a broad array of professional services to clients in the global commercial markets and specializes in the application of advanced and complex IT enterprise solutions to achieve its customers' strategic objectives. Its service offerings include IT Consulting & Services; NetSol Defense Division; Business Intelligence, Information Security, Outsourcing Services and Software Process Improvement Consulting; maintenance and support of existing systems; and, project management.

In addition to services, our product offerings are fashioned to provide a Best Product for Best Solution model. Our offerings include our flagship global solution, LeaseSoft. LeaseSoft, a robust suite of four software applications, is an end-to-end solution for the lease and finance industry covering the complete leasing and finance cycle starting from quotation origination through end of contract. The four software applications under LeaseSoft have been designed and developed for a highly flexible setting and are capable of dealing with multinational, multi-company, multi-asset, multi-lingual, multi-distributor and multi-manufacturer environments. Each application is a complete system in itself and can be used independently to address specific sub-domains of the leasing/financing cycle. LeaseSoft is a result of more than eight years of effort resulting in over 60 modules grouped in four comprehensive applications. These four applications are complete systems in themselves and can be used independently to exhaustively address specific sub-domains of the leasing/financing cycle. When used together, they fully automate the entire leasing / financing cycle. NetSol recently added LeaseSoft Fleet Management System (FMS). The Company has already signed an agreement for FMS with a major automotive company in the Asia Pacific region. As with our service offerings, LeaseSoft is complementary to and can be used with all of our regionally developed solutions such as LeasePak in North America and LeaseSoft Asset in Europe.

Beyond LeaseSoft, our product offerings include LeasePak. LeasePak provides the leasing technology industry with the development of Web-enabled and Web-based tools to deliver superior customer service, reduce operating costs, streamline the lease management lifecycle, and support collaboration with origination channel and asset partners. LeasePak can be configured to run on HP-UX, SUN/Solaris or Linux, as well as for Oracle and Sybase users. And for scalability, NetSol Technologies North America offers the LeasePak Bronze, Silver and Gold Editions for systems and portfolios of virtually all sizes and complexities. These solutions provide the equipment and vehicle leasing infrastructure at leading Fortune 500 banks and manufacturers, as well as for some of the industry's leading independent lessors.

Our product offerings and services also include: inBanking, which provides full process automation and decision support in the front, middle and back offices of treasury and capital markets operations; LeaseSoft Portals and Modules through our European operations; LeasePak 6.0b of our LeasePak product suite; enterprise wide information systems, such as or LRMIS, MTMIS and Hospital Management Systems; Accounting Outsourcing Services, and, NetSol Technology Institute, our specialized career and technology program in Pakistan.

The Company continues its efforts to reduce redundancy and cohesively present services and product operations on a global basis. This consolidation enables the Company to coordinate and streamline product, service and marketing while taking further advantage of the cost arbitrage offered by our highly trained, highly productive, Pakistani resources. This consolidation follows the successful integration of the operations acquired in the United Kingdom and the San Francisco Bay Area in California and facilitates the use of these regional offices as platforms for presenting an expanding services offering, relying on the experience and resources in Pakistan and our product offerings in North America and Europe.

While the company will no longer be divided into groups and regions, the Company will continue to maintain regional offices in the San Francisco Bay Area, California for North America and the parent headquarters in Calabasas, California; in Horsham, United Kingdom, for Europe; a new office in Dubai, United Arab Emirates for the Middle East; and, our "center of excellence" operations in Lahore, Pakistan for Asia Pacific. The Company will continue to maintain country and/or services or products specific sales offices in China, Australia, Thailand and Pakistan.

Our Services

IT Consulting & Services

Information technology services are valuable only if they fulfill the business strategy and project objectives set forth by the customer. NetSol's expert consultants have the technical knowledge and business experience to ensure the optimization of the development process in alignment with basic business principles. The Company offers a broad array of professional services to clients in the global commercial markets and specializes in the application of advanced and complex IT enterprise solutions to achieve its customers' strategic objectives. Its service offerings include IT Consulting & Services; Global Business Services; NetSol Defense Division; Business Intelligence, Information Security, Outsourcing Services and Software Process Improvement Consulting; maintenance and support of existing systems; and, project management.

As part of the Company's Global Business Services strategy, each subsidiary adheres to the BestShoring provides BestSolutions™ model. Each subsidiary expounds on that model by providing services unique to their client base. The development of solutions for clients has resulted in the development of vertical offerings catering to various industries and accordingly, diversifying NetSol's offerings. As an example, these verticals have been used successfully in Pakistan to provide services for the Motor Transport Management System, Land Record Management System, Legislature, Healthcare, computer based trainings/e-Learning, E Government and Defense.

Business Intelligence (BI) solution providers must have both the capability to service BI customers using its own resources but also service the customers of international affiliates in the APAC region. Typical BI projects run into several years of phased implementation and rely on expensive international resources with a very restricted and limited accessibility. As such, management believes, that NetSol's competitors compromise on quality by turning BI projects into IT projects, which is a recipe for failure. Our strategy is simple; we identify the business pains of our potential customer and involve our industry domain experts directly with business managers at the client side. This results in ownership of the project with the business group rather than the IT group which is involved in the overall initiative only from a support and facilitation standpoint.

NetSol's service capability has expanded to Basel II compliance. The Basel II Accord is a mandate by the Bank for International Settlements (BIS) requiring banks around the world to introduce processes and systems in their organization that will more effectively control and manage their enterprise wide risk. Basel II has introduced "risk differentiation" by allowing banks to hold capital reserves directly proportional to the amount of credit risk they are taking. In addition, the accord has introduced a capital charge for operational risk. NetSol won a Basel II Consultancy Contract with a leading Bank in Pakistan, the contract covers advisory services concerning conformity to the Basel II Capital Accord Regulatory Framework development by the Bank for International Settlements (BIS).

An ever growing awareness of highly publicized IT Security problems, coupled with greater demands by international business partners, has led the movement of companies world-wide towards compliance with internationally recognized Information Security Systems standards. Information Systems Security or Information Assurance applies to all systems in all departments of an organization whether on a computer disk, paper or in the heads of employees. Information Security services is provided by NetSol's INFOSEC Unit. This unit provides services to secure all corporate information and its supporting processes, systems and networks. NetSol's Information Security Services is a group of vendor-neutral, dedicated security consultants with real-life field experience. The INFOSEC group utilizes industry standard security best practices coupled with best-of-breed products to deliver proven and robust Information Security Management Systems (ISMS). Services include: managed security services provider; BS-7799/ISO 27001 Compliance Life-cycle services; information security assessment; penetration testing and vulnerability assessment; disaster recovery planning; and, network architecture design, deployment and management. The INFOSEC group has launched a new project, Secure Pakistan. The project aims to secure critical information, while in storage or in transfer, from theft. Secure Pakistan is developing IT service labs for forensic investigation, CERT (Computer Emergency Response Team), 24/7 security surveillance, and cyber crime awareness training. NetSol has established partnerships with other global information security consulting companies, including US based Business Automation Consultants, Australia based IT Butler, and Pakistan based NIMIS. INFOSEC is partnered with global giants including IBM Internet Security Systems and Kaspersky Labs.

Software Process Improvement Consulting is provided by NetSol to companies in Pakistan through an independent division. The division provides quality engineering and related consulting services to technology companies. The services include: consultancy, facilitation services and implementation support for CMMi; appraisal, including SCAMPI (Standard CMMi Appraisal Method for Process Improvement), SCAMPI Appraisal Team Member Training and, Pre Appraisal; and, training through training services, formal courses, workshops and seminars. All of these activities are broadly developed under the guidelines of SEI based CMMi processes as well as the information security consulting practices. Currently, NetSol is the only company authorized by Pakistan Software Export Board (PSEB) for BS7799/ISO 27001 consulting practices in Pakistan.

Our Outsourcing Services have included two major initiatives: the joint venture with Innovation Group PLC (previously referred to as "TiG"), known as NetSol Innovation Pvt. Ltd, or Extended Innovation, and accounting outsourcing services. The Extended Innovation model is discussed on page 12 of this report. NetSol Accounting Services Division was established to take advantage of the lucrative BPO market for accounting services. The division started operations with a pilot project for a well established and high profile accountancy firm in Australia. A proof of concept has been obtained, and NetSol is now in the process of marketing and maturing leads from high profile clients in Australia, North America and Europe.

The NetSol Defense Division (NDD) was founded in 2005 to take advantage of its coordination with the Pakistani Defense Sector. NDD specializes in providing solutions for improvement and optimization of operations of the defense and military forces. With a unique blend of experienced and highly skilled IT specialists and managers, and most importantly the domain experts from the Defense Sector itself, NDD has the critical task of ensuring that the solutions provided are focused and need-specific to the requirements as well as the technological advancements in the sector around the globe. Operating through the NDD R&D Lab, which is strategically located in Rawalpindi, for closer coordination with various defense organizations stakeholders and to establish an operations center and simulation lab, NDD is involved in R&D activities, as well as project management for various on-going and potential projects including Command & Control Applications, Capacity Building projects, Infrastructure development for multiple offices within the Ministry of Defense as well as GIS based applications integration with different solutions. Projects currently undertaken by NDD are: Unit Management System, an initiative for the automation of administrative functions for the Pakistani Army, helping to realize the Army's key objective of improving productivity and efficacy of the units of the Pakistani Army; Academy Information Management System for the Pakistan Military Academy, one of the top rated military institutes in the world; and, Network Centric Warfare (NCW) working to provide an information grid which provides a seamless integration of sensors, weapons, and decision makers through a common operating environment and mission applications built in compliance with laid down inter-operability standards.

Our Products

LeaseSoft

The Company develops advanced software systems for the lease and finance industries. In addition to services, our product offerings are fashioned to provide a Best Product for Best Solution model. Our offerings include our flagship global solution, LeaseSoft. This product is complementary to and can be used with all of our regionally developed solutions such as LeasePak in North America and LeaseSoft Asset in Europe.

LeaseSoft, a robust suite of four software applications, is an end-to-end solution for the lease and finance industry covering the complete leasing and finance cycle starting from quotation origination through end of contract. The Company's over eight years of effort resulted in over 60 modules grouped in four comprehensive applications. The four software applications under LeaseSoft have been designed and developed for a highly flexible setting and are capable of dealing with multinational, multi-company, multi-asset, multi-lingual, multi-distributor and multi-manufacturer environments. Each application is a complete system in itself and can be used independently to address specific sub-domains of the leasing/financing cycle. When used together, they fully automate the entire leasing / financing cycle.

The constituent software applications are:

- **Credit Application Processing System (CAP)**. LeaseSoft.CAP provides companies in the financial sector an environment to handle the incoming credit applications from dealers, agents, brokers and the direct sales force. LeaseSoft.CAP automatically gathers information from different interfaces like credit rating agencies, evaluation guides, and contract management systems and scores the applications against defined scorecards. This automated workflow permits the credit team members to make their decisions more quickly and accurately. Implementation of LeaseSoft.CAP dramatically reduces application-processing time in turn resulting in greater revenue through higher number of applications finalized in a given time. LeaseSoft.CAP reduces the probability of a wrong decision thus, again, providing a concrete business value through minimizing the bad debt portfolio. LeaseSoft.CAP is a database independent online system developed in Microsoft's .Net framework. Toyota Leasing Thailand and BMW Financial Services China are the first two clients of LeaseSoft.CAP. It can be run from any PC with normal specifications, which is a key benefit for clients.

- **Contract Management System (CMS)**. LeaseSoft.CMS provides comprehensive business functionality that enables its users to effectively and smoothly manage and maintain a contract with the most comprehensive details throughout its life cycle. It provides interfaces with company banks and accounting systems. LeaseSoft.CMS effectively maintains details of all business partners that do business with the company including, but not limited to, customers, dealers, debtors, guarantors, insurance companies and banks. Developed with the input of a number of leasing consultants, this product represents a complete lease and finance product. NetSol's LeaseSoft.CMS provides business functionality for all areas that are required to run an effective, efficient and customer oriented lease and finance business.

- **Wholesale Finance System (WFS)**. LeaseSoft.WFS automates and manages the floor plan/bailment activities of dealerships through a finance company. The design of the system is based on the concept of one asset/one loan to facilitate asset tracking and costing. The system covers credit limit, payment of loan, billing and settlement, stock auditing, online dealer and auditor access, and ultimately the pay-off functions. A separate online add-on module, Dealer & Auditor Access System (DAS), allows dealers to view their outstanding limits and current asset-wise balances through an interface with the finance company. LeaseSoft.WFS consists of the following four modules: Credit Request Management Module (CRM); Loan Management Module (LMS); Stock Auditing Module (SAS); and Billing & Settlement Module (B&S).

- **Fleet Management System (FMS)**. LeaseSoft.FMS is designed to efficiently handle all fleet management needs. FMS is easily integrated with LeaseSoft.CMS and WFS as well as with any third party contract management system to ensure a single comprehensive system. FMS' key features include: a detailed tracking information on every driver and vehicle; customizable reports; periodic reporting on fleet related aspects; internet based access to information; integration with third party software; and, linkage to GPS for real time tracking. Although only recently added, NetSol has already signed an agreement for FMS with a major automotive company in the Asia Pacific region.

Implementation Process

The implementation process normally spans three to six months. NetSol derives its income both from selling the license to use the products, as well as, from related software services. The related services include requirement study/gap analysis, customization on the basis of gaps development, testing, configuration, installation at the client site, data migration, training, user acceptance testing, supporting initial live operations and, finally, the long term maintenance of the system. Any changes or enhancement done is also charged to the customer. In the requirements study/gaps analysis, the NetSol LeaseSoft team goes to the client site to study the client's business and functional requirements and maps them against the existing functionality available in LeaseSoft. With the maturing of our products, free requirement studies tend to yield few, if any gaps. The development cycle that follows the gaps analysis takes place through our development facility in Lahore. The highly parameterized LeaseSoft solutions are configured to meet the clients' requirements. This is followed by thorough testing, which takes place at our development facility, while some of these steps may also be carried out at the clients' locations. Based on successful testing, the system is installed at the client's site. When required, this involves migration of data from an older system to the LeaseSoft database. Successful installation is followed by user and administration training. Both functional and business users are involved. After training, user acceptance testing is conducted, where client's nominated staff, along with NetSol consultants, tests the system against business requirements. Upon acceptance, the systems are then considered ready for normal business use. LeaseSoft is a mission critical software, and the entire business operations of our clients hinge on successful performance of the system. Hence in the early days after going live, NetSol consultants remain at the client site to assist the company in smooth operations. After this phase, the regular maintenance and support services phase for the implemented software begins. In addition to the daily rate paid by the customer for each consultant, the customer also pays for all the transportation related expenses, boarding of the consultants, and a living allowance. NetSol's involvement in all of the above steps is priced to bring value to our customers and increase our profitability from our interactions.

Pricing and Revenue Streams

The company's LeaseSoft revenue streams occur through the following three main areas: product licensing, implementation related services, and maintenance and support related services. License fees can vary generally between \$500,000 up to \$1,000,000 per license per module. There are various attributes which determine the level of complexity, a few of which are: number of contracts; size of the portfolio; business strategy of the company; number of business users; and, branch network of the customer. The Company recognizes revenue from license contracts without major customization when a non-cancelable, non-contingent license agreement has been signed, delivery of the software has occurred, the fee is fixed or determinable, and collectability is probable. However, revenue from sale of licenses with major customization, modification, and development is recognized on a percent of completion basis. Implementation related services, including gap analysis, user acceptance testing (UAT) and data migration (where required). Maintenance and support related services are then provided on a continued basis. Revenue from software services includes fixed price contracts and is recognized in accordance with the percentage of completion method using the output measure of "Unit of Work Completed." The annual maintenance fee, which usually is an agreed upon percentage of overall monetary value of the implementation, then becomes an ongoing revenue stream realized on yearly basis.

Growth Prospects for LeaseSoft

As a marketing strategy NetSol is preparing a lighter version of LeaseSoft to target companies with simpler business models. LeaseSoft is highly modular. Hence various sets of functionalities can be used against the restricted requirements of the client. The first deployment of this lighter version is currently being carried out in Mauritius, for Mauritius Commercial Bank. NetSol has also provided the option of using its LeaseSoft application on monthly rental basis to those organizations which are small in size or have small turnover. This facility is initially provided to Australian Motor Finance (AMF). AMF is a sub-prime lender in Australia. NetSol has provided them LeaseSoft Proposal Management System and LeaseSoft Contract Management System.

An important component of the growth strategy for LeaseSoft is to extend its customer base to include newer geographic markets. The belief that it is a highly flexible solution for the global markets is borne out by this year's major breakthrough of the product's entry into the Middle East market with the signing of a contract with one of the largest leasing companies in the region. Al Amthal Leasing is the latest addition to our impressive customer list. The Company sees this as a first major step in developing a market for LeaseSoft in the Middle East. This will also help our product achieve a greater relevance to this market by incorporating features that correspond to the Islamic/Arab financial requirements.

In its existing markets, LeaseSoft is already establishing itself as a leading product catering to the business needs of major blue chip companies. Its current client base includes Mercedes Benz Financial Services (Australia, Japan, New Zealand, Singapore, South Korea, Thailand, China and Taiwan), Yamaha Motors Finance Australia, Toyota Motors Finance China, Toyota Leasing Thailand, Finlease Commercial Bank of Mauritius, CNH Capital Australia, Fiat Automotive Finance China, Dongfeng Nissan Auto Finance China, BMW Financial Services in China and Al Amthal Leasing Saudi Arabia.

In addition to the confidence of its customers, the product has also won a major regional award, the Asia Pacific ICT Alliance Award for the best financial application for the year 2007. This prestigious award is testimony to the maturity and quality of LeaseSoft.

NetSol maintains a LeaseSoft specific product website www.leasesoft.biz. This product website is also available in the Chinese and Thai languages at <http://www.leasesoft.biz/chinese> and <http://www.leasesoft.biz/thai>, respectively.

Our Operations

NETSOL PK

Our off-shore development center, and indeed the center of the Company's services and software operations, is headed by former President of NetSol and current Chief Executive Officer of NetSol Technologies Limited ("NetSol PK") (the Company's Pakistan subsidiary), Salim Ghauri. The Asian continent, Australia/New Zealand, and the Middle East, from the perspective of LeaseSoft marketing, are targeted by NetSol Technologies from its Lahore subsidiary, its offices in Australia, Thailand and Beijing, China. NetSol PK has continued to grow its service contracts within the local Pakistani public and defense sectors. An important aspect of these contracts is that not all of them focused solely on software development and engineering.

This year, NetSol PK has continued to provide both consultancy services to organizations so as to improve their quality of operations and services and, winning strategically important assignments with the E-Governance domains for organizations of national significance in Pakistan. These clients include private as well as public sector enterprises.

IT Consulting & Services

As part of the Company's Global Business Services strategy, each subsidiary adheres to the BestShoring provides BestSolutions™ model. While NetSol PK is the center of the Company's global services offerings, the services provided by NetSol PK further expound on that model and other services unique to NetSol PK. IT Consulting & Services in Pakistan has included a first entrant advantage into the e-government sector for both provincial and federal governments and armed forces automation projects. Over the past four years, NetSol PK has been actively involved in the e-government domain helping Federal & Provincial Governments of Pakistan and other public sector organizations. Major projects include: Electronic Credit Information Bureau; Office Automation of the National Assembly & Senate and Prime Minister's Secretariat; and such turn-key solutions as the Automation of the Hajj wing, and, Automation of the Karachi Patent Office. The development of solutions for clients has resulted in the development of vertical offerings catering to various industries and accordingly, diversifying NetSol's offerings. These verticals have been used successfully in Pakistan to provide services for the Motor Transport Management System, Land Record Management System, Legislature, Healthcare, computer based trainings/e-Learning, E Government and Defense.

Products

In addition to LeaseSoft, which has a global reach, NetSol PK has developed several products for use in Pakistan for the purpose of automating the country's vital processes. While developed for this particular market, the products may be used in other countries or for other customers.

LRMIS

In an agricultural country like Pakistan, land is the primary source of revenue. Land records are currently maintained manually so there is no consistency, accuracy and timely availability of the required record. According to a joint report by National Database and Registration Authority (NADRA), Pakistan and World Food Program (WFP), Pakistan, this existing land revenue management system is more than two hundred years old and is not fulfilling the changing demands of time and new local governance system of Devolution properly.

A well planned solution requires easy identification, access, smooth data entry and complete tracking of the entered transactions. With the growth and usage of "e" in contemporary business practices, new challenges have emerged in managing secure access to the authentic data and e-resources, which are scattered across a wide range of internal and external computing systems. This challenge needs quick address in today's competitive economic scenario wherein intellectual and knowledge capital directly translates into exponential growth for the country.

NetSol's LRMIS is a thin, client web based solution and developed after thorough evaluations of existing manual system and client/user needs, detailed system analysis and process flow definition. It ensures that only authentic employees and individuals can access the application on the privileged areas assigned by the administrator over the internet/Intranet. NetSol has obtained the pilot project for LRMIS, a World Bank funded initiative. There is a major upside in Punjab with implementations in 34 districts. Moreover, opportunities exist in Sindh and Islamabad Capital Territory.

NetSol understands the power of information and complexity of land record system and the user/client needs. For this purpose, NetSol provides its LRMIS by combining technical, operational and domain expertise with proven approaches of analysis, plan, design and implementation to provide an effective solution using IT-enablement in a field where its need its hugely felt.

MTMIS

A few years ago, NetSol PK took the initiative to invest into the Motor Transport domain. Starting with a small implementation, today NetSol has multiple implementations in several parts of the country with ample opportunities available in the future. MTMIS is a customized application envisioned and developed wholly by NetSol as an end-to-end solution of citizens' vehicles security and information management. Project implementations include the Provinces of Punjab, AJK and NWFP alongside Islamabad Capital Territory. Future opportunities exist in Baluchistan and Sindh for this solution. The system has provision for onsite access to the traffic police records via PDAs and smart cards, onsite verification of any vehicle's environmental friendly status and road side authorization of driver licenses.

It is significant to note that while in developed countries the elements of the system lie in "islands of data" under the various Authorities and Geographical Domains and have been linked together to create the central data warehouse; the NetSol solution is the first concept and proven practical solution for the Emerging and Developing countries. It enables an approach, which seeks to introduce and implement the different elements or modules as an integrated and total solution, in which modules have been clearly designed to work independently but enmesh and provide the complete management and administration environment.

HOSPITAL MANAGEMENT INFORMATION SYSTEM.

The global healthcare industry is growing at a fast rate and is one of the areas that have the most urgent need of automation. NetSol understands this need and has developed a strategic collaboration with Shaukat Khanum Memorial Cancer Hospital as part of a long term commitment for IT development in the global Health Sector.

The capability to overlay, analyze, design and reengineer the core of the healthcare processes with a business process management (BPM) suite, encompassing the rules and responsibilities in a manner which facilitates change, new rules, process variations, and scale of deployment, best summarize our combined approach.

NetSol regularly works to fulfill its role as a Technology Partner of the Shaukat Khanum Memorial Cancer Hospital & Research Centre (SKMCH&RC) for a solution that will act as an automated, secure and integrated solution for any hospitals' clinical, financial and management needs. First implementation is currently underway for a hospital for the armed forces. NetSol's system includes a clinical module (including outpatient and inpatient management, physician and order management, pharmacy management, radiology, nuclear medicine, pathology and operation theater management); an administrative module; a financial module; and, a research module.

Corporate Social Responsibility

Literacy Program—NetSol has launched a “Literacy Program” to educate low paid illiterate employees of the organization. The main objective of this program is to enable these resources to acquire basic reading, writing and arithmetic skills. The first phase of the plan is nearing completion with astounding accomplishments; the people who could not even write a single word are now able to write complete letters within a span of 6 months. This initiative has been extremely successful and NetSol intends to further support this program.

Noble Cause Fund—A noble cause fund has been established to meet medical and education expenses of the children of the low paid employees. NetSol employees voluntarily contribute a fixed amount every month to the fund and the Company matches the employee subscriptions with an equivalent amount contribution. A portion of this fund is utilized to support social needs of certain institutions and individuals, outside NetSol.

Day Care Facility—NetSol's human resources are its key assets and thus the company takes numerous steps to ensure provision of maximum comforts. Recently, a Child Day Care facility has been created in close proximity to work premises with all essential staff and equipment. Married female employees are offered an opportunity to entrust complete care of their young ones to trained and experienced staff. Child day care allows female employees to pay unhindered focused attention to work requirements while their child remain safe and comfortable. Premises and environment are neat and clean with all basic needs fulfilled to ensure complete care of the children.

Preventative Health Care Program—In addition to the comprehensive out-patient and in-patient medical benefits, preventive health care has also been introduced. This phased program focuses on vaccination of our employees against Hepatitis – A/B, Tetanus, Typhoid and Flu, etc. This is a regular annual immunization program to keep employees healthy.

NetSol Corporate University—This year, NetSol undertook a new initiative by establishing NetSol Corporate University (“NCU”) for developing human resources at NetSol. A need was felt to further develop and retain the talent at hand through strategic learning interventions to respond to growing competition and challenges.

The mission of NCU is:

- To discover, develop, and deploy the talent at Netsol
- To nurture leadership in people and processes
- To explore and develop capable backups for positions critical to organizational continuity

NETSOL TECHNOLOGIES NORTH AMERICA, INC.

The operational assets of NetSol Technologies North America, Inc. (“NTNA”) were initially integrated into the Company in 2006 as a result of the acquisition of McCue Systems, Inc. The NTNA division has been headed by Mitch Van Wye as Chief Operating Officer since October 2007. The division has been restructured and reorganized both at the management and business levels with several new senior sales and marketing personnel replacing less senior personnel in the third and fourth quarters of 2008. With the formal integration and better positioning into the global market complete, the Burlingame staff is now moving to newly leased offices in Emeryville, California by Fall 2008.

NTNA provides client requirement-based solutions across multiple technology practices, in both the public and private sectors, with the largest practice being the leasing technology vertical. NTNA offers development of Web-enabled and Web-based tools to deliver superior customer service, reduce operating costs, streamline the lease management lifecycle, and support collaboration with origination channel and asset partners. NTNA’s product, LeasePak, can be configured to run on HP-UX, SUN/Solaris or Linux, as well as for Oracle and Sybase users. For scalability, NTNA offers LeasePak Editions for systems and portfolios of virtually all sizes and complexities. These solutions provide the equipment and vehicle leasing infrastructure at leading Fortune 500 banks and manufacturers, as well as for some of the industry’s leading independent lessors. NetSol customers include such companies as Hyundai, JP Morgan/Chase, KeyCorp Leasing, City National Bank, Terex Corp., National City Capital Corp., ORIX, and Volkswagen Credit.

Services

NTNA has released a full suite of Global Business Services outsourcing services and customized development solutions, initially focused on the North American equipment finance technology market. The services offering will leverage 30 plus years of equipment leasing and lending experience. While the division's Client Consulting Services department has long offered NTNA customers a range of business process engineering services, the new offering package will greatly expand the menu of available services to meet market needs. New services to be offered will include customized application development, a full range of Quality Assurance (QA) services, customized strategic report design, and business intelligence tool development. Leveraging well-established relationships with users of the division's flagship application, the Global Business Services team will market to these existing customers, then to adjacent groups within customer organizations, eventually building out to a full, industry-wide sales and marketing strategy.

In leveraging the Company’s global footprint, blue chip customer base and BestShoring initiatives, we believe NTNA provides an integrated North American presence to our global offering of software and services based solutions to the lease and finance industry. Not only does this provide a U.S. base of operations and footprint for NetSol, but makes NetSol the only company focusing on the commercial and consumer lease/finance marketplace with actual live implementations within nearly every region of the globe, including, U.S., Canada, Europe, Asia-Pacific and the Far East.

LeasePak

As part of NetSol’s Financial Suite (NFS) of products, NTNA has and continues to develop the LeasePak Productivity modules as an additional companion set of products to operate in conjunction with the LeasePak licensed software. This toolset enables the LeasePak user to leverage the power of the system to streamline originations, integrate the dealer/vendor network, automate documentation, enhance customer service, manage risk, and control infrastructure overhead. In early 2008, LeasePak 6.0b was released for general availability and has gone into production.

The components of the LeasePak Productivity Suite include but not limited to:

Channel IT– A web-based front end origination channel manager, ChannelIT provides a browser-based origination tool for use by the remote sales force as well as the broker/dealer network and vendor partners. Using ChannelIT’s seamless interface to LeasePak, contract originators and operational personnel have instant access to credit information, terms, and conditions, reducing acceptance times and eliminating costly data re-entry.

Link IT– A toolkit of application interfaces to streamline the integration of the LeasePak lease portfolio management system with best-of-breed third-party tools and enterprise applications. Designed to work with web services as well as with the client-server architecture, LinkIT streamlines application integration and reduces version-maintenance overhead.

Doc IT– The integrated document generation for LeasePak auto-generates the letters and documents required to book and finalize a deal. Using customer private-label graphics and customer existing document formatting, LeasePak generates letters and documents, delivers them, and archives them for instant access throughout the life of the contract, asset, and customer relationship.

View IT– A complete business intelligence toolset to give the customer the information required to monitor its lease/loan portfolios. ViewIT provides streamlined strategic reporting, easy-to-use ad-hoc reporting, plus a data warehouse and executive dashboard to identify trends, manage risk, and assure compliance for using real-time strategic information.

Serv IT– LeasePak’s customer web portal enables users to offer customers the convenience of web-based account self-management. The lessor benefits from reduced help desk costs as customers use the web to, amongst other tasks, check payments, update account information, and request payoff quotes.

AcquireIT – A powerful data management and business development tool that enhances the ability of LeasePak users to generate business with each other. This add-on allows equipment leasing entities to greatly reduce the overhead in time and resources required to buy and sell aggregated contracts and/or portfolios, giving LeasePak users a competitive advantage over users of other portfolio management systems.

With the release of LeasePak 6.0b, users have new options for navigation and reporting. Additionally, new capabilities have been incorporated into the product: Business Development Module which streamlines the exchange of aggregated finance contract portfolios between LeasePak users; Commercial Lending Module which adds core functionality for the management of commercial loans; and, Asset Focus Module which provides new options for users to enhance asset accounting and reporting options.

NETSOL TECHNOLOGIES EUROPE, LTD.

Headed by Naeem Ghauri as President and as a director of NetSol, NetSol Technologies Europe, Ltd (“NetSol Europe”) has been an integral part of the Company since February 2005 when NetSol acquired 100% of CQ Systems Ltd., (“NTE”) an IT products and service company based in the UK. As a result of this acquisition, NetSol has access to a broad European customer base using IT solutions complementary to NetSol’s LeaseSoft product. NetSol has leveraged NTE’s knowledge base and strong presence in the Asset Finance market to launch LeaseSoft in the UK and continental Europe. NTE’s strong sales and marketing capability would further help NetSol gain immediate recognition and positioning for the LeaseSoft suite of products.

Product Portfolio

NTE’s recent LeaseSoft win with a major European bank is a strong vindication of our strategy to leverage our global expertise to develop and market regional solutions while successfully servicing our clients’ specific needs. Our LeaseSoft solutions, with enhanced business coverage for the European markets, are geared to provide a quick return on investment to our clients as well as generate a new revenue driver for the group. The new European LeaseSoft multi-product portfolio has gathered strong initial traction, in a relatively short time, and reflects the growing strength of our product and customer presence in Europe.

A part of NTE’s successful integration has included the continued leverage of the Company’s high quality but lower cost resources in its offshore development center in Lahore, Pakistan. This phase of the transition plan has been completed whereby a dedicated team of software engineers and testers have been trained on NTE product suite and most of the quality assurance, documentation and some of the NTE products core software development activities have been transitioned to Lahore. NTE has been able to implement significant productivity and cost improvements which have included realizing the higher level of cost efficiencies of using the Lahore offshore facility for software development and quality assurance.

Like all NetSol companies, NTE has seen its sales and revenues focus increasingly on total client services rather than on a purely, one-off, product based model. Roughly two-thirds of the new sales for NTE came from products which did not exist when the company was purchased by NetSol. The total client services model has seen an expansion from a solely back office based product to a greater front office focus. This front office focus tends to be highly customized as the initial interface for the customer. NTE’s auto decision component was developed sooner than any competitors and together with its web-based portal, is one of the many front ends solutions that NTE has implemented.

In addition to offering all NetSol products, NTE products include: LeaseSoft Portal- introduced to support online access to proposals and for the foundation of web-based origination systems; LeaseSoft Document Manager- introduced to facilitate the automation production and distribution of proposal documentation, including indexation and branding of all outboard and inbound documents; LeaseSoft Auto-Decision Engine- developed to provide automation of credit checking and underwriting for standards based financial products; LeaseSoft EDI Manager- introduced to facilitate process automation between business introducers and funders; and, Evolve- launched to provide an entry level software package for own book brokerages and small to medium size funders.

NTE has recently performed significant updates on the Core product and customer systems to ensure compliance with the onerous CCA2006 legislation. NTE has further implemented significant development enhancements, including a major development for the collections module with significant automation of the arrears handling and collections.

Enterprise Services

Following the establishment of NTNA's recent services offering, NTE launched its Enterprise Services division this year to leverage both its offshore IT and Business Process Outsourcing capabilities. This move into outsourced services is seen as strategic to the future growth of NetSol.

NetSol office in Beijing, China

As part of its growth strategy and in view of the desire to serve its markets better, NetSol established a sales office in Beijing, China. This office is both a sales and marketing location and a liaison office for the Company's ongoing operations and implementation services for Daimler Financial Services, BMW and other clients in the country. The office is managed by NetSol PK.

NetSol's office in Bangkok, Thailand

To further strengthen its presence in the Asia-Pacific market, and to provide exclusive services to its clients, the company has recently established a support office at a prime location in Bangkok, Thailand. The office has a working area of 87 sq. m. Its core responsibilities are to enhance business through targeting potential customers and providing technical support to the company's existing clients in Thailand.

NetSol Office in Australia

NetSol also maintains a presence in Australia to serve its customers such as Mercedes Benz Financial Services, Yamaha, and few other Fortune 500 auto manufacturers in Australia and New Zealand. Given the potential of this market, and the company's strategic focus on it, it plans to build a bigger presence through a permanent office space.

NetSol Office in the United Arab Emirates

As a follow to NetSol's recent listing of its shares of common stock on the Dubai International Financial Exchange (the "DIFX"), NetSol has committed to opening an office in the United Arab Emirates. The office will operate both as sales and support office for the Company's Middle East customers.

Status of New Products and Services

InBanking™

The Company's banking solution is currently being marketed in the European region by NTE.

With the acquisition of Pearl Treasury System in 2003-2004, whose product offering is now referred to as InBanking™, the Company expands its menu of software into the banking and other financial areas.

The Pearl Treasury System ("PTS") was originally developed on two tier client server technologies and was designed to provide full process automation and decision support in the front, middle and back offices of treasury and capital markets operations. On an internal review of PTS post acquisition, it was decided to re-write the system within .NET technologies, bringing the system into the leading edge n-tier/browser-based environment. The project name for this program is InBanking™.

The tremendous flexibility enabled by the comprehensive data model and multi-tier architectural design of InBanking™ has been fully recognized, identifying the potential to further develop InBanking™ beyond treasury and capital markets. Additionally, InBanking™ is modular and can therefore be implemented as best-of-breed solutions for, as an example, front-office trading, middle office credit or market risk, or back office settlement. InBanking™ can also be implemented to support all these areas, plus others, as a single fully integrated solution.

NetSol Technology Institute

Recently started by the Company, and formerly NetSol Omni, the NetSol Technology Institute ("NTI") has been started with the goal of playing a vital role in the transition phase of the Pakistan IT industry by creating a pool of skilled IT human resources. NTI is aimed at building a strong educational base, initially as an institute, then branching out either as a wholly owned chain or franchise. NTI offers specialized career oriented trainings and workshops on the latest tools and technologies. The curriculum is based on current and future industry needs and resource requirements. The instructors are industry practitioners sharing their personal experiences during the training. NTI delivers training on different platforms including in-house training and third party arrangements. We hope to enter into collaborations with international industry consortiums such as the American Society for Quality for endorsement of our trainings.

To meet the current supply shortage of IT technicians, NTI has initiated an innovative certification called STC to bridge this divide between demand and supply. STC is a fast track, 1 year certification aimed at producing technicians that can be used by the IT industry.

Outsourcing Services-NetSol-Innovation (EI)

In November 2004, the Company entered into a joint venture agreement with the Innovation Group (formerly referred to as TiG), ("TiG") whereby the TiG-NetSol (Pvt) Ltd., now NetSol-Innovation (Pvt) Ltd., ("EI"), a Pakistani company, provides support services enabling TiG to scale solution delivery operations in key growth markets. TiG-NetSol operations are centered in NetSol's IT Village, Lahore, Pakistan. NetSol owns a majority of the venture. The entities share in the profits of the joint venture on the basis of their shareholding. The outsourcing model between TiG and NetSol involves services pertaining to business analyses, configuration, testing, software quality assurance (SQA), technical communication as well as project management for TiG software. Today, NetSol has developed extensive expertise across the insurance domain and has become a center of excellence.

Initiated with a 10 person outsourcing team in Lahore in February 2005, this arrangement has extended to a 130 person team in June 2008 with the additional resources catering to the increased influx of outsourcing of configuration and testing assignments from Innovation Group. Prominent Innovation Group's customers being serviced from Lahore include Allstate Insurance Canada, Avis Budget Car Rental Group USA, Norwich Union UK, Hertz UK, Aviva Canada, Erinaceous UK and many others. Backed up by a dedicated 4Mbps fiber optic link and an additional 2Mbps wireless backup link for communication and teleconferencing, this arrangement allows NetSol's human resources to efficiently and effectively respond to additional outsourcing and offshore configuration work.

Growth through Acquisition and Alliance

The acquisitions of CQ Systems, Ltd. in 2005 (now “NTE”) and McCue Systems, Inc. in 2006 (now “NTNA”), finalized the implementation of our mergers and acquisition plan developed in mid-2004. In this plan, NetSol management identified mergers and acquisitions as potential methods of capitalizing on the demand of the Company’s flagship product, LeaseSoft, on infiltrating previously untapped or under-tapped markets, and as a means of launching its treasury banking software systems. The completion of these acquisitions provides NetSol with positioning as the only software supplier in the leasing space with a global footprint of installed customers in each geographic region throughout the world. This, together with the visible turnaround in the services and outsourcing sectors in global markets, led to a growth strategy encompassing both organic growth and mergers and acquisitions.

The Company continues to explore mergers and acquisition opportunities with a focus on strategic acquisitions that provide immediate, strong, bottom line benefits. Management believes that an ideal target will fulfill one or many of these criteria: geographic synergy/providing a foot print in a market; unique and/or complimentary product lines; provide additional, and cost effective development hubs, or complimentary or target customers in a previously untapped market. While there is no guaranty that an acquisition which appears to be sound will ultimately benefit the Company, management continues to analyze the price, value and market of any potential target. The model of targeting well established, profitable product companies, within NetSol’s domain, management believes, has proven successful with our recent acquisitions. Management believes this model can be replicated over the next three years.

Growth through Establishing Partner Networks

NetSol is well aware that market reach is essential to effectively market IT products and services around the globe. For this purpose, the Company is looking forward to establishing a network of partners worldwide. These companies will represent NetSol in their respective countries and will develop business for NetSol. Keeping these strategic objectives in view, NetSol has entered into a mutually non-exclusive agreement with Singapore Computer Systems (“SCS”) that allows SCS to market LeaseSoft in the entire Asia Pacific region.

NetSol is a member of the world’s largest equipment leasing association, the Equipment Leasing and Finance Association of North America or ELFA. Boasting more than 1,000 members, the ELFA is a strong presence in the \$250 billion North American market.

Strategic Alliances

With its leadership position in technology and software development in Pakistan, NetSol has been actively involved in a number of partnerships with multiple international entities and corporations. These include joint ventures, systems integration, local services, as well as consulting for large enterprises. Some of NetSol’s partners in Pakistan are:

- OracleMicrosoft Gold Partner
- IBM Business Partner
- Sun Microsystems
- HP DSPP Partner
- Daimler Financial Services
- Innovation Group PLC UK
- GE
- Software Engineering Institute
- Kaspersky Lab
- SAP
- Business Objects
- IBM-Internet Security System
- REAL

U.S. and UK partners include Real Consulting, Field Solutions, Group 88 and Lease Dimensions.

Daimler Financial Services (“DFS”) Asia Pacific has established an “Application Support Center (ASC)” in Singapore to facilitate the regional companies in LeaseSoft related matters. This support center is powered by highly qualified technical and business personnel. ASC LeaseSoft in conjunction with NetSol Technologies Ltd. Lahore are supporting DFS companies in seven different countries in Asia and this list can increase as other DFS companies from other countries may also opt for LeaseSoft. In July, 2008, the Company entered into a new Frame Agreement with Daimler Financial Services AG (“DFS”) for Asia Pacific and Africa region. This agreement, which serves as a base line agreement for use of the LeaseSoft products by DFS companies and affiliated companies, represents an endorsement of the LeaseSoft product line and the capabilities of NetSol to worldwide DFS entities. This continued endorsement has had a tremendous impact on our perspective customers, it has helped our sales and Business Development personnel to market and sell our LeaseSoft solution to blue chip customers around the world. This relationship has resulted in new agreements with DFS and has served as a marketing source which has resulted in agreements with companies such as Toyota and BMW.

NTE’s strategic relationship with Field Solutions provided the Company with the opportunity to increase product sales of Evolve, particularly for brokers looking to start their own book. The Field Solutions strategic relationship has now been expanded through collaboration on Sales Pricing Tools to facilitate tax based leasing operations in the middle to big ticket market segment, further extending the regions’ product and market reach.

Technical Affiliations

The Company currently has technical affiliations such as: a MicroSoft Certified GOLD Partner; a member of the Intel Solution blueprint Program; IBM Business Partner and, an Oracle Certified Partner.

Marketing and Selling

The Marketing Program

NetSol management continues its optimism that the Company will experience ever increasing opportunities for its product and services offerings in 2008 and beyond. The Company is aggressively growing the marketing and sales organizations in the United Kingdom, in conjunction with NTE, in Pakistan with NetSol PK and, with NTNA in the Americas. Management believes that the year 2009 will follow 2008 and 2007 as a year for continued growth, the launching of footprints in new markets, such as the Middle East, South and Central America, and penetration of established markets such as North America, Asia Pacific and Europe.

While affiliations and partnering resulted in potential growth for the Company, marketing and selling remain essential to building Company revenue. The objective of the Company's marketing program is to create and sustain preference and loyalty for NetSol as a leading provider of enterprise solutions, e-services consulting, software solutions and business process outsourcing. Marketing is performed at the corporate and business unit levels. The corporate marketing department has overall responsibility for communications, advertising, public relations and the website and, also engineers and oversees central marketing and communications programs for use by each of the business units.

A number of new marketing initiatives have either been launched or are in the pipeline. These programs are designed to create brand awareness and to deliver our message directly to our target group. As the company has evolved in the past few years, the number of solutions and service offerings has grown manifolds. The depth and breadth of our products and services would be more effectively marketed by participation in more industry events, advertising, holding seminars, delivering keynote addresses and creating more channel distribution. Our key marketing initiatives have been designed to transition the brand equity built by the NTNA and NTE brands to the Company as a whole.

Our dedicated marketing personnel, within the business units, undertake a variety of marketing activities, including sponsoring focused client events to demonstrate our skills and products, sponsoring and participating in targeted conferences and holding private briefings with individual companies. We believe that the industry focus of our sales professionals and our business unit marketing personnel enhances their knowledge and expertise in these industries and will generate additional client engagements.

The Markets

NetSol provides its services primarily to clients in global commercial industries. In the global commercial area, the Company's service offerings are marketed to clients in a wide array of industries including, automotive, chemical, textiles, Internet marketing, software, medical, banks, higher education and telecommunication associations, and, financial services.

Geographically, NetSol has operations on the West Coast of the United States, Central Asia, Europe, and Asia Pacific regions and is planning to establish an office in the United Arab Emirates as part of its Middle East strategy. NetSol took the initiative as the first US Nasdaq listed company to dual list on the DIFX in Dubai. This move was primarily to introduce NetSol to the potential of the very rich Middle Eastern countries. By design, NetSol has increased its brand recognition in one of the most vibrant and dynamically growing regions.

NetSol will continue to manage LeaseSoft pre-sales support and deliveries by having two specialized pools of resources for each of the five products under LeaseSoft. One group focuses on software development required for customization and enhancements. The second group comprises of LeaseSoft consultants concentrating on implementation and onsite support. Both groups are being continually trained in the domain of finance and leasing, system functionality, communication skills, organizational behavior and client management.

The Asian continent, Australia and New Zealand, from the perspective of LeaseSoft marketing, are targeted by NetSol Technologies from its Lahore subsidiary, its offices in Beijing, and it's newly opened business and technical support office in Bangkok, Thailand. NetSol UK through its base in Horsham, United Kingdom, focuses on the European market. The marketing for LeasePak and LeaseSoft in USA and Canada is carried out directly by the North American division.

NetSol has established a strategy to aggressively market LeaseSoft in various regions of the world. As part of the strategy, NetSol has forged alliances with reputable IT companies and has already appointed distributors in Singapore and Greece. NetSol has entered into a mutually non-exclusive agreement with Singapore Computer Systems (SCS) that allows SCS to market LeaseSoft in the entire Asia Pacific Region. Furthermore, NetSol is looking forward to developing partner networks all across the world with reputable companies.

During the last two fiscal years, the Company's revenue mix by major markets was as follows:



	2008	2007
Asia Pacific Region (NetSol PK, NetSol-Innovation, Abraxas)	66.01%	61.04%
Europe (NTE, UK Ltd.)	20.95%	18.72%
North America (NetSol Technologies, Inc., NTNA)	10.83%	16.92%
Telecom Sector (NetSol Connect)	2.21%	3.32%
Total Revenues	100.00%	100.00%

Fiscal Year 2007-2008 Performance Overview

The Company has effectively expanded its development base and technical capabilities by training its programmers to provide customized IT solutions in many other sectors and not limiting itself to the lease and finance industry.

NetSol Technologies Ltd. ("NetSol PK")

Our off-shore development facility continues to perform strongly and has enhanced its capabilities and expanded its sales and marketing activities. The Lahore operation supports the worldwide customer base of the LeaseSoft suite of products and all other product offerings. NetSol has continued to lend support to the Lahore subsidiary to further develop its quality initiatives and infrastructure. The programming and development facility in Pakistan, being the engine which drives NetSol worldwide, continues to be the major source of revenue generation. The Pakistan operation contributed 54% of the 2008 revenues with \$19.6 million in revenues for the current year with a net profit of \$9.8 million before adjusting the minority interest. This was accomplished primarily through export of IT services and product licensed to both the domestic and overseas markets.

While available to support its product and services base on a world-wide basis, NetSol PK's selling and marketing efforts are focused on Asia Pacific, China and Middle East. In China, the company has established a business office in the capital city of Beijing from which it expects to have more business in the future. Business offices in Bangkok, Thailand and Australia have been added in order to provide business and technical support for the Company's customers.

NetSol has signed on new customers for LeaseSoft as well as for bespoke development services. For LeaseSoft the following new projects were earned by the Company:

- 11 new implementation contracts signed during the year.
- Of these, 7 new contracts signed during the fourth quarter.
- New names in the customer list, including Fiat Automotive Finance, CNH Capital, and a large automotive blue chip company in China.
- The addition of the Fleet Management System to the LeaseSoft Suite.

Its current client base includes Mercedes Benz Financial Services (Australia, Japan, New Zealand, Singapore, South Korea, Thailand, China and Taiwan), Yamaha Motors Finance Australia, Toyota Motors Finance China, Toyota Leasing Thailand, Finlease Commercial Bank of Mauritius, CNH Capital Australia, Fiat Automotive Finance China, Dongfeng Nissan Auto Finance China, BMW Financial Services in China and Al Amthal Leasing Saudi Arabia.

Information technology services are valuable only if they fulfill the business strategy and project objectives set forth by the customer. NetSol's expert consultants have the technical knowledge and business experience to ensure the optimization of the development process in alignment with basic business principles. The Company offers a broad array of professional services to clients in the global commercial markets and specializes in the application of advanced and complex IT enterprise solutions to achieve its customers' strategic objectives. Services customers include:

Netsol Technologies Europe, Ltd. ("NTE")

In February 2005, NetSol acquired 100% of CQ Systems Ltd., (now NetSol Technologies Europe, Ltd. "NTE") an IT products and service company based in the UK. As a result of this acquisition, NetSol has access to a broad European customer base using IT solutions complementary to NetSol's LeaseSoft product. NetSol plans to leverage NTE's knowledge base and strong presence in the Asset Finance market to launch LeaseSoft in the UK and continental Europe.

NTE's integration has included the continued leverage of the Company's high quality but lower cost resources in its offshore development center in Lahore, Pakistan. This phase of the transition plan has been completed whereby a dedicated team of software engineers and testers have been trained on the NTE product suite and most of the quality assurance, documentation and some of the CQ products core software development activities have been transitioned to Lahore. NTE has been able to implement significant productivity and cost improvements which have included realizing the higher level of cost efficiencies of using the Lahore offshore facility for software development and quality assurance.

NetSol Technologies Limited, the Company's original UK subsidiary, is responsible for the Company's activities in the Middle East region; plus ongoing marketing and sales of the LeaseSoft portfolio of leasing solutions and NetSol's range of on and off-shore IT services. The Company plans to integrate this entity with NTE and merge the Mid East business with the upcoming Dubai operation.

The combined NTE group contributed approximately \$7.7 million in revenues during the current fiscal year or 21% of the Company's revenues. The total net income was, approximately, \$1.8 million.

A few of NTE's recent accomplishments include:

- In collaboration with its strategic partner Real Consulting Information Systems S.A. of Athens, Greece ("Real Consulting S.A."), signed an agreement with a major European Bank to implement LeaseSoft within its growing financial leasing unit. The Bank is an international banking organization that offers its products and services both through its network of over 1,500 branches and points of sale and through alternative distribution channels.
- Kaupthing Singer and Friedlander goes live in February 2008 with the full web based proposal management and credit underwriting solution, a complete replacement of the web front end with an NTE product

- BNP Paribas LG NL goes live in May 2008 with LSA
- Venture Finance goes live in December 2007
- Execution of a reseller's agreement for LeaseSoft Asset with a strong software provider in Africa

NetSol Technologies North America (“NTNA”)

NTNA provides the leasing technology industry in the development of Web-enabled and Web-based tools to deliver superior customer service, reduce operating costs, streamline the lease management lifecycle, and support collaboration with origination channel and asset partners. NTNA customers include such companies as Hyundai, JP Morgan/Chase, KeyCorp Leasing, City National Bank, Terex Corp., National City Capital Corp., ORIX, and Volkswagen Credit.

NTNA contributed approximately \$4.0 million in revenues during the current fiscal year or 11% of the Company's revenues. The total net loss was, approximately, \$910,000.

This division underwent restructuring and reorganization in June 2008. Due to change of senior management in 2008, the new business activity slowed down while the maintenance revenue continued.

NetSol-Innovation

In November 2004, the Company entered into a joint venture agreement with the Innovation Group (formerly referred to as TiG, (“TiG”)) whereby the TiG-NetSol (Pvt) Ltd., now NetSol-Innovation (Pvt), Ltd., (“EI”), a Pakistani company, provides support services enabling TiG to scale solution delivery operations in key growth markets. TiG-NetSol operations are centered in NetSol's IT Village, Lahore, Pakistan. NetSol owns a majority of the venture. The entities share in the profits of the joint venture on the basis of their shareholding. The outsourcing model between TiG and NetSol involves services pertaining to business analyses, configuration, testing, software quality assurance (SQA), technical communication as well as project management for TiG software. Today, Netsol has developed extensive expertise across the insurance domain and has become a center of excellence with a 130 person team

The joint venture, NetSol-Innovation, contributed approximately \$4.2 million in revenue during the current fiscal year or 11% of the Company's revenues. The total net profit was, approximately, \$2.1 million before adjusting for the 49.9% minority interest in earnings.

NetSol Connect (Pvt) Limited

In August 2003, NetSol entered into an agreement with United Kingdom based Akhter Group PLC (Akhter). Under the terms of the agreement, Akhter Group acquired 49.9% of the Company's subsidiary; Pakistan based NetSol Connect (Pvt) Ltd., an Internet service provider (ISP) in Pakistan. In fiscal year 2004, NetSol Connect steadily grew its presence in three cities (Karachi, Lahore and Islamabad) by acquiring a small Internet online company called Raabta Online. This created a national presence for wireless broadband business in key markets that have experienced explosive growth. NetSol Connect with its new laser and wireless technologies has a potential to become a major brand in Pakistan. The partnership with Akhter Computers is designed to rollout the services of connectivity and wireless to the Pakistani national market.

NetSol Connect (Pvt) Ltd. will continue to seek to grow revenues. The revenue contribution for NetSol Connect during the current fiscal year was \$811,000 or about 2% of revenues. The total net loss was \$8,800 before adjusting the minority interest in losses.

LeaseSoft Sales

NetSol has signed on new customers for LeaseSoft as well as for bespoke development services. For LeaseSoft the following new projects were earned by the Company:

- 11 new implementation contracts signed during the year.
- Of these, 7 new contracts signed during the fourth quarter.
- New names in the customer list, including Fiat Automotive Finance, CNH Capital, and a large automotive blue chip company in China.
- The addition of the Fleet Management System to the LeaseSoft Suite.

The current LeaseSoft client base includes Daimler Financial Services (Australia, Japan, New Zealand, Singapore, South Korea, Thailand, China and Taiwan), Mercedes-Benz Finance Japan, Yamaha Motors Finance Australia, Toyota Motors Finance China, Toyota Leasing Thailand, Mauritius Commercial Bank, Finlease Company Limited, CNH Capital Australia, Fiat Automotive Finance China, Large Automotive Bluechip Company in China and BMW Financial Services in China.

Technology Campus

Due to the Company's global growth, the NetSol development infrastructure has required expansion. Management and the Board have approved the construction of a new structure behind the current NetSol tower in Lahore.

The original Technology Campus was completed in May 2004 and the Lahore operations relocated to the facilities in May 2004. The facility was formally inaugurated by the former Prime Minister of Pakistan H.E. Shaukat Aziz on March 4, 2005. The campus has been declared a Software Technology Park by the Government of Pakistan. The Government has also financed the linking of the campus with the high speed fiber optic backbone capable of providing 155 MB internet bandwidth. The Internet bandwidth is effectively utilized to offer state of the art video conferencing and VOIP (Voice over IP) facilities for effective and seamless communication with our global customer base. Encompassing a covered area of more than 55,000 square feet and housing over 600 professionals, this is one of the largest such facilities for IT services in the region. During the current fiscal year, NetSol PK needed to expand its space due to its growth. It has made arrangements with the owner of the adjacent land to build an office to the Company's specifications and the Company agreed to help pay for the development of the land in exchange for discounted rent for the next three years. In addition, NetSol PK has begun work on building a new building behind the current one. The enhancement of infra-structure is necessary to meet the company's growth in local and international business. In addition to being the headquarters for NetSol's subsidiaries in Pakistan, it also serves the NetSol group's global services and products development facility. The CMMi Level 5 rated facility ensures quality engineering practices to its clients across the globe. The campus site is located in Pakistan's second largest city, Lahore, with a population of six million. An educational and cultural center, the city is home to most of the leading technology oriented academia of Pakistan including names like LUMS, NU-FAST & UET. These institutions are also the source of quality IT resources for the Company. Lahore is a modern city with very good communication and solid infrastructure and road network. The Technology campus is located at about a 5-minute drive from the newly constructed advanced and high-tech Lahore International Airport. This campus is the first purpose built software building with state of the art technology and communications infrastructure in Pakistan. The investment made by the company in developing this technology campus is proving to be highly effective in attracting new business not only from global blue chip customers but also from the fast developing Pakistan market.

People and Culture

The Company believes it has developed a strong corporate culture that is critical to its success. Its key values are delivering world-class quality software, client-focused timely delivery, leadership, long-term relationships, creativity, openness and transparency and professional growth. The services provided by NetSol require proficiency in many fields, such as software engineering, project management, business analysis, technical writing, sales and marketing, communication and presentation skills. Every one of our software developers is proficient in the English language. English is the second most spoken language in Pakistan and is mandatory in middle and high schools.

To encourage all employees to build on our core values, we reward teamwork and promote individuals who demonstrate these values. NetSol offers all of its employees the opportunity to participate in its stock option program. Also, the Company has an intensive orientation program for new employees to introduce our core values and a number of internal communications and training initiatives defining and promoting these core values. We believe that our growth and success are attributable in large part to the high caliber of our employees and our commitment to maintain the values on which our success has been based. NetSol worldwide is an equal opportunity employer. NetSol attracts professionals not just from Pakistan, where it is very well known, but also IT professionals living overseas.

Management believes it has been successful in capitalizing on the "Reverse Brain Drain" phenomenon whereby it has been able to attract and retain highly qualified and suitably experienced IT and management professionals working overseas and returning to Pakistan. These include senior management as well as software development professionals that directly contribute to the organization's improvement of various engineering processes and procedures at NetSol.

NetSol believes it has gathered, over the course of many years, a team of very loyal, dedicated and committed employees. Their continuous support and belief in the management has been demonstrated by their further investment of cash. Most of these employees have exercised their millions of stock options. Management believes that its employees are the most invaluable asset of NetSol.

Overall, NetSol as a global IT company has over 20% female employees with the biggest concentration in our development facility in Lahore and in the U.S. headquarters. The Company is an equal opportunity employer. Being a successful company with a well respected name in the business community, NetSol encourages its employees to actively participate and contribute to charitable contributions for catastrophic tragedies anywhere in the globe.

There is significant competition for employees with the skills required to perform the services we offer. The company runs an elaborate training program for different cadre of employees ranging from technical knowledge, business domains as well as communication, management and leadership skills. The Company believes that it has been successful in its efforts to attract and retain the highest level of talent available, in part because of the emphasis on core values, training and professional growth. We intend to continue to recruit, hire and promote employees who share this vision.

As of June 30, 2008, we had 959 full-time employees and 38 part-time employees; comprised of 775 IT project and technical personnel in Pakistan, UK, Australia, and US; and 222 non-IT personnel in Pakistan, UK, Australia and US. The non-IT personnel include 43 employees in management, 51 employees in sales and marketing, 28 employees in accounting, 18 in customer support, and 82 in general and administration. None of our employees are subject to a collective bargaining agreement. Our telecom subsidiary NetSol Connect has 78 full time employees based in Karachi, Pakistan, which are included in the total full-time employee count.

Competition

Neither a single company nor a small number of companies dominate the IT market in the space in which the Company competes. A substantial number of companies offer services that overlap and are competitive with those offered by NetSol. Some of these are large industrial firms, including computer manufacturers and computer consulting firms that have greater financial resources than NetSol and, in some cases, may have greater capacity to perform services similar to those provided by NetSol.

In the LeaseSoft business space, the barriers to entry are getting higher. The products are getting more cutting edge and richness in functionality is paramount. Older companies have prolonged the life of their legacy products by creating web-based front ends, while the core of the systems has not been re-engineered.

In the case of LeaseSoft, we compete chiefly against leading suppliers of IT solutions to the financial industry, including names such as Fimasys, International Decision Systems (IDS), Data Scan, CHP Consulting, 3i Infotech, Finnone and Nucleus Software. In the LeaseSoft business space, the barriers to entry are getting higher. The products are getting more cutting-edge, and richness in functionality is paramount. Older companies have prolonged the life of their legacy products by creating web-based front ends, while the core of the systems has not been re-engineered.

In the IT based business services areas, we compete with both smaller local firms and many global IT services providers, including names such as Wipro, InfoSys, Satyam Infoway, HCL and TCS (Tata Consulting).

Our competition mostly are based in high cost locations in the US, UK and Europe as opposed to NetSol with its facility in Lahore. NetSol is now the only company in the leasing and finance solution space that provides regional solutions in North America, Europe and Asia Pacific. In addition, it is the only company in this space that is publicly listed and provides an offshore development infrastructure with CMMi level 5 accreditation.

Some of the competitors of the Company are International Decisions Systems, EDW, Data Scan, AIPAC, CHP, KPMG, LMK Resources, Systems Innovation (Si3), Bearing Point, Kalsoft, Systems Limited, Oratech Pakistan, TechAccess Pakistan a few others. These companies are scattered worldwide geographically. In terms of offshore development, we are in competition with some of the Indian companies such as Wipro, HCL, TCS, InfoSys, Satyam Infoway and others. Many of the competitors of NetSol have longer operating history, larger client bases, and longer relationships with clients, greater brand or name recognition and significantly greater financial, technical, and public relations resources than NetSol. Existing or future competitors may develop or offer services that are comparable or superior to ours at a lower price, which could have a material adverse effect on our business, financial condition and results of operations.

Customers

Some of the customers of NetSol include: Mercedes Benz Financial Services (Australia, Japan, New Zealand, Singapore, South Korea, Thailand, China and Taiwan), Yamaha Motors Finance Australia, Toyota Motors Finance China, Toyota Leasing Thailand, Finlease Commercial Bank Mauritius, CNH Capital Australia, Fiat Automotive Finance China, Dongfeng Nissan Auto Finance China, BMW Financial Services China and Al Amthal Leasing Saudi Arabia. Volkswagen Credit U.S. & Canada; Hyundai Motor Finance; Keycorp Leasing; Chase Equipment Finance; National City Commercial Credit; City National Bank; and, Terex Corporation In addition, NetSol provides offshore development and testing services to The Innovation Group Plc UK and their blue chip global insurance giants like Allstate, Cendant, etc. The JV with The Innovation Group contributes to about 12% of NetSol's revenues. NetSol is also a strategic business partner for Daimler (which consists of a group of many companies), which accounts for approximately 5% of our revenue. Toyota Motors (which consists of a group of many companies) accounts for approximately 3% of our revenues. Nissan Auto Finance (which consists of a group of many companies) accounts for approximately 11% of our revenues. However no single client represents more than 10% of the revenue for the fiscal year ended June 30, 2008.

As compared to the previous year, NetSol PK was able to materialize a number of services contracts within the local Pakistani public and defense sectors. In 2008 NetSol PK has continued to make strides in the land recording sector by winning two pilot projects in different cities of Pakistan. This year, NetSol, has gone a step further by providing consultancy services to organizations so as to improve their quality of operations and services in addition to winning strategically important assignments within the E-Governance domain for organizations of national significance in Pakistan, including the Ministry of Health and Establishment Division. Also, Netsol was able to secure a major defense sector hospital for its HMIS solution. Its clients include private as well as public sector enterprises. Also, NetSol was successful in consolidating its standing as one of the preferred solutions provider for the Military sector and Defense organizations. The NetSol service portfolio has now diversified into a comprehensive supply chain of end to end services and solutions catering to BPR, consultancy, applications development, and systems engineering and integration, as well as other supporting processes for turnkey projects.

Web Presence

The Company is committed to regaining and extending the advantages of its direct model approach by moving even greater volumes of product sales, service and support to the Internet. The Internet provides greater convenience and efficiency to customers and, in turn, to the Company. The company maintains two corporate websites, www.NetSoltech.com and www.NetSolpk.com for its Global and Pakistani audience, respectively. The Company also maintains a product specific website for LeaseSoft: www.leasesoft.biz.

NetSol's software development and SQA team as well as its clients use its web based customer relationship management solution (HelpDesk) for timely and direct communication, as part of providing ongoing support and maintenance services. More details can be found on <http://www.netsolhelp.com>.

Through the company's web sites, its customers, both existing and potential, and investors can access a wide range of information about its product offerings, and support and technical matters.

Corporate Structure

The Company's headquarters are in Calabasas, California. Nearly 70% of the programming and development is carried out at NetSol's technology campus in Lahore, Pakistan. The other 30% of development is conducted in the Proximity Development Center or "PDC" in Horsham, UK and the U.S. development facility located in the San Francisco Bay Area of California. This signifies the newly launched 'BestShoring' model by providing the best services at the most efficient pricing model. The marketing effort is shared and coordinated between the primary divisions operating at NetSol PK. in Lahore, Pakistan; NetSol UK, NTE in the UK; and NTNA in the U.S. US marketing operations are conducted through the parent and NTNA. These are the core operating companies engaged in developing and marketing IT solutions and software development and marketing. An initiative is underway to unify the look and feel of all advertising, branding and marketing material.

NetSol UK, together with NTE, services and supports the clients in the UK and Europe. NetSol PK services and supports the customers in the Asia Pacific and South Asia regions. NTNA, together with the parent, supports all of the North American customers.

NetSol has initiated the launch of Dubai based presence to promote and market its business in one of the most vibrant and dynamic regions. The rationale of approaching the Dubai-Mid East market is to leverage NetSol's global footprint and brand recognition. There is apparent appetite and loyalty of Middle East businesses with Pakistan based IT resources and NetSol expects to see strong traction in coming years.

Despite numerous challenges facing Pakistan in 2008 due to political unrest and economic pressure, according to reports from World Bank ranking, most rank Pakistan as the 60th country in the ease of doing business ahead of both China and India.

The IT and telecommunication sector is the fastest growing sector in Pakistan mostly due to growing privatization, relaxed policies and a 15 year tax holiday on IT exports of services and products. These policies have strongly encouraged companies, like NetSol, to enhance its infrastructure and develop a solid and formidable team of IT professionals.

The Company has seen noticeable demand from APAC and UAE region to use NetSol PK development infrastructure that offers competitive price and technology advantage to serve its customers.

A few of NetSol's major successes achieved in 2008 were:

- * Adding 5 new clients in China in the last 18 months, continuing its status as the Company's biggest single market
- * A turnaround in our Australian market adding new names such as CNH Australia
- * Launch of Thailand office
- * Robust growth of NetSol's joint venture with Innovation Group, over 130 programmers dedicated
- * Continued addition of blue chip customers such as Terex Corp, Fiat, Toyota Financial, blue chip names in the US and Investec

From the point of view of the interests of our foreign partners and customers in NetSol, Pakistan remains a safe place to do business. The specific successes achieved from the acquisitions of CQ Systems (NTE) and McCue Systems (NTNA) endorses the fact that Pakistan is a safe place to do business when compared to many other troubled spots in the globe. Our best and proven business case is the NetSol - Innovation Group joint venture. This represents the best example of not only NetSol's capabilities but the ability of a Pakistan based company to achieve off shore business model success for a Western based company. This joint venture provides the major US and UK customers of Innovation Group in the UK with world class service from NetSol Pakistan, enhancing the client's productivity at much more attractive prices. Under any geo-political challenges, the Company is quite prepared in any contingency to use alternate development facilities located in Beijing (China), Horsham (UK), Emeryville (USA) and Adelaide (Australia). These locations mitigate any underlying risk due to any geopolitical crises.

Organization

NetSol Technologies, Inc. (formerly NetSol International, Inc.) was founded in 1997 and is organized as a Nevada corporation. The Company amended its Articles of Incorporation on March 20, 2002 to change its name to NetSol Technologies, Inc.

The success of the Company, in the near term, will depend, in large part, on the Company's ability to: (a) continue to grow revenues and improve profits, (b) raise funds for continued operations and growth; (c) make a major entry in the US market and, (d) streamline sales and marketing efforts in the Asia Pacific region, Europe, the Middle East, Japan and Australia. However, management's outlook for the continuing operations, which has been consolidated and has been streamlined, remains optimistic and bullish. With continued emphasis on a shift in product mix towards the higher margin consulting services, the Company anticipates to be able to continue to improve operating results at its core by reducing costs and improving gross margins. Management has effectively achieved a seamless transition and integration of NTE and NTNA with NetSol front end and back end operations.

Intellectual Property

The Company relies upon a combination of nondisclosure and other contractual arrangements, as well as common law trade secret, copyright and trademark laws to protect its proprietary rights. The Company enters into confidentiality agreements with its employees, generally requires its consultants and clients to enter into these agreements, and limits access to and distribution of its proprietary information. The NetSol logo and name, as well as the LeaseSoft logo and product name have been copyrighted and trademark registered in Pakistan. The Company intends to trademark and copyright its intellectual property as necessary and in the appropriate jurisdictions.

Governmental Approval and Regulation

Current Company operations do not require specific governmental approvals. Like all companies, including those with multinational subsidiaries, we are subject to the laws of the countries in which the Company maintains subsidiaries and conducts operations. Pakistani law allows a tax exemption on income from exports of IT services and products up to 2016. While foreign based companies may invest in Pakistan, repatriation of their investment, in the form of dividends or other methods, requires approval of the State Bank of Pakistan. The present Pakistani government has effectively reformed the policies and regulations effecting foreign investors and multinational companies thus, making Pakistan an attractive and friendly country in which to do business.

Research and Development

In anticipation of an upcoming World Bank funded program, NetSol Pakistan has been proactively undertaking a Research and Development exercise to develop a proof of concept for “computerization of Land Records Management Information System (LRMIS)”. NetSol’s LRMIS is developed after thorough evaluations of existing manual system and client/user needs, detailed system analysis and process flow definition. It automates various land record management registers and is programmed to generate key reports on multiple parameters. Overall it provides the benefits of timely data availability, data transparency and accuracy, cost effectiveness, easy transaction tracking and better decision making using IT-enablement in a field where its need is hugely felt. As of June 30, 2008, the Company has invested approximately \$1,044,389 on this project.

ITEM 2 - PROPERTIES

Company Facilities

The Company's corporate headquarters have been located at 23901 Calabasas Road, Suite 2072, Calabasas, CA 91302 since 2003. It is located in approximately 1,919 rentable square feet, with a monthly rent of \$4,754. The lease is a two-year lease expiring in December 2009.

Other leased properties as of the date of this report are as follows:

Location/Approximate Square Feet		Purpose/Use	Monthly Rental Expense
Australia	1,140	Computer and General Office	\$ 1,380
Beijing, China	431	General Office	\$ 4,315
Burlingame, CA (NetSol McCue)	8,089	Computer and General Office	\$ 16,178
Emeryville, CA (NTNA)	23,908	Computer and General Office	\$ 77,880
Horsham, UK (NetSol Europe)	6,570	Computer and General Office	\$ 12,528
NetSol PK (Karachi Office)	1,883	General Office	\$ 1,726
NetSol PK (Islamabad Office)	3,240	General Office & Guest House	\$ 1,417
NetSol (Rawalpindi Office)	6,200	General Office	\$ 850
Thailand	936	Computer and General Office	\$ 752

The Australia lease is a month to month lease and is rented at the rate of \$1,380 per month. The Beijing lease is a two year lease that expires in August 2009. The monthly rent is \$4,315 per month. The Bangkok lease is a one year lease with monthly rent of \$752. The NetSol Europe facilities, located in Horsham, United Kingdom, are leased until June 23, 2011 for an annual rent of £75,000 (approximately \$150,330). NTNA recently relocated to the Emeryville, California location. The Emeryville lease is a ten year lease with monthly rent of \$77,880. NTNA's former Burlingame, California, premises are leased until June 30, 2009 with a monthly rent of \$16,178. NTNA is actively seeking to sublet the Burlingame, California premises.

The NetSol Karachi lease is a 3 year lease that expires on December 4, 2008 and currently is rented at the rate of \$1,726 per month. The NetSol Islamabad lease is a 15 year lease that expires on August 31, 2016 and currently is rented at the rate of \$1,417 per month. The NetSol Rawalpindi lease is a 1 year lease that expires in January 2009 and currently is rented at the rate of \$850 per month.

Upon expiration of its leases, the Company does not anticipate any difficulty in obtaining renewals or alternative space.

Lahore Technology Campus

The newly built Technology Campus was inaugurated in Lahore, Pakistan in May 2004. This facility consists of 50,000 square feet of computer and general office space. This facility is state of the art, purpose-built and fully dedicated for IT and software development; the first of its kind in Pakistan. Title to this facility is held by NetSol Technologies Ltd. and is not subject to any mortgages. The Company also signed a strategic alliance agreement with the IT ministry of Pakistan to convert the technology campus into a technology park. By this agreement, the IT ministry has invested nearly 10 million Rupees (approximately \$150,000) to install fiber optic lines and improve the bandwidth for the facility. In order to cater for future business expansion and taking advantage of depressing real estate market, the company purchased two new cottages adjacent to its main building. Total covered area of these cottages is 4,900 sq feet and it cost was approximately \$250,000. The management has moved its accounts, finance, internal audit, company secretariat and costing and budgeting department into these cottages. For the recreation of its valuable human resources, the management has also established a gymnasium there.

ITEM 3 - LEGAL PROCEEDINGS

To the best knowledge of Company's management and counsel, there is no material litigation pending or threatened against the Company.

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

NetSol conducted its annual meeting of shareholders on May 2, 2008. The following are the items that were voted upon.

1. Election of Directors

The following persons were elected directors of the Company to hold office until the next Annual General Meeting of the Shareholders. The following sets for the voting tabulation for each director:

Director	For	Withhold	Percent of Total Voted	Total Shares Voted
Najeeb Ghauri	22,530,798	381,810	98.33	22,912,608
Naeem Ghauri	22,527,198	385,410	98.31	22,912,608
Salim Ghauri	22,496,507	416,101	98.18	22,912,608
Shahid Burki	22,338,231	574,377	97.49	22,912,608
Eugen Beckert	22,339,231	574,224	97.49	22,912,608
Mark Caton	21,919,409	993,199	95.66	22,912,608
Alexander Shakow	22,613,565	299,043	98.69	22,912,608

2. Ratification of Appointment of Auditors

Kabani & Company Inc. was appointed as Auditors for the Company to hold office until the close of the next annual general meeting of the Company. The directors were authorized to fix the remuneration to be paid to the auditors. The following sets forth the tabulation of the shares voting for this matter.

Total Shares Voted	For	Against	Abstain	Percent
22,912,608	21,934,373	813,922	164,311	95.73%

3. Amendment of Articles of Incorporation to Increase Capital Stock

An amendment of the articles of incorporation to increase the total capital stock to 100,000,000 was approved of which 95,000,000 shall consist of common stock, \$.001 par value and 5,000,000 shall consist of preferred stock, \$.001 par value. The following sets forth the tabulation of the shares voting for this matter.

Total Shares Voted	For	Against	Abstain	Broker Non-Vote	Percent
22,912,608	12,282,394	1,464,299	62,630	9,103,285	53.60%

4. Adoption of the 2008 Equity Incentive Plan

The 2008 Equity Incentive Plan which permits the grant, pursuant to the plan, of up to 1,000,000 shares of common stock of the Company was approved. The following sets forth the tabulation of the shares voting for this matter.

Total Shares Voted	For	Against	Abstain	Broker Non-Vote	Percent
22,912,608	12,075,501	1,518,416	214,460	9,103,285	52.70%

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS; RECENT SALES OF UNREGISTERED SECURITIES

(a) MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION - Common stock of NetSol Technologies, Inc. is listed and traded on NASDAQ Capital Market under the ticker symbol "NTWK."

The table shows the high and low intra-day prices of the Company's common stock as reported on the composite tape of the NASDAQ for each quarter during the last two fiscal years.

Fiscal Quarter	2007-2008		2006-2007	
	High	Low	High	Low
1st (ended September 30)	3.19	1.41	2.00	1.27
2nd (ended December 31)	4.64	2.18	2.05	1.40
3rd (ended March 31)	2.75	1.45	2.05	1.40
4th (ended June 30)	3.06	1.90	2.05	1.40

Common stock of NetSol Technologies, Inc. is also listed and traded on the Dubai International Financial Exchange ("DIFX") under the ticker symbol "NTWK" beginning on June 16, 2008.

The table shows the high and low intra-day prices of the Company's common stock as reported on the DIFX for each quarter during the last two fiscal years, as applicable.

Fiscal Quarter	2007-2008		2006-2007	
	High	Low	High	Low
1st (ended September 30)	—	—	—	—
2nd (ended December 31)	—	—	—	—
3rd (ended March 31)	—	—	—	—
4th (ended June 30)	2.94	2.67	—	—

RECORD HOLDERS - As of September 15, 2008, the number of holders of record of the Company's common stock was 247. As of September 15, 2008, there were 26,419,770 shares of common stock issued and outstanding and 1,920 shares of preferred stock issued and outstanding..

DIVIDENDS - The Company has not paid dividends on its Common Stock in the past two fiscal years.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The table shows information related to our equity compensation plans as of June 30, 2008:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans approved by Security holders	8,064,739(1)	\$ 2.48(2)	4,162,148(3)
Equity Compensation Plans not approved by Security holders	None	None	None

Total	8,064,739	\$	2.48	4,162,148
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- (1) Consists of 16,000 under the 2001 Incentive and Nonstatutory Stock Option Plan; 882,000 under the 2002 Incentive and Nonstatutory Stock Option Plan; 479,000 under the 2003 Incentive and Nonstatutory Stock Option Plan; 3,075,425 under the 2004 Incentive and Nonstatutory Stock Option Plan; and 1,620,000 under the 2005 Incentive and Nonstatutory Stock Option Plan.
- (2) The weighted average of the options is \$2.59.
- (3) Represents 840,394 available for issuance under the 2003 Incentive and Nonstatutory Stock Option Plan; 51,754 available for issuance under the 2004 Incentive and Nonstatutory Stock Option Plan; and, 3,270,000 available for issuance under the 2005 Incentive and Nonstatutory Stock Option Plan.

(b) RECENT SALES OF UNREGISTERED SECURITIES

In April 2008, the Company issued 20,000 rule 144 restricted shares to an accredited consultant in exchange for services rendered. These shares were issued in reliance on an exemption from registration available under Regulation D of the Securities Act of 1933, as amended.

In June 2008, the Company issued 8,750 rule 144 restricted shares to an employee in exchange for services rendered. These shares were issued in reliance on an exemption from registration available under Sections 4(2) of the Securities Act of 1933, as amended.

In June 2008, the Company issued a total of 20,000 shares of common stock to an accredited, non-US based consultant in exchange for services rendered. These shares were not transferred to the consultant as of June 30, 2008 and are therefore, not included in the shares outstanding. These shares were issued in reliance on an exemption from registration available under Regulation D of the Securities Act of 1933, as amended.

During the quarter ended June 30, 2008, holders of our Series A 7% Cumulative Convertible Preferred Stock received 18,764 shares of common stock as payment of dividends due under the terms of the Certificate of Designation. These shares were issued in reliance on exemptions from registration available under Regulation S and D of the Securities Act of 1933, as amended.

During the fiscal years ended June 30, 2008 and 2007, employees exercised options to acquire 849,938 and 1,574,273 shares of common stock in exchange for a total exercise price of \$1,518,429 and \$2,590,473.

(c) STOCK REPURCHASE PLAN

The repurchases provided in the table below were made during the quarter ended June 30, 2008:

Issuer Purchases of Equity Securities(1)					
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may be Purchase Under the Plans or Programs	
January 2008	-0-	\$ 0.00	-0-	-0-	-0-
February 2008	-0-	\$ 0.00	-0-	-0-	-0-
March 2008	13,600	\$ 1.87	13,600	986,400	
June 2008	-0-	\$ 0.00	-0-	-0-	-0-

- (1) On March 24, 2008, the Company announced that it had authorized a stock repurchase program permitting the Company to repurchase up to 1,000,000 of its shares of common stock over the next 6 months. The shares are to be repurchased from time to time in open market transactions or privately negotiated transactions in the Company's discretion.

ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

The following discussion is intended to assist in an understanding of NetSol's financial position and results of operations for the year ended June 30, 2008.

Forward Looking Information

This report contains certain forward-looking statements and information relating to NetSol that is based on the beliefs of management as well as assumptions made by and information currently available to its management. When used in this report, the words "anticipate", "believe", "estimate", "expect", "intend", "plan", and similar expressions as they relate to NetSol or its management, are intended to identify forward-looking statements. These statements reflect management's current view of NetSol with respect to future events and are subject to certain risks, uncertainties and assumptions. Should any of these risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results may vary materially from those described in this report as anticipated, estimated or expected. NetSol's realization of its business aims could be materially and adversely affected by any technical or other problems in, or difficulties with, planned funding and technologies, third party technologies which render NetSol's technologies obsolete, the unavailability of required third party technology licenses on commercially reasonable terms, the loss of key research and development personnel, the inability or failure to recruit and retain qualified research and development personnel, or the adoption of technology standards which are different from technologies around which the Company's business is built. NetSol does not intend to update these forward-looking statements.

Management has set the following new goals for NetSol for the next 12 months:

- Expand sales and marketing activities in China. In addition to the Beijing office, we anticipate launching new sales and support offices in at least 1-2 more cities in China.
- Grow NetSol in the newest region in the UAE and Gulf states. Initially, a small virtual office is being set up in Dubai area that could roll into a bigger and stand alone presence in the area.
- Globalization and diversification of development and programming capabilities, not limited to Southeast Asia but exploration of emerging economies in Central and South America to support the NTNA business.
- Most strategic goal in 2009 is to establish the NTNA business by expanding the existing operations. The move from a smaller office in Burlingame to a much larger office in Emeryville will be a major event in NetSol history. This strategy has strong potential of ramping up global business and valuation for Netsol consistent with our stated vision.
- Actively explore both opportunistic and synergistic alliances and partnerships in Americas and Europe.
- Improve the quality of hiring of senior management personnel in key locations. Further build a stronger middle management resource pool to deliver and execute the growth and earnings envisioned by the management.
- Introduce and market two LeaseSoft modules: WSF and CAPS in the US market.
- Grow into new business verticals including healthcare, insurance, and banking in the US and European markets. The launch of Global Business Services through these verticals is an important goal in 2009.
- Enhance software design, engineering and service delivery capabilities by increasing investment in training.
- Continue to invest in research and development in an amount between 7-10% of yearly budgets in both new developments and domains within NetSol's core competencies.
- NetSol technology campus to become much more cost efficient, enhanced productivity and services to global clients and partners.

- Market aggressively on a regional basis the Company's tri-product solutions by broader marketing efforts for LeaseSoft in APAC and untapped markets; aggressively grow LeasePak solutions in North America; and, further establish NetSol Enterprise solution in the European markets.
- Broaden value added investor base in the UAE region and US institutions. Also attract technology focused analysts coverage to improve NetSol valuation and multiples.

Top Line Growth through Investment in organic marketing activities. NetSol marketing activities will continue to:

- Prompt organic expansion in North America market by expanding the sales and marketing team.
- Diversify in new verticals of services in North America such as insurance, healthcare, public sectors.
- Continue sales momentum and pipeline of LeaseSoft in APAC, Europe and now in the Americas.
- Further extending services offerings to existing 30 plus US customers.
- Penetrate further into the Chinese market by adding new locations.
- Effectively enter the UAE and regional markets for LeaseSoft and services.
- Further penetrate in Australian market in captive and non-captive sectors.
- Fully leverage NetSol's reputable name in the UK and European markets within banking, leasing and insurance sectors.
- Encourage joint ventures and new alliances.

Funding and Investor Relations:

- Add breadth and depth to the investor base in the US and UK by aggressively presenting in various investors forums and analysts meetings.
- Grow further institutional ownership from 20% to 40% by continuously presenting the Company with a focus on the US /China / UAE business expansion.
- IR/PR to expand media reach in 2009. NetSol has been interviewed by Fox Business Network, Nasdaq site and many print publications in 2008.
- NetSol management was invited on June 24, 2008 to closing bell at NASDAQ Stock Exchange.
- Expand the investor ownership in the UAE market to generate increased trading volumes on the NASDAQ Capital Market and the DIFX exchanges.
- Continue to encourage stock options exercises by officers and employees. Improve internal cash flows through enhanced process of A/Rs collections and explore most strategic investors with value add perspectives.
- Make every effort to enhance NetSol's market capitalization in the US.

Improving the Bottom Line:

- Grow topline, enhance gross profit margins to 62-65% by leveraging the low-cost development facility in Lahore and Best Shoring model.
- Generate much higher revenues per developer and service group, enhance productivity and lower cost per employee overall.
- Consolidate subsidiaries and integrate and combine entities to reduce overheads and employ economies of scale.
- Continue to review costs at every level to consolidate and enhance operating efficiencies.
- Grow process automation and leverage the best practices of CMMi level 5.
- Cost efficient management of every operation and continue further consolidation to improve bottom line.
- Initiated steps to consolidate some of the new lines of services businesses to improve both operating and net margins.

Management continues to be focused on building its delivery capability and has achieved key milestones in that respect. Key projects are being delivered on time and on budget, quality initiatives are succeeding, especially in maturing internal processes.

In a quest to continuously improve its quality standards, NetSol is frequently assessed to maintain its CMMi Level 5 quality certification. We believe that the CMMi standards achievement is a key reason in NetSol's demand surge worldwide. We remain convinced that this trend will continue for all NetSol offerings promoting further beneficial alliances and increasing the number and quality of our global customers. The quest for quality standards is a key to NetSol overall sustainability and success. In 2008 NetSol PK became ISO 27001 certified, a global standard and a set of best practices for Information Security Management

MATERIAL TRENDS AFFECTING NETSOL

NetSol has identified the following material trends affecting NetSol

Positive trends:

- Robust worldwide shift towards cost redundancies, economies of scale and labor arbitrage.
- The global economic pressures has shifted IT processes and technology to utilize both offshore and onshore solutions providers, to control the costs and improve ROIs.
- New trends in the most emerging and newest markets. There has been a noticeable new demand of leasing and financing solutions as a result of new buying habits and patterns in the Middle East, Eastern Europe and Central America.
- The overall leasing and finance industry in North America has steadily grown to over \$260 billion despite the subprime crises, partly due to the resulting lack of cash liquidity.
- The levy of Indian IT sector excise tax of 35% (NASSCOM) on software exports is very positive for NetSol. In Pakistan there is a 15 year tax holiday on IT exports of services. There are 10 more years remaining on this tax incentive.
- Cost arbitrage, labor costs still very competitive and attractive when compared with India. Pakistan is significantly under priced for IT services and programmers as compared to India.
- Pakistan is one of the fastest growing IT destinations from emerging and new markets.
- Chinese market is burgeoning and wide open for NetSol's 'niche' products and services. NetSol is gaining a strong foothold in this market.

Negative trends:

- The disturbance in Middle East, Afghanistan and Pakistan borders. Due to 9/11 events and global war on terrorism, the travel advisory of Americans travel restrictions to Pakistan continue. In addition, travel restrictions to the US and more stringent immigration laws are causing delays in travel to the US.
- Negative perception and image created by extremism and terrorism in the South Asian region.
- Overall slump in world markets, curtailing IT and spending budgets.
- Unstable economic and political environment in Pakistan and the current volatility of Pakistan's capital markets.
- Worry of an expanding and unending credit crunch in the world economies due to financial and banking sector failures.
- Overall decline of auto sales due to higher oil prices and inflationary pressure.

CRITICAL ACCOUNTING POLICIES

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, and expense amounts reported. These estimates can also affect supplemental information contained in the external disclosures of NetSol including information regarding contingencies, risk and financial condition. Management believes our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. Valuations based on estimates are reviewed for reasonableness and conservatism on a consistent basis throughout NetSol. Primary areas where our financial information is subject to the use of estimates, assumptions and the application of judgment include our evaluation of impairments of intangible assets, and the recoverability of deferred tax assets, which must be assessed as to whether these assets are likely to be recovered by us through future operations. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

VALUATION OF LONG-LIVED AND INTANGIBLE ASSETS

The recoverability of these assets requires considerable judgment and is evaluated on an annual basis or more frequently if events or circumstances indicate that the assets may be impaired. As it relates to definite life intangible assets, we apply the impairment rules as required by SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Assets to Be Disposed Of" which requires significant judgment and assumptions related to the expected future cash flows attributable to the intangible asset. The impact of modifying any of these assumptions can have a significant impact on the estimate of fair value and, thus, the recoverability of the asset.

INCOME TAXES

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets generated by the Company or any of its subsidiaries are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Deferred tax assets resulting from the net operating losses are reduced in part by a valuation allowance. We regularly review our deferred tax assets for recoverability and establish a valuation allowance based upon historical losses, projected future taxable income and the expected timing of the reversals of existing temporary differences. During the fiscal years ended June 30, 2008 and 2007, we estimated the allowance on net deferred tax assets to be one hundred percent of the net deferred tax assets.

CASH RESOURCES

We were successful in improving our cash position by the end of our fiscal year, June 30, 2008 with \$6.2 million in cash worldwide. In addition, \$3.3 million was injected by the exercise of options and warrants in 2008 and \$1.5 million was injected from a sale of restricted common stock in a private placement.

CHANGE IN MANAGEMENT AND BOARD OF DIRECTORS

Board of Directors

At the 2008 Annual Shareholders Meeting a seven member board was elected. The shareholders voted for the following slate of directors: Mr. Najeeb U. Ghauri, Mr. Salim Ghauri, Mr. Eugen Beckert, Mr. Naeem U. Ghauri, Mr. Shahid Burki, Mr. Mark Caton and Mr. Alexander Shakow.

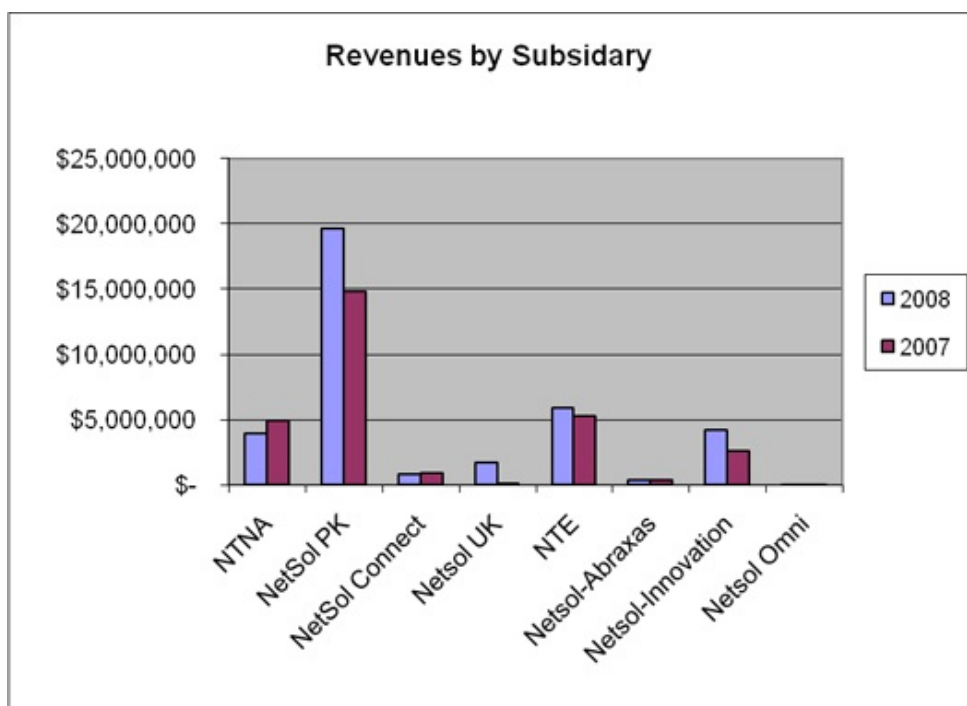
Committees

The Audit committee is made up of Mr. Shahid Burki as Chairman, Mr. Caton, Mr. Beckert and Mr. Shakow as members. The Compensation committee consists of Mr. Caton as its Chairman and Mr. Beckert, Mr. Burki, and Mr. Shakow as its members. The Nominating and Corporate Governance Committee consists of Mr. Beckert as chairman and Mr. Burki, Mr. Caton and Mr. Shakow as members.

RESULTS OF OPERATIONS

THE YEAR ENDED JUNE 30, 2008 COMPARED TO THE YEAR ENDED JUNE 30, 2007

Net revenues for the year ended June 30, 2008 were \$36,642,175 as compared to \$29,282,086 for the year ended June 30, 2007. Net revenues are broken out among the subsidiaries as follows:



	2008		2007	
North America:				
Netsol Tech NA (NTNA)	\$ 3,969,521	10.83%	\$ 4,953,083	16.92%
	<u>3,969,521</u>	<u>10.83%</u>	<u>4,953,083</u>	<u>16.92%</u>
Europe:				
Netsol UK	1,767,564	4.82%	138,656	0.47%
Netsol Tech Europe (NTE)	5,908,661	16.13%	5,344,316	18.25%
	<u>7,676,225</u>	<u>20.95%</u>	<u>5,482,972</u>	<u>18.72%</u>
Asia-Pacific:				
NetSol PK	19,610,797	53.52%	14,796,001	50.53%
Netsol-Innovation	4,199,520	11.46%	2,622,318	8.96%
Netsol Connect	811,232	2.21%	972,095	3.32%
Netsol-Omni	30,366	0.08%	44,151	0.15%
Netsol-Abraxas Australia	344,514	0.94%	411,466	1.41%
	<u>24,996,429</u>	<u>68.22%</u>	<u>18,846,031</u>	<u>64.36%</u>
Total Net Revenues	<u>\$ 36,642,175</u>	<u>100.00%</u>	<u>\$ 29,282,086</u>	<u>100.00%</u>

The following table sets forth the items in our consolidated statement of operations for the years ended June 30, 2008 and 2007 as a percentage of revenues.

	For the Year Ended June 30,			
	2008	%	2007	%
Net Revenues:				
License fees	\$ 12,685,039	34.62%	\$ 9,788,266	33.43%
Maintenance fees	6,306,321	17.21%	5,441,339	18.58%
Services	17,650,815	48.17%	14,052,481	47.99%
Total revenues	36,642,175	100.00%	29,282,086	100.00%
Cost of revenues				
Salaries and consultants	10,071,664	27.49%	8,812,934	30.10%
Travel	1,719,743	4.69%	1,529,796	5.22%
Repairs and maintenance	405,140	1.11%	430,962	1.47%
Insurance	239,043	0.65%	211,897	0.72%
Depreciation and amortization	1,398,454	3.82%	794,482	2.71%
Other	1,890,100	5.16%	1,914,440	6.54%
Total cost of sales	15,724,144	42.91%	13,694,511	46.77%
Gross profit	20,918,031	57.09%	15,587,575	53.23%
Operating expenses:				
Selling and marketing	3,722,470	10.16%	3,161,924	10.80%
Depreciation and amortization	1,939,502	5.29%	1,846,790	6.31%
Bad debt expense	58,293	0.16%	189,873	0.65%
Salaries and wages	3,703,836	10.11%	3,696,501	12.62%
Professional services, including non-cash compensation	837,598	2.29%	1,067,702	3.65%
General and administrative	3,447,113	9.41%	2,977,917	10.17%
Total operating expenses	13,708,812	37.41%	12,940,707	44.19%
Income from operations	7,209,219	19.67%	2,646,868	9.04%
Other income and (expenses):				
Gain (loss) on sale of assets	(35,484)	-0.10%	(2,977)	-0.01%
Beneficial conversion feature	-	0.00%	(2,208,334)	-7.54%
Amortization of debt discount and capitalized cost of debt	-	0.00%	(2,803,691)	-9.57%
Liquidation damages	-	0.00%	(180,890)	-0.62%
Fair market value of warrants issued	-	0.00%	(68,411)	-0.23%
Interest expense	(626,708)	-1.71%	(617,818)	-2.11%
Interest income	195,103	0.53%	339,164	1.16%
Gain on sale of subsidiary shares	1,240,808	3.39%	-	0.00%
Other income and (expenses)	2,169,383	5.92%	114,423	0.39%
Total other income (expenses)	2,943,102	8.03%	(5,428,534)	-18.54%
Net income (loss) before minority interest in subsidiary	10,152,321	27.71%	(2,781,666)	-9.50%
Minority interest in subsidiary	(2,808,291)	-7.66%	(1,935,589)	-6.61%
Income taxes	(121,982)	-0.33%	(160,306)	-0.55%
Net income (loss)	7,222,048	19.71%	(4,877,561)	-16.66%
Dividend required for preferred stockholders	(178,541)	-0.49%	(237,326)	-0.81%
Subsidiary dividend (minority holders portion)	(817,173)	-2.23%	-	0.00%
Bonus stock dividend (minority holders portion)	(1,160,994)	-3.17%	(345,415)	-1.18%
Net income (loss) applicable to common shareholders	5,065,340	13.82%	(5,460,302)	-18.65%

The total consolidated net revenue for fiscal year 2008 was \$36,642,175 compared to \$29,282,086 in fiscal year 2007. This is a nearly 25% increase in revenue. Maintenance fee revenue increased 16% from \$5,441,339 to \$6,306,321. Revenue from services, which includes consulting and implementation, increased 26% from \$14,052,481 to \$17,650,815. The increase is attributable mostly to growth in services business, several new license sales of LeaseSoft in China, growing outsourcing business of NetSol-TIG (JV) and additional maintenance work. In addition, several new verticals have been formed in Lahore and are now producing revenues. The Company has experienced solid and consistent demand for IT services in the domestic sectors of Pakistan. NetSol in Pakistan has been pre-qualified to participate in several public sector projects. The most significant is the World Bank funded Land Record Management Information Systems or LRMIS. This project has a World Bank grant of \$300 million in Pakistan and NetSol was given two pilot projects in the province of Punjab in 2007, and a recent

one in Islamabad. NetSol anticipates winning key projects in this area in next few quarters.

The fiscal year ended June 30, 2008 was a very busy and exciting period for NetSol worldwide. The activity for NetSol's new license sales for LeaseSoft is increasingly on the rise. The current pipeline boasts over 30 plus captive auto manufacturers and non-captives globally at an advance stage of closing or decision making.

Several new major customers were added in 2008 in APAC and the European markets. The most significant license customers included Nissan in China, BMW in Hong Kong, a major Italian auto manufacturer in China, and a major European bank. Several domestic projects and contracts were signed during the year.

Due to the revision in our pricing policy, LeaseSoft license value in APAC is in the range of \$1.0 to \$2.0 million, without factoring in services maintenance and implementation fees. Normally, NetSol negotiates 18-20% yearly maintenance contracts with customers. A number of large leasing companies will be looking to renew legacy applications. This places NetSol in a very strong position to capitalize on any upturn in IT spending by these companies. As the Company continues to sell more of these licenses, management believes it is possible that the margins could increase to upward of 60%.

During the current year, our APAC division successfully implemented its LeaseSoft product suite for two major automotive captives in Hong Kong and China. NetSol has signed a contract with one of the largest leasing companies in Saudi Arabia for LeaseSoft and this contract marks NetSol's entry into the lucrative Middle East region. In addition, a contract with a leading automobile manufacturer in Australia was signed for the LeaseSoft product. NetSol won a contract with a leading bank in Pakistan for Basel II advisory services this opportunity for NetSol represents a new business sector vertical for the Company. A contract was signed with a major public sector hospital in Pakistan to design and implement an IT system. This represents a new vertical for NetSol in developing Hospital Management Systems. In addition, NetSol has launched a new information security management initiative in Pakistan, called "Secure Pakistan". The project aims to secure critical information, while in storage or transfer, from theft.

NetSol signed a new frame agreement with Mercedes Benz Financial Services AG Germany, to service their needs in the Middle East, Africa, and the Asia-Pacific regions. The frame agreement outlines the implementation of basic and general provisions, regulations, and processes of existing and all future individual agreements for the development and delivery of software or services to Mercedes Benz Financial Services.

During the current year, NetSol, lead by the North American division has launched Global Services to bring our competencies in delivering IT services to the global market and especially in North America. A new business model, "BestShoring" was developed to deliver the best solution to the market using both on-shore and off-shore resources.

The North American division has introduced "consulting selling" to its market whereby the clients requirements are being accessed, with requirements workshops, and providing the best solution to meet the client's needs with LeasePak and/or LeaseSoft. North America is introducing the LeaseSoft product suite to its market.

Our joint-venture, NetSol-Innovation continues to grow overall. The total programmer strength is over 130 people dedicated to the joint-venture projects. In addition, two new projects in the United States of America were signed and Innovation Group's release management of five different countries has recently been given to our Extended Innovation ("EI") division which works with the joint-venture.

Our EMEA division ("NTE") had two customers "go-live" during the current fiscal year and had several contracts for data transfers as the market in Europe consolidated. There were three new customers contracts signed during the current fiscal year, using the full co-operation of the UK and Pakistan teams for the implementation, with the UK staff doing the customer facing activities while Lahore provided the technical and development input; a win for our "BestShoring" model.

The gross profit was \$20,918,031 for year ended June 30, 2008 as compared with \$15,587,575 for the same period of the previous year. This is a 34% increase. The gross profit percentage was 57% for the current fiscal year and 53% in the prior year. The cost of sales was \$15,724,144 in the current year compared to \$13,694,511 in the prior year. Although salaries and consultant fees increased \$1,258,730 from \$8,812,934 in the prior year to \$10,071,664, as a percentage of sales, it decreased 3% from 30% in the prior year to 27% in the current year. The gross profit margin is expected to continue to improve as the integration of both the operations in Horsham, UK and Burlingame, US are fully integrated and cost savings are achieved. The Company has invested heavily in its infrastructure, both in people and equipment during the current fiscal year as it situated itself for increased growth organically.

Operating expenses were \$13,708,812 for the year ended June 30, 2008 as compared to \$12,940,707 for the year ended June 30, 2007, an increase of only 6% from the prior year. The increase is mainly attributable to increased selling and marketing activities, additional employees and an increase in overall activities due to our increased marketing efforts. As a percentage of sales it decreased 7% from 44% to 37%. Depreciation and amortization expense amounted to \$1,939,502 and \$1,846,790 for the year ended June 30, 2008 and 2007, respectively. Combined salaries and wage costs were \$3,703,836 and \$3,696,501 for the comparable periods, respectively, or an increase of only \$7,335 from the corresponding period last year. As a percentage of sales, these costs decreased slightly from 13% to 10%. General and administrative expenses were \$3,447,113 and \$2,977,917 for the years ended June 30, 2008 and 2007, respectively, an increase of \$469,196 or 16%. As a percentage of sales, these expenses were 9% in the current year compared to 10% in the prior year. The increase in costs is due to the three new sales offices in Pakistan, the sales office in China, increased board fees, increased travel and other expenses that supporting a large workforce entail. As of June 30, 2008, we had 997 employees world-wide.

Selling and marketing expenses increased to \$3,722,470 for the year ended June 30, 2008, as compared to \$3,161,924 for the year ended June 30, 2007, reflecting the growing sales activity of the Company. As a percentage of sales, these expenses were 10.1% in the current year compared to 10.8% in the prior year. The Company wrote-off, as uncollectible, bad debts of \$58,293 and \$189,873, during the years ended June 30, 2008 and 2007, respectively.

The income from operations in fiscal year 2008 was \$7,209,219 compared to \$2,646,868 in fiscal year 2007. This represents an increase of \$4,562,351 or 172%. As a percentage of sales, net income from operations was 19.7% in the current year compared to 9.0% in the prior period.

Net income in fiscal year 2008 was \$7,222,048 compared to a loss of \$4,877,561 in fiscal year 2007 or an increase of \$12,099,609. During the years ended June 30, 2008 and 2007, the Company was required to pay a dividend to the preferred stockholders of \$178,541 and \$237,326. Our subsidiary NetSol PK, which is listed on the Karachi Stock Exchange, issued a dividend of bonus shares to its shareholders. The net value issued to the minority holders was \$1,160,994 and \$345,415 for the comparable period. In addition, during the current fiscal year, our joint venture issued a cash dividend; the net value attributable to the minority holders was \$817,173. After these adjustments, the net income applicable to common shareholders was \$5,065,340 compared to a loss of \$5,460,302 in the prior period. The current fiscal year amount includes a net reduction for the minority interest in earnings of \$2,808,291 compared to a reduction of \$1,935,589 in the prior year for the 49.9% minority interest in NetSol Connect and NetSol-Innovation, and the 39.11/28.13% of NetSol PK owned by unaffiliated parties. The current fiscal year includes a net gain on the sale of some of the Parent's shares in NetSol PK on the open market of \$1,240,808. In the prior year, the Company recognized non-recurring expenses including \$2,208,334 expense for the beneficial conversion feature on notes payable, \$2,803,691 of amortized costs of debt, and \$180,890 of liquidation damages, respectively. In addition, the Company recorded an expense of \$68,411 for the fair market value of warrants granted for the year ended June 30, 2007. The net income per share, basic and diluted, was \$0.29 and \$0.28 in 2008 compared to net loss, basic and diluted, of \$0.28 in 2007.

The net EBITDA income was \$11,325,143 compared to loss of \$1,458,165 after amortization and depreciation charges of \$3,354,472 and \$2,641,272, income taxes of \$121,982 and \$160,306, and interest expense of \$626,640 and \$617,818 respectively. The EBITDA earnings per share, basic and diluted, was \$0.47 and \$0.44 compared to a loss of \$0.08, basic and diluted. For the year ended June 30, 2007, with the addition of the non-cash charge for the amortized costs of debt of \$2,803,691 and the beneficial conversion feature expense of \$2,208,334 the adjusted pro forma EBITDA income would be \$3,553,860 and the adjusted pro forma EBITDA earnings per share, basic and diluted, would be \$0.19. Although the net EBITDA income is a non-GAAP measure of performance, we are providing it because we believe it to be an important supplemental measure of our performance that is commonly used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. It should not be considered as an alternative to net income, operating income or any other financial measures calculated and presented, nor as an alternative to cash flow from operating activities as a measure of our liquidity. It may not be indicative of the Company's historical operating results nor is it intended to be predictive of potential future results.

Quarterly Results of Operations for the quarter ended June 30, 2008 and June 30, 2007

Net revenues for the quarter ended June 30, 2008 and 2007 are broken out among the subsidiaries as follows:

	2008		2007	
North America:				
NetSol - North America (NTNA)	\$ 816,455	7.76%	\$ 1,693,383	19.74%
	816,455	7.76%	1,693,383	19.74%
Europe:				
NetSol UK	1,119,663	10.65%	44,052	0.51%
NetSol - Europe (NTE)	1,283,964	12.21%	1,341,162	15.64%
	2,403,627	22.86%	1,385,214	16.15%
Asia-Pacific:				
NetSol PK	5,766,036	54.83%	4,307,370	50.22%
NetSol-Innovation	1,259,374	11.98%	232,261	2.71%
NetSol Connect	194,846	1.85%	918,336	10.71%
NetSol-Omni	-	0.00%	167	0.00%
NetSol-Abraxas Australia	75,317	0.72%	39,708	0.46%
Totals	7,295,573	69.38%	5,497,842	64.10%
Total Net Revenues	<u>\$ 10,515,655</u>	<u>100.00%</u>	<u>\$ 8,576,439</u>	<u>100.00%</u>

The following table presents our unaudited quarterly results of operations for the quarters ended June 30, 2008 and 2007. You should read the following table together with the consolidated financial statements and related notes contained elsewhere in this report. We have prepared the unaudited information on the same basis as our audited consolidated financial statements. This table includes normal recurring adjustments that we consider necessary for the fair presentation of our financial position and operating results for the quarters presented. Operating results for any quarter are not necessarily indicative of results for any future quarters or for a full year.

	For the Three Months Ended			
	June 30, 2008		June 30, 2007	
		% of sales		% of sales
Revenues:				
License fees	\$ 4,915,813	46.75%	\$ 2,936,770	34.24%
Maintenance fees	1,749,871	16.64%	1,451,243	16.92%
Services	3,849,971	36.61%	4,188,426	48.84%
Total revenues	10,515,655	100.00%	8,576,439	100.00%
Cost of revenues:				
Salaries and consultants	2,728,921	25.95%	2,204,328	25.70%
Depreciation and amortization	551,166	5.24%	60,404	0.70%
Travel, communication, and other	1,453,307	13.82%	985,568	11.49%
Total cost of sales	4,733,394	45.01%	3,250,300	37.90%
Gross profit	5,782,261	54.99%	5,326,139	62.10%
Operating expenses:				
Selling and marketing	904,562	8.60%	811,328	9.46%
Depreciation and amortization	517,321	4.92%	497,461	5.80%
Salaries and wages	945,402	8.99%	895,610	10.44%
Professional services	413,490	3.93%	293,499	3.42%
Bad debt expense	55,016	0.52%	72,606	0.85%
General and administrative	1,170,091	11.13%	866,220	10.10%
Total operating expenses	4,005,882	38.09%	3,436,724	40.07%
Income (loss) from operations	1,776,379	16.89%	1,889,415	22.03%
Other income and (expenses)				
Gain/(Loss) on sale of assets	(2,440)	-0.02%	16,090	0.19%
Fair market value of warrants issued	-	0.00%	(34,424)	-0.40%
Interest expense	(82,043)	-0.78%	(74,476)	-0.87%
Interest income	35,234	0.34%	73,248	0.85%
Other income and (expenses)	1,460,269	13.89%	25,488	0.30%
Income taxes	(75,710)	-0.72%	(33,686)	-0.39%
Total other expenses	1,335,310	12.70%	(27,760)	-0.32%
Net income (loss) before minority interest in subsidiary	3,111,689	29.59%	1,861,655	21.71%
Minority interests in earnings of subsidiary	(1,051,781)	-10.00%	(561,508)	-6.55%
Net income (loss)	2,059,908	19.59%	1,300,147	15.16%
Dividend required for preferred stockholders	(33,508)	-0.32%	(77,640)	-0.91%
Net income (loss) applicable to common shareholders	2,026,400	19.27%	1,222,507	14.25%
Net income (loss) per share:				
Basic	\$ 0.08		\$ 0.06	
Diluted	\$ 0.08		\$ 0.07	
Weighted average number of shares outstanding				
Basic	25,425,042		19,706,920	
Diluted	27,303,554		19,835,177	

Liquidity and Capital Resources

The Company's cash position was \$6,275,238 at June 30, 2008 compared to \$4,010,164 at June 30, 2007.

The Company's current assets, as of June 30, 2008, totaled \$30,723,575 and were 48.17% of total assets, an increase of 1.25% from \$23,237,058 or 46.92% as of June 30, 2007. As of June 30, 2008, the Company's working capital (current assets less current liabilities) totaled \$17,036,631 compared to \$11,449,252 as of June 30, 2007, an increase of \$5,587,379. As of June 30, 2008, the Company had \$11.0 million in accounts receivable and \$11.0 million in revenues in excess of billings.

Net cash provided by operating activities amounted to \$3,772,041 for the year ended June 30, 2008, as compared to used in \$45,888 for the comparable period last fiscal year. The increase is mainly due to an increase in accounts receivable and other assets offset by an increase in accounts payable as well as an increase in operating income. The increase in sales has resulted in an increase in accounts receivable and revenues in excess of billings. We expect to receive payments on these accounts within the next fiscal year.

Net cash used in investing activities amounted to \$10,128,293 for the year ended June 30, 2008, as compared to \$7,639,916 for the comparable period last fiscal year. The difference lies primarily in the increase in intangible assets capitalized as well as an increase in purchases of fixed assets. The Company had purchases of property and equipment of \$4,435,755 compared to \$2,420,470 for the comparable period last fiscal year.

Net cash provided by financing activities amounted to \$8,530,729 and \$9,095,915 for years ended June 30, 2008, and 2007, respectively. The current fiscal year included the cash inflow of \$1,500,000 from the sale of common stock and \$3,282,827 from the exercising of stock options and warrants, compared to \$1,030,093 and \$1,008,250 in the prior year, respectively. In the current fiscal year, the Company had \$5,441,870 in proceeds from bank loans, and net capital leases payments of \$3,409,496 as compared to proceeds of \$2,359,017 in the comparable period last year. In addition, during the current fiscal year, the Company sold shares it held of its subsidiary in Pakistan on the open market and had \$1,765,615 in proceeds from the sale.

The Company plans on pursuing various and feasible means of raising new funding to expand its infrastructure, enhance product offerings and strengthen marketing and sales activities in strategic markets. The strong growth in earnings and the signing of larger contracts with Fortune 500 customers largely depends on the financial strength of NetSol. Generally, the bigger name clients and new prospects diligently analyze and take into consideration a stronger balance sheet before awarding big projects to vendors. Therefore, NetSol would continue its effort to further enhance its financial resources in order to continue to attract large name customers and big value contracts.

As a growing company, we have on-going capital expenditure needs based on our short term and long term business plans. Although our requirements for capital expenses vary from time to time, for the next 12 months, we have the following capital needs:

- Working capital of \$5.0 to \$7.0 million for US, European and Pakistan business expansion, new business development activities and infrastructure enhancements.

While there is no guarantee that any of these methods will result in raising sufficient funds to meet our capital needs or that even if available will be on terms acceptable to the Company, we will consider raising capital through equity based financing and, warrant and option exercises. We would, however, use some of our internal cash flow to meet certain obligations as mentioned above. However, the Company is very conscious of the dilutive effect and price pressures in raising equity-based capital.

The methods of raising funds for capital needs may differ based on the following:

- Stock volatility due to market conditions in general and NetSol stock performance in particular. This may cause a shift in our approach to raising new capital through other sources such as secured long term debt.
- Analysis of the cost of raising capital in the U.S., Europe or emerging markets. By way of example only, if the cost of raising capital is high in one market and it may negatively affect the company's stock performance, we may explore options available in other markets.

Should global or other general macro economic factors cause an adverse climate, we would defer new financing and use internal cash flow for capital expenditures.

Dividends and Redemption

It has been the Company's policy to invest earnings in the growth of the Company rather than distribute earnings as common stock dividends. This policy, under which common stock dividends have not been paid since the Company's inception and is expected to continue, but is subject to regular review by the Board of Directors.

During the year ended June 30, 2008, we issued 114,588 shares of common stock as dividends due under the terms of the Preferred Stock; the dividends were issued in accordance with the terms of the Certificate of Designation which was approved by the board of directors.

ITEM 7. FINANCIAL STATEMENTS

The Consolidated Financial Statements that constitute Item 7 are included at the end of this report on page F-1.

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

Kabani & Company, Inc.'s report on NetSol's financial statements for the fiscal years ended June 30, 2007 and June 30, 2008, did not contain an adverse opinion or disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

In connection with the audit of NetSol's financial statements for the fiscal years ended June 30, 2007 and June 30, 2008 there were no disagreements, disputes, or differences of opinion with Kabani & Company on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures, which, if not resolved to the satisfaction of Kabani & Company would have caused Kabani & Company to make reference to the matter in its report.

ITEM 8A. CONTROLS AND PROCEDURES

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting at June 30, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*. Based on that assessment under those criteria, management has determined that, at June 30, 2008, the Company's internal control over financial reporting was effective.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of fiscal year 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

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

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that the Company's directors and executive officers and persons owning more than 10% of the outstanding Common Stock, file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Executive officers, directors and beneficial owners of more than 10% of the Company's Common Stock are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on copies of such forms furnished as provided above, or written representations that no Forms 5 were required, the Company believes that during the fiscal year ended June 30, 2008, all Section 16(a) filing requirements applicable to its executive officers, directors and beneficial owners of more than 10% of its Common Stock were complied with.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names and ages of the current directors and executive officers of the Company, the principal offices and positions with the Company held by each person and the date such person became a director or executive officer of the Company. The Board of Directors elects the executive officers of the Company annually. Each year the stockholders elect the Board of Directors. The executive officers serve terms of one year or until their death, resignation or removal by the Board of Directors. In addition, there was no arrangement or understanding between any executive officer and any other person pursuant to which any person was selected as an executive officer.

The directors and executive officers of the Company are as follows:

Name	Year First Elected As an Officer or Director	Age	Position Held with the Registrant	Family Relationship
Najeeb Ghauri	1997	53	Director and Chairman	Brother to Naeem and Salim Ghauri
Salim Ghauri	1999	52	President and Director	Brother to Naeem and Najeeb Ghauri
Naeem Ghauri	1999	50	Chief Executive Officer, Director	Brother to Najeeb and Salim Ghauri
Tina Gilger	2005	46	Chief Financial Officer	None
Patti L. W. McGlasson	2004	43	Secretary, General Counsel	None
Shahid Javed Burki	2000	69	Director	None
Eugen Beckert	2001	60	Director	None
Mark Caton	2002	58	Director	None
Alexander Shakow	2007	70	Director	None

Business Experience of Officers and Directors:

NAJEEB U. GHAURI is the Chief Executive Officer and Chairman of NetSol. He has been a Director of the Company since 1997, Chairman since 2003 and Chief Executive Officer since October 2006. Mr. Ghauri is the founder of NetSol Technologies, Inc. He was responsible for NetSol listing on NASDAQ in 1999, the NetSol subsidiary listing on KSE (Karachi Stock Exchange) in 2005, and the NetSol listing on the Dubai International Financial Exchange ("DIFX") in 2008. Mr. Ghauri served as the Company's Chief Executive Officer from 1999 to 2001 and as the Chief Financial Officer from 2001 to 2005. As CEO, Mr. Ghauri is responsible for managing the day-to-day operations of the Company, as well as the Company's overall growth and expansion plan. Prior to joining the Company, Mr. Ghauri was part of the marketing team of Atlantic Richfield Company (ARCO) (now acquired by BP), a Fortune 500 company, from 1987-1997. Prior to ARCO, he spent nearly 5 years with Unilever as brand and sales managers. Mr. Ghauri received his Bachelor of Science degree in Management/Economics from Eastern Illinois University in 1979, and his M.B.A. in Marketing Management from Claremont Graduate School in California in 1982. Mr. Ghauri was elected Vice Chairman of US Pakistan Business Council in 2006. A Washington D.C. based council of US Chamber of Commerce. He is also very active in several philanthropic activities in emerging markets and is a founding director Pakistan Human Development Fund, a non-profit organization, a partnership with UNDP to promote literacy, health services and poverty alleviation in Pakistan.

SALIM GHAURI has been with the Company since 1999 as the President and Director of the Company. Mr. Ghauri is currently the Chairman and CEO of NetSol Technologies Limited. Mr. Ghauri was the founder of Network Solutions (Pvt.) Ltd. in 1995, later NetSol Technologies (Pvt) Limited. Built under his leadership, NetSol gradually built a strong team of IT professionals and infrastructure in Pakistan and became the first software house in Pakistan certified as ISO 9001 and CMMi Level 5 assessed. Mr. Ghauri received his Bachelor of Science degree in Computer Science from University of Punjab in Lahore, Pakistan. Before NetSol Technologies Ltd., Mr. Ghauri was employed with BHP in Sydney, Australia from 1987-1995, where he commenced his employment as a consultant. Mr. Ghauri was appointed in 2007 as an Honorary Consul for Australia-Punjab Region.

NAEEM GHAURI has been a Director of the Company since 1999 and was the Company's Chief Executive Officer from August 2001 to October 2006. Mr. Ghauri serves as the Managing Director of NetSol (UK) Ltd., a wholly owned subsidiary of the Company located in London, England. Mr. Ghauri was responsible for the launch of NetSol Connect in Pakistan. Prior to joining the Company, Mr. Ghauri was Project Director for Mercedes-Benz Finance Ltd., a subsidiary of DaimlerChrysler, Germany from 1994-1999. Mr. Ghauri supervised over 200 project managers, developers, analysis and users in nine European Countries. Mr. Ghauri earned his degree in Computer Science from Brighton University, England. Mr. Ghauri is President of and serves on the board of NetSol Technologies Europe, Ltd., a subsidiary of the Company.

TINA GILGER joined NetSol as Chief Financial Officer in July 2005. Ms. Gilger had acted as a consultant to the Company since October 2003 in the capacity of controller. In the three years prior to becoming NetSol's CFO, Ms. Gilger acted as an audit liaison for six reporting public companies, of which one was NetSol. From 2000 to 2002, Ms. Gilger acted as audit liaison for a public company specializing in reverse mergers for public companies listed on the OTC:BB. Ms. Gilger received her degree in Accounting, with an emphasis in Business Management from the University of Utah in 1990. Ms. Gilger was licensed as a Certified Public Accountant by the State of California in 1992, passing all four parts of the exam on the first attempt.

PATTI L. W. MCGLASSON joined NetSol as General Counsel in January 2004 and was elected to the position of Secretary in March 2004. Prior to joining NetSol, Ms. McGlasson practiced at Vogt & Resnick, law corporation, where her practice focused on corporate, securities and business transactions. As part of her Masters in Law in Transnational Business, she interned at the law firm of Loeffl Claey's Verbeke in Rotterdam, the Netherlands in 1991. Ms. McGlasson was admitted to practice in California in 1991. She received her Bachelor of Arts in Political Science in 1987 from the University of California, San Diego and, her Juris Doctor and Masters in Law in Transnational Business from the University of the Pacific, McGeorge School of Law, in 1991 and 1993, respectively.

EUGEN BECKERT was appointed to the Board of Directors in 2001. A native of Germany, Mr. Beckert received his masters in Engineering and Economics from the University of Karlsruhe, Germany. Mr. Beckert was with Mercedes-Benz AG/Daimler Benz AG from 1973, working in technology and systems development. In 1992, he was appointed director of Global IT (CIO) for Debis Financial Services, the services division of Daimler Benz. From 1996 to 2000, he acted as director of Processes and Systems (CIO) for Financial Services of DaimlerChrysler Asia Pacific. During this period he was instrumental to having the LEASESOFT products of NetSol developed and introduced in several countries as a pilot customer. From 2001 to 2004, he served as Vice President in the Japanese company of DCS (now Daimler). Mr. Beckert retired from DaimlerChrysler in November 2006. Mr. Beckert is chairman of the Nominating and Corporate Governance Committee and a member of the Audit and Compensation Committees.

SHAHID JAVED BURKI was appointed to the Board of Directors in February 2003. He had a distinguished career with World Bank at various high level positions from 1974 to 1999. He was a Director of Chief Policy Planning with World Bank from 1974-1981. He was also a Director of International Relations from 1981-1987. Mr. Burki served as Director of China Development from 1987-1994 and, Vice President of Latin America with the World Bank from 1994-1999. In between, he briefly served as the Finance Minister of Pakistan from 1996-1997. Mr. Burki also served as the CEO of the Washington based investment firm EMP Financial Advisors from 1992-2002. Presently, he is the Chairman of Institute of Public Policy, a Lahore, Pakistan based think tank. . He was awarded a Rhodes scholarship in 1962 and M.A in Economics from Oxford University in 1963. He also earned a Master of Public Administration degree from Harvard University, Cambridge, MA in 1968. Most recently, he attended Harvard University and completed an Executive Development Program in 1998. During his lifetime, Mr. Burki has authored many books and articles including: *China's Commerce* (Published by Harvard in 1969) and *Accelerated Growth in Latin America* (Published by World Bank in 1998). Mr. Burki is a chairman of the Audit Committee and a member of the Compensation and Nominating and Corporate Governance Committees.

MARK CATON joined the board of directors of NetSol on January 1, 2007 to fill a vacancy and was elected to the board in June 2007. Mr. Caton is currently President of Centela Systems, Inc. a distributor of computer peripheral solutions in the multimedia and digital electronic market segment, a position he has held since 2003. Prior to joining Centela, Mr. Caton was President of NetSol Technologies USA, responsible for US sales, from June 2002 to December 2003. Mr. Caton was employed by ePlus from 1997 to 2002 as Senior Account Representative. He was a member of the UCLA Alumni Association Board of Directors and served on the Board of Directors of NetSol from 2002-2003. Mr. Caton is a Chairman of the Compensation Committee and a member of the Audit and Nominating Committees. Mr. Caton received his BA from UCLA in psychology in 1971.

ALEXANDER SHAKOW joined the board on June 4, 2007. Mr. Shakow had a distinguished career with the World Bank where he held various high level positions from 1981-2002. Since 2002, he has been an independent consultant for various international organizations. From 1968-1981 Mr. Shakow held many senior positions at the United States Agency for International Development, including Assistant Administrator for Program and Policy; Director -Office of Development and Planning, Bureau for Asia; and, Director-Indonesia, Malaysia and Singapore affairs. Mr. Shakow was also a staff member of the United States Peace Corps from 1963-1967, including director in Indonesia. Mr. Shakow received his PhD from the London School of Economics and Political Science in 1962. He earned his undergraduate degree with honors from Swarthmore College in 1958. Mr. Shakow is listed in *Who's Who in America* and *Who's Who in the World*; and currently is a member of the Board of Trustees of EnterpriseWorks/VITA. Mr. Shakow is a member of the Audit, Compensation and Nominating and Corporate Governance Committees.

ITEM 10-EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The Compensation Committee believes that the most effective executive compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals by the Company, and which aligns executives' interests with those of the stockholders by rewarding performance at or above established goals, with the ultimate objective of increasing stockholder value. The philosophy of the Compensation Committee is to evaluate both performance and compensation to ensure that we maintain our ability to attract and retain superior employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of our peer companies. To that end, the Compensation Committee believes executive compensation packages should include both cash and equity-based compensation that reward performance as measured against established goals.

Setting Executive Compensation

Management develops our compensation plans by utilizing publicly available compensation data in the media services and technology industries. We believe that the practices of these groups of companies provide us with appropriate compensation benchmarks, because these groups of companies are in similar businesses and tend to compete with us for executives and other employees. For benchmarking executive compensation, we typically review the compensation data we have collected from these groups of companies, as well as a subset of the data from those companies that have a similar number of employees as the Company. For purposes of determining executive compensation, we have not engaged consultants to help us analyze this data or to compare our compensation programs with the practices of the companies represented in the compensation data we review.

Based on management's analyses and recommendations, the Compensation Committee has approved a pay-for-performance compensation philosophy, which is intended to establish base salaries and total executive compensation (taking into consideration the executive's experience and abilities) that are competitive with those companies with a similar number of employees represented in the compensation data we review.

We work within the framework of this pay-for-performance compensation philosophy to determine each component of an executive's initial compensation package based on numerous factors, including:

- the individual's particular background, track record and circumstances, including training and prior relevant work experience;
- the individual's role with us and the compensation paid to similar persons in the companies represented in the compensation data that we review;
- the demand for individuals with the individual's specific expertise and experience;
- performance goals and other expectations for the position; and,

- uniqueness of industry skills.

The terms of each executive officer's compensation are derived from employment agreements negotiated between the Company and the executive. Each executive's employment agreement is generally negotiated to cover a one to three-year period, and prescribes the base salary and other annual payments, if any, to the executive. Employment agreements for all executive officers are approved by the Board of Directors and the Compensation Committee. Employment agreements for other executives are approved by the Company's Chief Executive Officer.

2008 Executive Compensation Components

For the fiscal year ended June 30, 2008, the principal components of compensation that our named executive officers were eligible to receive were:

- Base salary;
- Long Term Equity Incentive Compensation;
- Performance-based incentive compensation (discretionary bonus); and,
- Perquisites and other personal benefits.

Base Salary

An executive's base salary is evaluated together with components of the executive's other compensation to ensure that the executive's total compensation is consistent with our overall compensation philosophy.

The base salaries were established in arms-length negotiations between the executive and the Company, taking into account their extensive experience, knowledge of the industry, track record, and achievements on behalf of the Company.

Base salaries are adjusted annually by the Compensation Committee.

Annual Bonus

Our compensation program includes eligibility for bonuses as rewarded by the Compensation Committee. All executives are eligible for annual performance-based cash bonuses in accordance with Company policies.

During our fiscal year ended 2008, Mr. Najeeb Ghauri was awarded a cash bonus of \$0. Ms. Gilger was awarded a cash bonus of \$15,000. Ms. McGlasson was awarded a cash bonus of \$5,000. Mr. Salim Ghauri was awarded a cash bonus of \$0 and Mr. Naeem Ghauri was awarded a cash bonus of \$0.

Long-Term Equity Incentive Compensation

We believe that long-term performance is achieved through an ownership culture that encourages long-term participation by our executives in equity-based awards. Our various Employee Stock Option Plans allow us to grant stock options to employees. We currently make initial equity awards of stock options to new executives and certain non-executive employees in connection with their employment with the Company. Annual grants of options, if any, are approved by the Compensation Committee.

Equity Incentives. Executives, certain non-executive employees, and directors who join us may be awarded stock awards and/or stock option grants after they join the Company. These grants have an exercise price equal to the fair market value of our common stock on the grant date. Such awards are intended to provide the executive with incentive to build value in the organization over an extended period of time. The size of the stock option award is also reviewed in light of the executive's track record, base salary, other compensation and other factors to ensure that the executive's total compensation is in line with our overall compensation philosophy. A review of all components of compensation is conducted when determining equity awards to ensure that total compensation conforms to our overall philosophy and objectives.

Perquisites and Other Personal Benefits

We provide named executive officers with perquisites and other personal benefits that we and the Compensation Committee believe are reasonable and consistent with our overall compensation program to better enable the Company to attract and retain superior employees for key positions. The Compensation Committee periodically reviews the levels of perquisites and other personal benefits provided to executive officers.

We maintain benefits and perquisites that are offered to all employees, including health insurance and dental insurance. Benefits and perquisites may vary in different country locations and are consistent with local practices and regulations.

Termination Based Compensation

Upon termination of employment, all executive officers are entitled to receive severance payments under their employment agreements. In determining whether to approve, and as part of the process of setting the terms of, such severance arrangements, the Compensation Committee recognizes that executives and officers often face challenges securing new employment following termination. Further, the Committee recognizes that many of the named executives and officers have participated in the Company since its founding and that this participation has not resulted in a return on their investments. Termination and Change in Control Payments considered both the risk and the dedication of these executives' service to the Company.

Our Chief Executive Officer, CEO of NetSol Technologies, Ltd. and CEO of Netsol Technologies Europe, Ltd. have employment agreements that provide, if his employment is terminated without cause or if the executive terminates the agreement with Good Reason, he is entitled to (a) all remaining salary to the end of the date of termination, plus salary from the end of the employment term through the end of the third anniversary of the date of termination, and (b) the continuation by the Company of medical and dental insurance coverage for him and his family until the end of the employment term and through the end of the third anniversary of the date of termination. Provided, however, if such benefits cannot be continued for this extended period, the Executive shall receive cash (including a tax-equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued. These agreements further provide for vesting of all options and restrictive stock grants, if any.

The CFO of the Company has an employment agreement that provides, if she is terminated without cause or if the executive terminates the agreement with Good Reason, she is entitled to (a) all remaining salary to the end of the date of termination, plus salary from the end of the employment term through the end of six months of the date of termination, and (b) the continuation by the Company of medical and dental insurance coverage for her and her family until the end of the employment term and through the end of six months following the date of termination. Provided, however, if such benefits cannot be continued for this extended period, the Executive shall receive cash (including a tax-equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued. These agreements further provide for vesting of all options and restrictive stock grants, if any.

The Secretary of the Company has an employment agreement that provides, if she is terminated without cause or if the executive terminates the agreement with Good Reason, she is entitled to (a) all remaining salary to the end of the date of termination, plus salary from the end of the employment term through the end of the first anniversary of the date of termination, and (b) the continuation by the Company of medical and dental insurance coverage for her and her family until the end of the employment term and through the end of the first anniversary of the date of termination. Provided, however, if such benefits cannot be continued for this extended period, the Executive shall receive cash (including a tax-equivalency payment for Federal, state and local income and payroll taxes assuming Executive is in the maximum tax bracket for all such purposes) where such benefits may not be continued. These agreements further provide for vesting of all options and restrictive stock grants, if any.

Tax and Accounting Implications

Deductibility of Executive Compensation

As part of its role, the Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that we may not deduct compensation of more than \$1,000,000 that is paid to certain individuals. We believe that compensation paid under the management incentive plans is generally fully deductible for federal income tax purposes.

Accounting for Stock-Based Compensation

Beginning on July 1, 2006, we began accounting for stock-based payments, including awards under our Employee Stock Option Plans, in accordance with the requirements of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, or SFAS 123(R).

Summary Compensation Table

The following table shows the compensation for the fiscal year ended June 30, 2008 earned by our Chairman and Chief Executive Officer, our Chief Financial Officer who is our Principal Financial and Accounting Officer, and others considered to be executive officers of the Company.

Name and Principle Position	Fiscal Year Ended	Salary (\$)	Bonus (\$)	Stock	Option	All Other	Total (\$)
				Awards (\$)	Awards (\$)	Compensation (\$)	
				(1)			
Najeeb Ghauri	2008	\$ 287,500	\$ -	\$ -	\$ -(2)	\$ 51,701 ⁽³⁾	\$ 339,201
Chief Executive Officer, Chairman	2007	\$ 275,000	\$ 50,000	\$ -	\$ -(2)	\$ 46,700 ⁽³⁾	\$ 371,700
Naeem Ghauri	2008	\$ 235,183	\$ -	\$ -	\$ -(2)	\$ 37,906 ⁽⁴⁾	\$ 273,089
Chief Executive Officer, Global Products Division	2007	\$ 220,282	\$ 50,000	\$ -	\$ -(3)	\$ 34,660 ⁽⁴⁾	\$ 304,942
Salim Ghauri	2008	\$ 200,000	\$ -	\$ -	\$ -(2)	\$ -(5)	\$ 200,000
Chief Executive Officer, Global Services Division	2007	\$ 175,000	\$ 50,000	\$ -	\$ -(2)	\$ -(5)	\$ 225,000
Tina Gilger	2008	\$ 128,917	\$ 15,000	\$ -	\$ 12,160 ⁽²⁾	\$ 12,846 ⁽⁶⁾	\$ 168,923
Chief Financial Officer	2007	\$ 95,000	\$ 7,004	\$ -	\$ -(2)	\$ 17,587 ⁽⁶⁾	\$ 119,591
Patti L. W. McGlasson	2008	\$ 128,333	\$ 5,000	\$ -	\$ 12,160 ⁽²⁾	\$ -(7)	\$ 145,493
Secretary, General Counsel	2007	\$ 110,000	\$ 6,536	\$ -	\$ -(2)	\$ -(7)	\$ 116,536

(1) No stock was awarded to any officer during the fiscal year ended June 30, 2008 and therefore, no expense was recognized in the consolidated financial statements.

(2) For the fiscal year ended June 30, 2008, the following options were granted to the named officers: 10,000 options each to Ms. Tina Gilger and Ms. Patti McGlasson, using the Black-Scholes model these were valued at \$12,160 each and an expense was recorded for this amount in the accompanying consolidated financial statements. No options were awarded to any officer during the fiscal year ended June 30, 2007 and therefore, no expense was recognized in the consolidated financial statements.

(3) Consists of \$36,000 and \$29,000 paid for automobile and travel allowance and \$15,701 and \$17,856 paid for medical and dental insurance premiums paid by the Company for participation in the health insurance program for the fiscal years ended June 30, 2008 and 2007, respectively.

(4) Consists of \$24,149 and \$31,876 paid for automobile and travel allowance and \$13,757 and \$2,784 paid for private medical insurance premiums paid by the Company for the fiscal years ended June 30, 2008 and 2007, respectively.

(5) The amount paid to the officer was in aggregate less than \$10,000 for the fiscal years ended June 30, 2008 and 2007, respectively.

(6) Consists of \$12,846 and \$17,587 paid for medical and dental insurance premiums paid by the Company for participation in the health insurance program for the fiscal years ended June 30, 2008 and 2007, respectively.

(7) The amount paid to the officer was in aggregate less than \$10,000 for the fiscal years ended June 30, 2008 and 2007, respectively.

Grants of Plan-Based Awards

The following options were granted to the named executives during the fiscal year ended June 30, 2008: 10,000 options each to Ms. Tina Gilger and Ms. Patti McGlasson, using the Black-Scholes model these were valued at \$12,160 each and an expense was recorded for this amount in the accompanying consolidated financial statements.

There were no options granted to the named executives during the fiscal year ended June 30, 2007.

Discussion of Summary Compensation Table

The terms of our executive officers' compensation are derived from our employment agreements with them and the annual performance review by our Compensation Committee. The terms of Mr. Najeeb Ghauri, Mr. Naeem Ghauri and Mr. Salim Ghauri's employment agreements with the Company were the result of negotiations between the Company and the executives and were approved by our Compensation Committee and Board of Directors. The terms of Ms. McGlasson's employment agreement with the Company were the result of negotiations between our Chief Executive Officer and Ms. McGlasson and were approved by our Compensation Committee and Board of Directors. The terms of Ms. Gilger's employment were the result of negotiations between our Chief Executive Officer and Ms. Gilger and were approved by our Compensation Committee and Board of Directors.

Employment Agreement with Najeeb Ghauri

Effective January 1, 2007, the Company entered into an Employment Agreement with our Chief Executive Officer, Najeeb Ghauri (the "CEO Agreement"). The CEO Agreement was amended effective January 1, 2008. Pursuant to the CEO Agreement, as amended, between Mr. Ghauri and the Company (the "CEO Agreement"), the Company agreed to employ Mr. Ghauri as its Chief Executive Officer from the date of the CEO Agreement through December 31, 2010. The term of employment automatically renews for 36 additional months unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. Under the CEO Agreement, Mr. Ghauri is entitled to an annualized base salary of \$300,000 and is eligible for annual bonuses at the discretion of the Compensation Committee. Pursuant to the terms of the amendment, Mr. Ghauri is entitled to the following bonuses. Only upon the achievement of the Minimum Bonus Benchmark (as defined below), Mr. Ghauri shall be granted stock options for 750,000 shares of the common stock of the Company (the "Options") pursuant to an option agreement (the "Option Agreement") issued pursuant to the Company's 2005 Employee Stock Option Plan and shall vest equally over twenty four months beginning on the grant date and will be exercisable based on the customary provisions of such plan. The Option Agreement will have customary provisions relating to adjustments for stock splits and similar events. The exercise price of the Options will be \$2.62 for 250,000 shares and, \$3.90 for 500,000 shares. Further, the compensation committee authorized the following bonus structure: the bonus structure contemplates a bonus being awarded on the basis of a benchmark and accelerators. A bonus of One Hundred Thousand Dollars (\$100,000) is payable upon achieving the minimum bonus benchmark of: company-wide revenue of \$32,230,000 for fiscal year 2007-2008; and, earnings per share of \$0.22 (the "Minimum Bonus Benchmark"). Additional bonuses may be earned if certain "accelerator goals" are achieved. The bonus is accelerated to 200% of the bonus amount if revenue of \$35,000,000 is attained and earnings per share of \$0.27; and, to 300% if revenue of \$40,000,000 and earnings per share \$0.32. Once the Minimum Bonus Benchmark is attained the additional bonus may be earned based on a percentage of accelerator goals achieved.

The Company retained the right to increase the base compensation as it deems necessary. In addition, Mr. Ghauri is entitled to participate in the Company's stock option plans, is entitled to three [Malea confirm number of weeks] weeks of paid vacation per calendar year and is to receive a car allowance totaling \$3,000 per month for the term of the CEO Agreement. Finally, during the term of the CEO Agreement, the Company shall pay the amount of premiums or other costs incurred for the coverage of Mr. Ghauri, his spouse and dependent family members under the Company's health and related benefit plans.

The CEO Agreement also includes provisions respecting severance, non-solicitation, non-competition, and confidentiality obligations. Pursuant to the CEO Agreement, if he terminates his employment for Good Reason (as described below), or, is terminated prior to the end of the employment term by the Company other than for Cause (as described below) or death, he shall be entitled to all remaining salary from the termination date until 36 months thereafter, at the rate of salary in effect on the date of termination, immediate vesting of all options and, continuation of all health related plan benefits for a period of 36 months. He shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts. If he is terminated by the Company for Cause (as described below), or at the end of the employment term, he shall not be entitled to further compensation. Under the CEO Agreement, Good Reason includes the assignment of duties inconsistent with his title, a material reduction in salary and perquisites, the relocation of the Company's principal office by 30 miles, if the Company asks him to perform any act which is illegal, including the commission of a crime or act of moral turpitude, or a material breach of the CEO Agreement by the Company. Under the CEO Agreement, Cause includes conviction of crime involving moral turpitude, failure to perform his duties to the Company, engaging in activities which are directly competitive to or intentionally injurious to the Company, or any material breach of the CEO Agreement by Mr. Ghauri.

The above summary of the CEO Agreement is qualified in its entirety by reference to the full text of the CEO, a copy of which was filed as an exhibit to the Company's 10-KSB for the fiscal year ended June 30, 2007. The above summary of the Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which was filed as an exhibit hereto.

Employment Agreement with Naeem Ghauri

Effective January 1, 2007, the Company entered into an Employment Agreement with our President of NetSol Technologies Europe, Ltd. and Chief Executive Officer of our EMEA Agreement, Naeem Ghauri (the "President EMEA Agreement"). The President EMEA Agreement was amended effective January 1, 2008. Pursuant to the Employment Agreement, as amended, the Company agreed to employ Mr. Ghauri as its President of the EMEA region from the date of the President EMEA Agreement through December 31, 2010. The term of employment automatically renews for 36 additional months unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. Under the President EMEA Agreement, Mr. Ghauri is entitled to an annualized base salary of £122,000 (\$243,439 at June 30, 2008) and is eligible for annual bonuses at the discretion of the Compensation Committee. Pursuant to the terms of the Amendment, and only upon the achievement of company-wide revenue of \$32,230,000 for fiscal year 2007-2008; and, earnings per share of \$0.22 (the "Minimum Bonus Benchmark"), Executive shall be granted stock options for 525,000 shares of the common stock of the Company (the "Options") pursuant to an option agreement (the "Option Agreement") issued pursuant to the Company's 2005 Employee Stock Option Plan and shall vest equally over twenty four months beginning on the grant date and will be exercisable based on the customary provisions of such plan. The Option Agreement will have customary provisions relating to adjustments for stock splits and similar events. The exercise price of the Options will be \$2.62 for 175,000 shares and, \$3.90 for 350,000 shares. Pursuant to the power granted to the board to provide bonuses to the Executive in section 3.1 of this Agreement, the compensation committee has authorized the following bonus structure. The bonus structure contemplates a bonus being awarded on the basis of a benchmark and accelerators. A bonus of Twenty-Four Thousand Two Hundred Fifty Dollars (\$24,250) is payable upon achieving the minimum bonus benchmark of: company-wide revenue of \$32,230,000 for fiscal year 2007-2008; and, earnings per share of \$0.22 (the "Minimum Bonus Benchmark"). Additional bonuses may be earned if certain "accelerator goals" are achieved. The bonus is accelerated to 200% of the bonus amount if revenue of \$35,000,000 is attained and earnings per share of \$0.27; and, to 300% if revenue of \$40,000,000 and earnings per share \$0.32. Once the Minimum Bonus Benchmark is attained the additional bonus may be earned based on a percentage of accelerator goals achieved. Additionally, so long as Executive is the head of the mergers and acquisition team, Executive shall receive a bonus of Twenty-Four Thousand Two Hundred Fifty Dollars (\$24,250) per successfully closed acquisition which involves minimal participation (with fees of no more than \$10,000) from mergers and acquisition advisors.

The Company retained the right to increase the base compensation as it deems necessary. In addition, Mr. Ghauri is entitled to participate in the Company's stock option plans, is entitled to two weeks of paid vacation per calendar year and is to receive a car allowance totaling \$2,000 per month for the term of the President EMEA Agreement. Finally, during the term of the President EMEA Agreement, the Company shall pay the amount of premiums or other costs incurred for the coverage of Mr. Ghauri, his spouse and dependent family members under the Company's health and related benefit plans.

The President EMEA Agreement also includes provisions respecting severance, non-solicitation, non-competition, and confidentiality obligations. Pursuant to the President EMEA Agreement, if he terminates his employment for Good Reason (as described below), or, is terminated prior to the end of the employment term by the Company other than for Cause (as described below) or death, he shall be entitled to all remaining salary from the termination date until 36 months thereafter, at the rate of salary in effect on the date of termination, immediate vesting of all options and, continuation of all health related plan benefits for a period of 36 months. He shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts. If he is terminated by the Company for Cause (as described below), or at the end of the employment term, he shall not be entitled to further compensation. Under the President EMEA Agreement, Good Reason includes the assignment of duties inconsistent with his title, a material reduction in salary and perquisites, the relocation of the Company's principal office by 30 miles, if the Company asks him to perform any act which is illegal, including the commission of a crime or act of moral turpitude, or a material breach of the President EMEA Agreement by the Company. Under the President EMEA Agreement, Cause includes conviction of crime involving moral turpitude, failure to perform his duties to the Company, engaging in activities which are directly competitive to or intentionally injurious to the Company, or any material breach of the President EMEA Agreement by Mr. Ghauri.

The above summary of the President EMEA Agreement is qualified in its entirety by reference to the full text of the President EMEA Agreement, a copy of which was filed as an exhibit to the Company's 10-KSB for the fiscal year ended June 30, 2007. The above summary of the Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which was filed as an exhibit hereto.

Employment Agreement with Salim Ghauri

Effective January 1, 2007, the Company entered into an Employment Agreement with our President of NetSol Technologies, Ltd., our wholly owned subsidiary in Lahore, Pakistan and Chief Executive Officer of the APAC Region, Mr. Salim Ghauri (the "President APAC Agreement"). Pursuant to the Employment Agreement, as amended, the Company agreed to employ Mr. Ghauri as its President APAC and Chief Executive Officer of the Global Services Division from the date of the President APAC Agreement through December 31, 2010. The term of employment automatically renews for 36 additional months unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. Under the President APAC Agreement, Mr. Ghauri is entitled to an annualized base salary of \$225,000 and is eligible for annual bonuses at the discretion of the Compensation Committee. Pursuant to the amendment, and only upon the achievement of the Minimum Bonus Benchmark (as defined below), Executive shall be granted stock options for 525,000 shares of the common stock of the Company (the "Options") pursuant to an option agreement (the "Option Agreement") issued pursuant to the Company's 2005 Employee Stock Option Plan and shall vest equally over twenty four months beginning on the grant date and will be exercisable based on the customary provisions of such plan. The Option Agreement will have customary provisions relating to adjustments for stock splits and similar events. The exercise price of the Options will be \$2.62 for 175,000 shares and, \$3.90 for 350,000 shares. Pursuant to the power granted to the board to provide bonuses to the Executive in section 3.1 of this Agreement, the compensation committee has authorized the following bonus structure. The bonus structure contemplates a bonus being awarded on the basis of a benchmark and accelerators. A bonus of Fifty Thousand Dollars (\$50,000) is payable upon achieving the minimum bonus benchmark of: company-wide revenue of \$32,230,000 for fiscal year 2007-2008; and, earnings per share of \$0.22 (the "Minimum Bonus Benchmark"). Additional bonuses may be earned if certain "accelerator goals" are achieved. The bonus is accelerated to 200% of the bonus amount if revenue of \$35,000,000 is attained and earnings per share of \$0.27; and, to 400% if revenue of \$40,000,000 is attained and earnings per share of \$0.32. Once the Minimum Bonus Benchmark is attained the accelerator bonus shall be awarded proportionally to the accelerator goals achieved.

The Company retained the right to increase the base compensation as it deems necessary. In addition, Mr. Ghauri is entitled to participate in the Company's stock option plans, is entitled to two weeks of paid vacation per calendar year. Finally, during the term of the President APAC Agreement, the Company shall pay the amount of premiums or other costs incurred for the coverage of Mr. Ghauri, his spouse and dependent family members under the Company's health and related benefit plans.

The President APAC Agreement also includes provisions respecting severance, non-solicitation, non-competition, and confidentiality obligations. Pursuant to the President APAC Agreement, if he terminates his employment for Good Reason (as described below), or, is terminated prior to the end of the employment term by the Company other than for Cause (as described below) or death, he shall be entitled to all remaining salary from the termination date until 36 months thereafter, at the rate of salary in effect on the date of termination, immediate vesting of all options and, continuation of all health related plan benefits for a period of 36 months. He shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts. If he is terminated by the Company for Cause (as described below), or at the end of the employment term, he shall not be entitled to further compensation. Under the President APAC Agreement, Good Reason includes the assignment of duties inconsistent with his title, a material reduction in salary and perquisites, the relocation of the Company's principal office by 30 miles, if the Company asks him to perform any act which is illegal, including the commission of a crime or act of moral turpitude, or a material breach of the President APAC Agreement by the Company. Under the President APAC Agreement, Cause includes conviction of crime involving moral turpitude, failure to perform his duties to the Company, engaging in activities which are directly competitive to or intentionally injurious to the Company, or any material breach of the President APAC Agreement by Mr. Ghauri.

The above summary of the President EMEA Agreement is qualified in its entirety by reference to the full text of the President EMEA Agreement, a copy of which was filed as an exhibit to the Company's 10-KSB for the fiscal year ended June 30, 2007. The above summary of the Amendment is qualified in its entirety by reference to the full text of the Amendment, a copy of which was filed as an exhibit hereto.

Employment Agreement with Tina Gilger

Effective August 1, 2007, the Company entered into an Employment Agreement with our Chief Financial Officer, Ms. Tina Gilger. Pursuant to the Employment Agreement between Ms. Gilger and the Company (the "CFO Agreement"), the Company agreed to employ Ms. Gilger as its Chief Financial Officer from the date of the CFO Agreement through August 1, 2008. According to the terms of the CFO Agreement, the term of the agreement automatically extends for an additional one month periods unless notice of intent to terminate is received by either party at least two weeks prior to the end of the term. Under the CFO Agreement, Ms. Gilger was entitled to an annualized base salary of \$132,000 and is eligible for annual bonuses at the discretion of the compensation committee of the board of directors. The Company retained the right to increase the base compensation as it deems necessary. In addition, Ms. Gilger is entitled to participate in the Company's stock option plans and, is entitled to two weeks of paid vacation per calendar year. Finally, during the term of the CFO Agreement, the Company shall pay the amount of premiums or other costs incurred for the coverage of Ms. Gilger and her dependent family members under the Company's health and related benefit plans.

The CFO Agreement also includes provisions respecting severance, non-solicitation, non-competition, and confidentiality obligations. Pursuant to the CFO Agreement, if she terminates her employment for Good Reason (as described below), or, is terminated prior to the end of the employment term by the Company other than for Cause (as described below) or death, she shall be entitled to all remaining salary from the termination date until 6 months thereafter, at the rate of salary in effect on the date of termination, immediate vesting of all options and, continuation of all health related plan benefits for a period of 6 months. She shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts. If she is terminated by the Company for Cause (as described below), or at the end of the employment term, she shall not be entitled to further compensation. Under the CFO Agreement, Good Reason includes the assignment of duties inconsistent with her title, a material reduction in salary and perquisites, the relocation of the Company's principal office by 60 miles, if the Company asks her to perform any act which is illegal, including the commission of a crime or act of moral turpitude, or a material breach of the CFO Agreement by the Company. Under the CFO Agreement, Cause includes conviction of crime involving moral turpitude, failure to perform her duties to the Company, engaging in activities which are directly competitive to or intentionally injurious to the Company, or any material breach of the CFO Agreement by Ms. Gilger.

The above summary of the CFO Agreement is qualified in its entirety by reference to the full text of the CFO Agreement, a copy of which was filed as an exhibit to the Company's 10-KSB for the year ended June 30, 2007.

Employment Agreement with Patti L. W. McGlasson

Effective May 1, 2006, the Company entered into an Employment Agreement with our Secretary and General Counsel, Ms. Patti L. W. McGlasson. Pursuant to the Employment Agreement between Ms. McGlasson and the Company (the "General Counsel Agreement"), the Company agreed to employ Ms. McGlasson as its Secretary and General Counsel from the date of the General Counsel Agreement through April 30, 2008. According to the terms of the General Counsel Agreement, the term of the agreement automatically extends for an additional one year periods unless notice of intent to terminate is received by either party at least 6 months prior to the end of the term. Under the General Counsel Agreement, Ms. McGlasson was entitled to an annualized base salary of \$110,000 and is eligible for annual bonuses at the discretion of the Chief Executive Officer. Effective August 1, 2007, Ms. McGlasson's annualized salary was raised to \$130,000. The Company retained the right to increase the base compensation as it deems necessary. In addition, Ms. McGlasson is entitled to participate in the Company's stock option plans and, is entitled to two weeks of paid vacation per calendar year. Finally, during the term of the General Counsel Agreement, the Company shall pay the amount of premiums or other costs incurred for the coverage of Ms. McGlasson, her spouse and dependent family members under the Company's health and related benefit plans.

The General Counsel Agreement also includes provisions respecting severance, non-solicitation, non-competition, and confidentiality obligations. Pursuant to the General Counsel Agreement, if she terminates her employment for Good Reason (as described below), or, is terminated prior to the end of the employment term by the Company other than for Cause (as described below) or death, she shall be entitled to all remaining salary from the termination date until 12 months thereafter, at the rate of salary in effect on the date of termination, immediate vesting of all options and, continuation of all health related plan benefits for a period of 12 months. She shall have no obligation to seek other employment and any income so earned shall not reduce the foregoing amounts. If she is terminated by the Company for Cause (as described below), or at the end of the employment term, she shall not be entitled to further compensation. Under the General Counsel Agreement, Good Reason includes the assignment of duties inconsistent with her title, a material reduction in salary and perquisites, the relocation of the Company's principal office by 60 miles, if the Company asks her to perform any act which is illegal, including the commission of a crime or act of moral turpitude, or a material breach of the General Counsel Agreement by the Company. Under the General Counsel Agreement, Cause includes conviction of crime involving moral turpitude, failure to perform her duties to the Company, engaging in activities which are directly competitive to or intentionally injurious to the Company, or any material breach of the General Counsel Agreement by Ms. McGlasson.

The above summary of the General Counsel Agreement is qualified in its entirety by reference to the full text of the General Counsel Agreement, a copy of which was filed as an exhibit to the Company's 10-KSB for the fiscal year ended June 30, 2006 on September 27, 2006.

Outstanding Equity Awards at Fiscal Year-End

The following table shows grants of stock options and grants of invested stock awards outstanding on June 30, 2008, the last day of our fiscal year, to each of the individuals named in the Summary Compensation Table.

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS (#) EXERCISABLE	NUMBER OF SECURITIES UNDERLYING OPTIONS (#) UNEXERCISABLE	OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE
Najeeb Ghauri	100,000	-	2.21	1/1/14
	100,000		3.75	1/1/14
	50,000		5.00	1/1/14
	20,000		2.64	3/26/14
	30,000		5.00	3/26/14
	374,227		1.94	4/1/15
	500,000		2.91	4/1/15
	200,000		1.83	6/2/16
Naeem Ghauri	250,000		2.50	6/2/16
	100,000	-	2.21	1/2/14
	100,000		3.75	1/2/14
	50,000		5.00	1/2/14
	20,000		2.64	3/26/14
	30,000		5.00	3/26/14
	10,000		2.50	2/16/12
	374,227		1.94	4/1/15
Salim Ghauri	500,000		2.91	4/1/15
	250,000		1.83	6/2/16
	250,000		2.50	6/2/16
	100,000	-	2.21	1/2/14
	100,000		3.75	1/2/14
	50,000		5.00	3/26/14
	20,000		2.64	3/26/14
	30,000		5.00	3/26/14
Tina Gilger	20,000		2.50	2/16/12
	374,227		1.94	4/1/15
	500,000		2.91	4/1/15
	250,000		1.83	6/2/16
	250,000		2.50	6/2/16
Tina Gilger	10,000	-	1.86	7/20/15
	10,000		2.79	7/20/15
	20,000		1.65	7/7/15
	20,000		2.25	7/7/15
	10,000		1.60	7/23/17
Patti L. W. McGlasson	10,000	-	3.00	1/1/14
	20,000		2.64	3/26/14
	30,000		5.00	3/26/14
	20,000		1.65	7/7/15
	20,000		2.25	7/7/15
	10,000		1.60	7/23/17

Option Exercises and Stock Vested

Mr. Najeeb Ghauri exercised options to acquire 50,000 shares of common stock of the Company at the exercise price of \$1.83 per share during the last fiscal year.

Pension Benefits

We do not have any qualified or non-qualified defined benefit plans.

Potential Payments upon Termination or Change of Control

Generally, regardless of the manner in which a named executive officer's employment terminates, he is entitled to receive amounts earned during his term of employment. Such amounts include the portion of the executive's base salary that has accrued prior to any termination and not yet been paid and unused vacation pay.

In addition, we are required to make the additional payments and/or provide additional benefits to the individuals named in the Summary Compensation Table in the event of a termination of employment or a change of control, as set forth below.

Change-in-Control Payments

Najeeb Ghauri, Chairman and Chief Executive Officer

In the event that Mr. Ghauri is terminated as a result of a change in control (defined below), he is entitled to all payments due in the event of a termination for Cause or Good Reason and: (a) a onetime payment equal to the product of 2.99 and his salary during the preceding 12 months; (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one percent of the Company's consolidated gross revenues for the previous twelve (12) months; and, at the election of the Executive, (c) a one-time cash payment equal to the cash value of all shares eligible for exercise upon the exercise of Executive's Options then currently outstanding and exercisable as if they had been exercised in full (the "Change of Control Termination Payment"). In the event Executive elects to receive the cash value of the shares underlying Executive's options, he shall so notify the Company of his intent.

The following table summarizes the potential payments to Mr. Ghauri assuming his employment with us was terminated or a change of control occurred on June 30, 2008, the last day of our most recently completed fiscal year.

<u>BENEFITS AND PAYMENTS</u>	<u>CHANGE OF CONTROL</u>	<u>TERMINATION UPON DEATH OR DISABILITY</u>	<u>TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON</u>
Base Salary	\$ 900,000	\$ -	\$ 953,103
Bonus	-		
Salary Multiple Pay-out	897,000		
Bonus or Revenue One-time Pay-Out	366,422		
Net Cash Value of Options	4,190,506		
Total	<u>\$ 6,353,928</u>	<u>\$ -</u>	<u>\$ 953,103</u>

Naeem Ghauri, President EMEA

In the event that Mr. Ghauri is terminated as a result of a change in control (defined below), he is entitled to all payments due in the event of a termination for Cause or Good Reason and: (a) a onetime payment equal to the product of 2.99 and his salary during the preceding 12 months; (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one percent of the Company's consolidated gross revenues for the previous twelve (12) months; and, at the election of the Executive, (c) a one-time cash payment equal to the cash value of all shares eligible for exercise upon the exercise of Executive's Options then currently outstanding and exercisable as if they had been exercised in full (the "Change of Control Termination Payment"). In the event Executive elects to receive the cash value of the shares underlying Executive's options, he shall so notify the Company of his intent.

The following table summarizes the potential payments to Mr. Ghauri assuming his employment with us was terminated or a change of control occurred on June 30, 2008, the last day of our most recently completed fiscal year.

BENEFITS AND PAYMENTS	CHANGE OF CONTROL	TERMINATION UPON DEATH OR DISABILITY	TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON
Base Salary	\$ 735,000	\$ -	\$ 735,000
Bonus	-		
Salary Multiple Pay-out	732,550		
Bonus or Revenue One-time Pay-Out	366,422		
Net Cash Value of Options	4,371,106		
Total	\$ 6,205,078	\$ -	\$ 735,000

Salim Ghauri, President APAC

In the event that Mr. Ghauri is terminated as a result of a change in control (defined below), he is entitled to all payments due in the event of a termination for Cause or Good Reason and: (a) a onetime payment equal to the product of 2.99 and his salary during the preceding 12 months; (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one percent of the Company's consolidated gross revenues for the previous twelve (12) months; and, at the election of the Executive, (c) a one-time cash payment equal to the cash value of all shares eligible for exercise upon the exercise of Executive's Options then currently outstanding and exercisable as if they had been exercised in full (the "Change of Control Termination Payment"). In the event Executive elects to receive the cash value of the shares underlying Executive's options, he shall so notify the Company of his intent.

The following table summarizes the potential payments to Mr. Ghauri assuming his employment with us was terminated or a change of control occurred on June 30, 2008, the last day of our most recently completed fiscal year.

BENEFITS AND PAYMENTS	CHANGE OF CONTROL	TERMINATION UPON DEATH OR DISABILITY	TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON
Base Salary	\$ 675,000	\$ -	\$ 675,000
Bonus	-		
Salary Multiple Pay-out	672,750		
Bonus or Revenue One-time Pay-Out	366,422		
Net Cash Value of Options	4,371,106		
Total	\$ 6,085,278	\$ -	\$ 675,000

Tina Gilger, Chief Financial Officer

In the event that Ms. Gilger is terminated as a result of a change in control (defined below), she is entitled to all payments due in the event of a termination for Cause or Good Reason and: (a) a onetime payment equal to the product of 2.99 and her salary during the preceding 6 months; (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one-half of one percent of the Company's consolidated gross revenues for the previous six (6) months; and, at the election of the Executive, (c) a one-time cash payment equal to the cash value of all shares eligible for exercise upon the exercise of Executive's Options then currently outstanding and exercisable as if they had been exercised in full (the "Change of Control Termination Payment"). In the event Executive elects to receive the cash value of the shares underlying Executive's options, she shall so notify the Company of her intent.

The following table summarizes the potential payments to Ms. Gilger assuming her employment with us was terminated or a change of control occurred on June 30, 2008, the last day of our most recently completed fiscal year.

<u>BENEFITS AND PAYMENTS</u>	<u>CHANGE OF CONTROL</u>	<u>TERMINATION UPON DEATH OR DISABILITY</u>	<u>TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON</u>
Base Salary	\$ 66,000	\$ -	\$ 66,000
Bonus	15,000		
Salary Multiple Pay-out	197,340		
Bonus or Revenue One-time Pay-Out	91,605		
Net Cash Value of Options	180,600		
Total	<u>\$ 550,545</u>	<u>\$ -</u>	<u>\$ 66,000</u>

Patti L. W. McGlasson, Secretary and General Counsel

In the event that Ms. McGlasson is terminated as a result of a change in control (defined below), she is entitled to all payments due in the event of a termination for Cause or Good Reason and: (a) a onetime payment equal to the product of 2.99 and her salary during the preceding 12 months; (b) a one-time payment equal to the higher of (i) Executive's bonus for the previous year and (ii) one-half of one percent of the Company's consolidated gross revenues for the previous twelve (12) months; and, at the election of the Executive, (c) a one-time cash payment equal to the cash value of all shares eligible for exercise upon the exercise of Executive's Options then currently outstanding and exercisable as if they had been exercised in full (the "Change of Control Termination Payment"). In the event Executive elects to receive the cash value of the shares underlying Executive's options, she shall so notify the Company of her intent.

The following table summarizes the potential payments to Ms. McGlasson assuming her employment with us was terminated or a change of control occurred on June 30, 2008, the last day of our most recently completed fiscal year.

BENEFITS AND PAYMENTS	CHANGE OF CONTROL	TERMINATION UPON DEATH OR DISABILITY	TERMINATION BY US WITHOUT CAUSE OR BY EXECUTIVE FOR GOOD REASON
Base Salary	\$ 130,000	\$ -	\$ 130,000
Bonus	5,000		
Salary Multiple Pay-out	388,700		
Bonus or Revenue One-time Pay-Out	183,211		
Net Cash Value of Options	283,800		
Total	\$ 990,711	\$ -	\$ 130,000

Director Compensation

Director Compensation Table

The following table sets forth a summary of the compensation earned by our Directors and/or paid to certain of our Directors pursuant to the Company's compensation policies for the fiscal year ended June 30, 2008, other than Najeeb Ghauri, Naeem Ghauri and Salim Ghauri who are executives and directors.

NAME	FEES EARNED OR PAID IN CASH (\$)	OPTION AWARDS (\$ (1))	TOTAL (\$)
Eugen Beckert	23,000	-	23,000
Shahid Javed Burki	29,000	-	29,000
Mark Caton	26,000	-	26,000
Alexander Shakow	16,000	-	16,000

(1) There were no options awarded during fiscal year ended June 30, 2008

Director Compensation Policy

Messrs. Ghauri are not paid any fees or other compensation for services as members of our Board of Directors.

The non-employee members of our Board of Directors received as compensation for services as directors as well as reimbursement for documented reasonable expenses incurred in connection with attendance at meetings of our Board of Directors and the committees thereof. The Company paid the following amounts to members of the Board of Directors for the activities shown during the fiscal year ended June 30, 2008.

BOARD ACTIVITY	CASH PAYMENTS
Annual Cash Retainer	\$ 10,000
Committee Membership	\$ 2,000
Chairperson for Audit Committee	\$ 15,000
Chairperson for Compensation Committee	\$ 12,000
Chairperson for Nominating and Corporate Governance Committee	\$ 9,000

Members of our Board of Directors are also eligible to receive stock option or stock award grants both upon joining the Board of Directors and on an annual basis in line with recommendations by the Compensation Committee, which grants are non-qualified stock options under our Employee Stock Option Plans. Further, from time to time, the non-employee members of the Board of Directors are eligible to receive stock grants that may be granted if and only if approved by the shareholders of the Company.

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are Messrs. Caton (Chairman), Mr. Beckert, Mr. Burki and Mr. Shakow. During the fiscal year ended June 30, 2007, the Chairman of the Compensation Committee was Mr. Beckert. There were no other members of the committee during the fiscal year ended June 30, 2007. All current members of the Compensation Committee are "independent directors" as defined under the Nasdaq Marketplace Rules. None of these individuals were at any time during the fiscal year ended June 30, 2008, or at any other time, an officer or employee of the Company.

No executive officer of the Company serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

Employee Stock Option Plans

The 2001 plan authorizes the issuance of up to 2,000,000 options to purchase common stock of which 2,000,000 have been granted. The grant prices range between \$.75 and \$2.50.

The 2002 plan authorizes the issuance of up to 2,000,000 options to purchase common stock of which 2,000,000 options have been granted. The grant prices range between \$.75 and \$5.00.

In March 2004, our shareholders approved the 2003 stock option plan. This plan authorizes up to 2,000,000 options to purchase common stock of which 1,159,606 have been granted. The grant prices range between \$1.00 and \$5.00.

In March 2005, our shareholders approved the 2004 stock option plan. This plan authorizes up to 5,000,000 options to purchase common stock of which 4,998,246 have been granted. The grant prices range between \$1.50 and \$3.00.

In April 2006, our shareholders approved the 2005 stock option plan. This plan authorizes up to 5,000,000 options to purchase common stock of which 1,780,000 have been granted. The grant prices range between \$1.70 and \$2.55.

In May 2008, our shareholders approved the 2008 Equity Incentive Plan. This plan authorizes grants of up to 1,000,000 options or stock awards of which none have been granted.

ITEM 11- SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock, its only class of outstanding voting securities as of September 15, 2008, by (i) each person who is known to the Company to own beneficially more than 5% of the outstanding common Stock with the address of each such person, (ii) each of the Company's present directors and officers, and (iii) all officers and directors as a group:

Name and Address	Number of Shares(1)(2)	Percentage Beneficially owned(4)
Najeeb Ghauri (3)	2,577,650	9.75%
Naeem Ghauri (3)	2,261,367	8.56%
Salim Ghauri (3)	2,434,406	9.21%
Eugen Beckert (3)	223,900	*
Shahid Javed Burki (3)	194,000	*
Mark Caton (3)	6,000	*
Alexander Shakow (3)	0	*
Patti McGlasson (3)	135,000	*
Tina Gilger (3)	81,731	*
The Tail Wind Fund Ltd.(5)(6)	2,748,818	9.9%
All officers and directors as a group (nine persons)	7,914,054	29.95%

* Less than one percent

(1) Except as otherwise indicated, the Company believes that the beneficial owners of the common stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities.

(2) Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting or investment power with respect to securities. Shares of common stock relating to options currently exercisable or exercisable within 60 days of September 19, 2007 are deemed outstanding for computing the percentage of the person holding such securities but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares shown as beneficially owned by them. Includes shares issuable upon exercise of options exercisable within 60 days, as follows: Mr. Najeeb Ghauri, 1,774,227; Mr. Naeem Ghauri, 1,784,227; Mr. Salim Ghauri, 1,774,227; Mr. Eugen Beckert, 135,000; Mr. Shahid Burki, 150,000; Ms. Tina Gilger, 70,000; and Ms. Patti McGlasson, 110,000.

(3) Address c/o NetSol Technologies, Inc. at 23901 Calabasas Road, Suite 2072, Calabasas, CA 91302.

(4) Shares issued and outstanding as of September 13, 2007 were 21,374,922.

(5) Address: The Bank of Nova Scotia Trust Company (Bahamas) Ltd., Windermere House, 404 East Bay Street, P.O. Box SS-5539, Nassau, Bahamas. Tail Wind Advisory & Management Ltd., a UK corporation authorized and regulated by the Financial Services Authority of Great Britain ("TWAM"), is the investment manager for The Tail Wind Fund Ltd., and David Crook is the CEO and controlling shareholder of TWAM. Each of TWAM and David Crook expressly disclaims any equitable or beneficial ownership of the shares being referred to hereunder and held by The Tail Wind Fund Ltd.

(6) Subject to the Ownership Limitation (defined below), The Tail Wind Fund Ltd. ("Tail Wind") may be deemed to beneficially own a total of 4,352,073 shares of Common Stock, including: 1,268,740 shares of Common Stock held by Tail Wind.; 1,060,606 shares of Common Stock issuable upon conversion of \$1,750,000 in liquidation preference of the Company's Series A 7% Cumulative Convertible Preferred Stock ("the Preferred Stock"); 303,030 shares of Common Stock issuable upon exercise of Warrants issued to Tail Wind on June 29, 2007; 303,030 shares of Common Stock issuable upon exercise of Warrants issued to Tail Wind on October 29, 2007 (together with the warrants issued on June 29, 2007, the "Warrants"); and, 1,416,667 shares of Common Stock issuable upon conversion of \$4,250,000 in principal amount of the Company's Convertible Notes due July 31, 2011 issued to Tail Wind on July 23, 2008 (the "Notes"). . In accordance with Rule 13d-4 under the Securities Exchange Act of 1934, as amended, because the number of shares of Common Stock into which the Reporting Person's Notes, Preferred Stock and Warrants are convertible and exercisable is limited, pursuant to the terms of such instruments, to that number of shares of Common Stock which would result in the Reporting Person having beneficial ownership of 9.9% of the total issued and outstanding shares of Common Stock (the "Ownership Limitation"), Tail Wind disclaims beneficial ownership of any and all shares of Common Stock that would cause Tail Wind's beneficial ownership to exceed the Ownership Limitation. In accordance with the Ownership Limitation, Tail Wind, based upon 26,285,761 shares of common stock outstanding (as of July 23, 2008), Tail Wind beneficially owns 2,748,818 shares of Common Stock and disclaims beneficial ownership of 1,603,255.

ITEM 12-CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

In July 2007, the board approved compensation for service on the Audit, Compensation and Nominating and Corporate Governance Committees. This compensation is discussed in the sections entitled "Compensation of Directors" beginning on page 53.

PART IV

ITEM 13 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 3.1 Articles of Incorporation of Mirage Holdings, Inc., a Nevada corporation, dated March 18, 1997, incorporated by reference as Exhibit 3.1 to NetSol's Registration Statement No. 333-28861 filed on Form SB-2 filed June 10, 1997.*
- 3.2 Amendment to Articles of Incorporation dated May 21, 1999, incorporated by reference as Exhibit 3.2 to NetSol's Annual Report for the fiscal year ended June 30, 1999 on Form 10K-SB filed September 28, 1999.*
- 3.3 Amendment to the Articles of Incorporation of NetSol International, Inc. dated March 20, 2002 incorporated by reference as Exhibit 3.3 to NetSol's Annual Report on Form 10-KSB/A filed on February 2, 2001.*
- 3.4 Amendment to the Articles of Incorporation of NetSol Technologies, Inc. dated August 20, 2003 filed as Exhibit A to NetSol's Definitive Proxy Statement filed June 27, 2003.*
- 3.5 Amendment to the Articles of Incorporation of NetSol Technologies, Inc. dated March 14, 2005 filed as Exhibit 3.0 to NetSol's quarterly report filed on Form 10-QSB for the period ended March 31, 2005.*
- 3.6 Amendment to the Articles of Incorporation dated October 18, 2006 filed as Exhibit 3.5 to NetSol's Annual Report for the fiscal year ended June 30, 2007 on Form 10-KSB.
- 3.7 Amendment to Articles of Incorporation dated May 12, 2008 (1)
- 3.8 Bylaws of Mirage Holdings, Inc., as amended and restated as of November 28, 2000 incorporated by reference as Exhibit 3.3 to NetSol's Annual Report for the fiscal year ending in June 30, 2000 on Form 10K-SB/A filed on February 2, 2001.*
- 3.9 Amendment to the Bylaws of NetSol Technologies, Inc. dated February 16, 2002 incorporated by reference as Exhibit 3.5 to NetSol's Registration Statement filed on Form S-8 filed on March 27, 2002.*
- 4.1 Form of Common Stock Certificate*
- 4.2 Form of Warrant*.
- 4.3 Form of Series A 7% Cumulative Preferred Stock filed as Annex E to NetSol's Definitive Proxy Statement filed September 18, 2006*.
- 10.1 Lease Agreement for Calabasas executive offices dated December 3, 2003 incorporated by reference as Exhibit 99.1 to NetSol's Current Report filed on Form 8-K filed on December 24, 2003.*
- 10.2 Company Stock Option Plan dated May 18, 1999 incorporated by reference as Exhibit 10.2 to the Company's Annual Report for the Fiscal Year Ended June 30, 1999 on Form 10K-SB filed September 28, 1999.*
- 10.3 Company Stock Option Plan dated April 1, 1997 incorporated by reference as Exhibit 10.5 to NetSol's Registration Statement No. 333-28861 on Form SB-2 filed June 10, 1997*
- 10.4 Company 2003 Incentive and Nonstatutory incorporated by reference as Exhibit 99.1 to NetSol's Definitive Proxy Statement filed February 6, 2004.*
- 10.5 Company 2001 Stock Options Plan dated March 27, 2002 incorporated by reference as Exhibit 5.1 to NetSol's Registration Statement on Form S-8 filed on March 27, 2002.*
- 10.6 Company 2008 Equity Incentive Plan incorporated by reference as Annex A to NetSol's Definitive Proxy Statement filed May 28, 2008.
- 10.7 Frame Agreement by and between DaimlerChrysler Services AG and NetSol Technologies dated June 4, 2004 incorporated by reference as Exhibit 10.13 to NetSol's Annual Report for the year ended June 30, 2005 on Form 10-KSB filed on September 15, 2005.*
- 10.8 Share Purchase Agreement dated as of January 19, 2005 by and between the Company and the shareholders of CQ Systems Ltd. incorporated by reference as Exhibit 2.1 to NetSol's Current Report filed on form 8-K on January 25, 2005.*

- 10.9 Stock Purchase Agreement dated May 6, 2006 by and between the Company, McCue Systems, Inc. and the shareholders of McCue Systems, Inc. incorporated by reference as Exhibit 2.1 to NetSol's Current Report filed on form 8-K on May 8, 2006.*
- 10.10 Employment Agreement by and between NetSol Technologies, Inc. and Patti L. W. McGlasson dated May 1, 2006 incorporated by reference as Exhibit 10.20 to NetSol's Annual Report on form 10-KSB dated September 18, 2006*.
- 10.11 Employment Agreement by and between the Company and Najeeb Ghauri dated January 1, 2007 filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007.*
- 10.12 Employment Agreement by and between the Company and Naeem Ghauri dated January 1, 2007 filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007.*

- 10.13 Employment Agreement by and between the Company and Salim Ghauri dated January 1, 2007 filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007.*
- 10.14 Employment Agreement by and between the Company and Tina Gilger dated August 1, 2007 filed as Exhibit 10.11 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007.*
- 10.15 Amendment to Employment Agreement by and between Company and Najeeb Ghauri dated effective January 1, 2007. (1)
- 10.16 Amendment to Employment Agreement by and between Company and Naeem Ghauri dated effective January 1, 2007. (1)
- 10.17 Amendment to Employment Agreement by and between Company and Salim Ghauri dated effective January 1, 2007. (1)
- 10.18 Lease Agreement by and between McCue Systems, Inc. and Sea Breeze 1 Venture dated April 29, 2003*
- 10.19 Amendment to Lease Agreement by and between McCue Systems, Inc. and Sea Breeze 1 Venture dated June 25, 2007 filed as Exhibit 10.19 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007. *
- 10.20 Lease Agreement by and between NetSol Pvt Limited and Civic Centres Company (PVT) Limited dated May 28, 2001 incorporated by this reference as Exhibit 10.23 to NetSol's Annual Report on form 10-KSB dated September 18, 2006.*
- 10.21 Lease Agreement by and between NetSol Pvt Limited and Mrs. Rameeza Zobairi dated December 5, 2005 incorporated by this reference as Exhibit 10.24 to NetSol's Annual Report on form 10-KSB dated September 18, 2006.*
- 10.22 Lease Agreement by and between NetSol Pvt Limited and Mr. Nisar Ahmed dated May 4, 2006 incorporated by this reference as Exhibit 10.25 to NetSol's Annual Report on form 10-KSB dated September 18, 2006.*
- 10.23 Lease Agreement by and between NetSol Technologies, Ltd. and Argyll Business Centres Limited dated April 28, 2006 incorporated by this reference as Exhibit 10. 26 to NetSol's Annual Report on form 10-KSB dated September 18, 2006.*
- 10.24 Tenancy Agreement by and between NetSol Technologies, Ltd. and Beijing Lucky Goldstar Building Development Co. Ltd. dated June 26, 2007 filed as Exhibit 10.21 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007.*
- 10.25 Company 2005 Stock Option Plan incorporated by reference as Exhibit 99.1 to NetSol's Definitive Proxy Statement filed on March 3, 2006.*
- 10.26 Company 2004 Stock Option Plan incorporated by reference as Exhibit 99.1 to NetSol's Definitive Proxy Statement filed on February 7, 2005.*
- 10.27 Working area sublease by and between NetSol Technologies, Ltd. and Toyota Leasing (Thailand) Co. Ltd., dated June 21, 2007 filed as Exhibit 10.24 to the Company's Annual Report filed on Form 10-KSB for the year ended June 30, 2007.*
- 10.28 Lease Agreement by and between NetSol Technologies, Inc. and NetSol Technologies North America, Inc. and NOP Watergate LLC dated April 3, 2008. (1)
- 10.29 Lease Amendment Number Three by and between NetSol Technologies, Inc. and Centry National Properties, Inc. dated December 12, 2007. (1)
- 10.30 Rent Agreement by and between Mr. Tahir Mehmood Khan and NetSol Technologies Ltd. Dated January 21, 2008. (1)
- 21.1 A list of all subsidiaries of the Company(1)
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO)(1)
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO)(1)
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO)(1)
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 (CFO)(1)

*Previously Filed

(1) Filed Herewith

(b) Reports on Form 8-K

- 1) On May 1, 2008, the Company filed a current report including its press release dated April 30, 2008 which announced the results of operations and financial conditions for its Pakistani subsidiary, NetSol Technologies, Ltd. for the quarter ended March 31, 2008.
- 2) On May 13, 2008, the Company filed a current report including its press release dated May 13, 2008 and Financial Results Presentation dated May 13, 2008 which announced the results of operations and financial conditions for the quarter ended March 31, 2008.

Item 14 Principal Accountant Fees and Services

Audit Fees

Kabani & Co. audited the Company's financial statements for the fiscal years ended June 30, 2008 and June 30, 2007. The aggregate fees billed by Kabani & Co. for the annual audit and review of financial statements included in the Company's Form 10-KSB or services that are normally provided by Kabani & Company that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for the year ended June 30, 2008 was \$120,000, and for the year ended June 30, 2007 was \$105,000.

Audit Related Fees

The aggregate fees billed by Kabani & Co. during fiscal 2008 including assurance and related audit services not covered in the preceding paragraph was \$37,500. These "Audit Related Fees" were primarily for services in connection with the review of quarterly financial statements. The aggregate fees billed by Kabani & Company during fiscal 2007 including assurance and related audit services not covered in the preceding paragraph was \$52,500. These "Audit Related Fees" were primarily for services in connection with the review of quarterly financial statements and the Company's filing of a Registration Statement and amendments thereto on Form S-3.

Tax Fees

Tax fees for fiscal year 2008 were \$4,500 and consisted of the preparation of the Company's federal and state tax returns for the fiscal years 2007. Tax fees for fiscal year 2007 were \$12,500 and consisted of the preparation of the Company's federal and state tax returns for the fiscal year 2006.

All Other Fees

There were no other fees billed by Kabani & Co. or services rendered to NetSol during the fiscal years ended June 30, 2008 and 2007, other than as described above.

Pre-Approval Procedures

The Audit Committee and the Board of Directors are responsible for the engagement of the independent auditors and for approving, in advance, all auditing services and permitted non-audit services to be provided by the independent auditors. The Audit Committee maintains a policy for the engagement of the independent auditors that is intended to maintain the independent auditor's independence from NetSol. In adopting the policy, the Audit Committee considered the various services that the independent auditors have historically performed or may be needed to perform in the future. The policy, which is to be reviewed and re-adopted at least annually by the Audit Committee:

- (i) Approves the performance by the independent auditors of certain types of service (principally audit-related and tax), subject to restrictions in some cases, based on the Committee's determination that this would not be likely to impair the independent auditors' independence from NetSol;
- (ii) Requires that management obtain the specific prior approval of the Audit Committee for each engagement of the independent auditors to perform other types of permitted services; and,
- (iii) Prohibits the performance by the independent auditors of certain types of services due to the likelihood that their independence would be impaired.

Any approval required under the policy must be given by the Audit Committee, by the Chairman of the Committee in office at the time, or by any other Committee member to whom the Committee has delegated that authority. The Audit Committee does not delegate its responsibilities to approve services performed by the independent auditors to any member of management.

The standard applied by the Audit Committee in determining whether to grant approval of an engagement of the independent auditors is whether the services to be performed, the compensation to be paid therefore and other related factors are consistent with the independent auditors' independence under guidelines of the Securities and Exchange Commission and applicable professional standards. Relevant considerations include, but are not limited to, whether the work product is likely to be subject to, or implicated in, audit procedures during the audit of NetSol's financial statements; whether the independent auditors would be functioning in the role of management or in an advocacy role; whether performance of the service by the independent auditors would enhance NetSol's ability to manage or control risk or improve audit quality; whether performance of the service by the independent auditors would increase efficiency because of their familiarity with NetSol's business, personnel, culture, systems, risk profile and other factors; and whether the amount of fees involved, or the proportion of the total fees payable to the independent auditors in the period that is for tax and other non-audit services, would tend to reduce the independent auditors' ability to exercise independent judgment in performing the audit.

SIGNATURES

In accordance with Section 13 or 15 (d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NetSol Technologies, Inc.

Date: September 19, 2008

BY: /S/ NAJEEB GHAURI

Najeeb Ghauri
Chief Executive Officer

Date: September 19, 2008

BY: /S/ Tina Gilger

Tina Gilger
Chief Financial Officer

In accordance with the Exchange Act, this amended report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: September 19, 2008

BY: /S/ NAJEEB U. GHAURI

Najeeb U. Ghauri
Chief Executive Officer
Director, Chairman

Date: September 19, 2008

BY: /S/ SALIM GHAURI

Salim Ghauri
President, APAC
Director

Date: September 19, 2008

BY: /S/ NAEEM GHAURI

Naeem Ghauri
President, EMEA
Director

Date: September 19, 2008

BY: /S/ EUGEN BECKERT

Eugen Beckert
Director

Date: September 19, 2008

BY: /S/ SHAHID JAVED BURKI

Shahid Javed Burki
Director

Date: September 19, 2008

BY: /S/ MARK CATON

Mark Caton
Director

Date: September 19, 2008

BY: /S/ ALEXANDER SHAKOW

Alexander Shakow
Director

NETSOL TECHNOLOGIES, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
NetSol Technologies, Inc. and subsidiaries
Calabasas, California

We have audited the accompanying consolidated balance sheet of NetSol Technologies, Inc. and subsidiaries as of June 30, 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NetSol Technologies, Inc. and subsidiaries as of June 30, 2008 and the results of its consolidated operations and its cash flows for the years ended June 30, 2008 and 2007 in conformity with accounting principles generally accepted in the United States of America.

/s/ Kabani & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

Los Angeles, California
September 12, 2008

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
JUNE 30, 2008

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,275,238
Accounts receivable, net of allowance for doubtful accounts of \$108,538	10,988,888
Revenues in excess of billings	11,053,042
Other current assets	<u>2,406,407</u>
Total current assets	30,723,575
Property and equipment , net of accumulated depreciation	9,176,780
Other assets, long-term	1,866,437
Intangibles:	
Product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, net	10,837,856
Customer lists, net	1,732,761
Goodwill	<u>9,439,285</u>
Total intangibles	22,009,902
Total assets	\$ <u>63,776,694</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	\$ 4,116,659
Current portion of loans and obligations under capitalized leases	2,280,110
Other payables - acquisitions	846,215
Unearned revenues	3,293,728
Due to officers	184,173
Dividend to preferred stockholders payable	33,508
Loans payable, bank	<u>2,932,551</u>
Total current liabilities	13,686,944
Obligations under capitalized leases , less current maturities	332,307
Long term loans ; less current maturities	<u>411,608</u>
Total liabilities	14,430,859
Minority interest	6,866,514
Commitments and contingencies	-
Stockholders' equity:	
Preferred stock, 5,000,000 shares authorized; 1,920 issued and outstanding	1,920,000
Common stock, \$.001 par value; 95,000,000 shares authorized; 25,545,482 issued and outstanding	25,545
Additional paid-in-capital	76,456,697
Treasury stock	(35,681)
Accumulated deficit	(32,067,003)
Stock subscription receivable	(600,907)
Common stock to be issued	1,048,249
Other comprehensive loss	<u>(4,267,579)</u>
Total stockholders' equity	42,479,321
Total liabilities and stockholders' equity	\$ <u>63,776,694</u>

See accompanying notes to these consolidated financial statements.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended June 30,	
	2008	2007
Net Revenues:		
License fees	\$ 12,685,039	\$ 9,788,266
Maintenance fees	6,306,321	5,441,339
Services	17,650,815	14,052,481
Total revenues	<u>36,642,175</u>	<u>29,282,086</u>
Cost of revenues		
Salaries and consultants	10,071,664	8,812,934
Travel	1,719,743	1,529,796
Repairs and maintenance	405,140	430,962
Insurance	239,043	211,897
Depreciation and amortization	1,398,454	794,482
Other	1,890,100	1,914,440
Total cost of sales	<u>15,724,144</u>	<u>13,694,511</u>
Gross profit	20,918,031	15,587,575
Operating expenses:		
Selling and marketing	3,722,470	3,161,924
Depreciation and amortization	1,939,502	1,846,790
Bad debt expense	58,293	189,873
Salaries and wages	3,703,836	3,696,501
Professional services, including non-cash compensation	837,598	1,067,702
General and administrative	3,447,113	2,977,917
Total operating expenses	<u>13,708,812</u>	<u>12,940,707</u>
Income from operations	7,209,219	2,646,868
Other income and (expenses):		
Loss on sale of assets	(35,484)	(2,977)
Beneficial conversion feature	-	(2,208,334)
Amortization of debt discount and capitalized cost of debt	-	(2,803,691)
Liquidation damages	-	(180,890)
Fair market value of warrants issued	-	(68,411)
Interest expense	(626,708)	(617,818)
Interest income	195,103	201,015
Gain on sale of subsidiary interest	1,240,808	-
Gain on foreign currency exchange rates	2,020,839	178,522
Other income and (expenses)	148,544	74,050
Total other income (expenses)	<u>2,943,102</u>	<u>(5,428,534)</u>
Net income (loss) before minority interest in subsidiary and before income taxes	10,152,321	(2,781,666)
Minority interest in subsidiary	(2,808,291)	(1,935,589)
Income taxes	(121,982)	(160,306)
Net income (loss)	7,222,048	(4,877,561)
Dividend required for preferred stockholders	(178,541)	(237,326)
Net income (loss) applicable to common shareholders	7,043,507	(5,114,887)
Other comprehensive loss:		
Translation adjustment	(3,792,148)	(55,770)
Comprehensive income (loss)	<u>\$ 3,251,359</u>	<u>\$ (5,170,657)</u>
Net income (loss) per share:		
Basic	<u>\$ 0.29</u>	<u>\$ (0.28)</u>
Diluted	<u>\$ 0.28</u>	<u>\$ (0.28)</u>
Weighted average number of shares outstanding		
Basic	24,118,538	18,189,590
Diluted	25,997,049	18,189,590

See accompanying notes to these consolidated financial statements.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2007 AND 2008

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Shares	Stock Sub- scriptions Receivable	Shares to be Issued	Capitalized Finance Costs of Debt	Other Compre- hensive Income/ (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount								
Balance at June 30, 2006	-	\$ -	16,160,875	\$ 16,161	\$ 57,106,542	\$ (10,194)	\$ (299,250)	\$ 1,749,979	\$ (326,599)	\$ (419,660)	\$ (31,672,041)	\$ 26,144,938
Preferred Stock issued for conversion of convertible note	5,500	5,500,000										5,500,000
Exercise of common stock options			1,525,030	1,525	2,548,198		(517,250)	(5,000)				2,027,473
Common stock issued for:												
Cash			103,333	104	108,396		(219,907)	1,141,500				1,030,093
Services			261,984	261	390,216		35,000	7,500				432,977
Conversion of preferred stock	(1,370)	(1,370,000)	830,302	830	1,369,170							-
Payment of dividend on preferred stock			105,589	105	159,579							159,684
Common stock issued in exchange for:												
Notes payable and related interest			230,863	231	339,137							339,368
Purchase of McCue Systems			1,329,470	1,330	2,274,677		(1,564,367)					711,640
Beneficial conversion feature					2,208,334							2,208,334
Repricing of warrants					11,667							11,667
Bonus shares issued by subsidiary					345,415						(345,415)	-
Adjustment to stockholder list			9,107	9	(9)							-
Fair market value of warrants and options issued			-	-	136,571							136,571
Finance costs of capital raised			-	-	(9,746)				326,599			316,853
Foreign currency translation adjusts			-	-	-					(55,770)		(55,770)
Net loss for the year											(5,114,887)	(5,114,887)
Balance at June 30, 2007	4,130	\$ 4,130,000	20,556,553	\$ 20,556	\$ 66,988,147	\$ (10,194)	\$ (1,001,407)	\$ 1,329,612	\$ -	\$ (475,430)	\$ (37,132,343)	\$ 33,848,941

Continued

See accompanying notes to these consolidated financial statements.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - Continued
FOR THE YEARS ENDED JUNE 30, 2007 AND 2008

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Shares	Stock Sub- scriptions Receivable	Shares to be Issued	Other Compre- hensive Income/ (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount							
Balance at June 30, 2007	4,130	\$ 4,130,000	20,556,553	\$ 20,556	\$ 66,988,147	\$ (10,194)	\$ (1,001,407)	\$ 1,329,612	\$ (475,430)	\$ (37,132,343)	\$ 33,848,941
Exercise of common stock options			849,938	850	1,477,079		80,500	36,600			1,595,029
Exercise of common stock warrants			1,087,359	1,087	1,753,460						1,754,547
Common stock issued for:											
Cash			1,515,152	1,516	2,498,484		250,000	(1,250,000)			1,500,000
Services			57,500	58	126,268			41,600			167,926
Conversion of preferred stock	(2,210)	(2,210,000)	1,339,392	1,339	2,208,661						-
Payment of dividend on preferred stock			114,588	114	222,559						222,673
Common stock issued in exchange for:											
Purchase of 100% Omni			25,000	25	76,725						76,750
Purchase of McCue Systems								890,437			890,437
Bonus shares issued by subsidiary (minority)					1,160,994					(1,160,994)	-
Cash dividend issued by subsidiary (minority)										(817,173)	(817,173)
Purchase of Treasury Shares						(25,487)					(25,487)
Fair market value of options issued					24,320						24,320
Finance costs of capital raised					(10,000)						(10,000)
Write-off of subscription rec					(70,000)		70,000				-
Foreign currency translation adjusts									(3,792,148)		(3,792,148)
Net income for the year										7,043,507	7,043,507
Balance at June 30, 2008	1,920	\$ 1,920,000	25,545,482	\$ 25,545	\$ 76,456,697	\$ (35,681)	\$ (600,907)	\$ 1,048,249	\$ (4,267,579)	\$ (32,067,003)	\$ 42,479,321

See accompanying notes to these consolidated financial statements.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ 7,222,048	\$ (4,877,561)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,337,956	2,641,272
Bad debt expense	58,293	189,873
Loss on sale of assets	35,484	2,977
Gain on sale of subsidiary interest in Pakistan	(1,240,808)	-
Minority interest in subsidiary	2,808,291	1,935,589
Stock issued for services	167,926	88,099
Stock issued for convertible note payable interest	-	311,868
Fair market value of warrants and stock options granted	24,320	136,571
Beneficial conversion feature	-	2,208,334
Amortization of capitalized cost of debt	-	2,815,358
Changes in operating assets and liabilities:		
Increase in accounts receivable	(4,123,995)	(2,858,608)
Increase in other current assets	(4,980,504)	(3,359,736)
Decrease in long-term assets	229,622	159,940
Increase in accounts payable and accrued expenses	233,408	560,136
Net cash provided by/(used in) operating activities	3,772,041	(45,888)
Cash flows from investing activities:		
Purchases of property and equipment	(4,435,755)	(2,420,470)
Sales of property and equipment	15,838	366,088
Net proceeds of certificates of deposit	-	1,737,481
Payments of acquisition payable	(879,007)	(4,027,753)
Increase in intangible assets	(4,829,369)	(3,295,262)
Net cash used in investing activities	(10,128,293)	(7,639,916)
Cash flows from financing activities:		
Proceeds from sale of common stock	1,500,000	1,030,093
Proceeds from the exercise of stock options and warrants	3,282,827	1,008,250
Proceeds from sale of subsidiary stock	1,765,615	-
Finance costs incurred for sale of common stock	(10,000)	-
Purchase of treasury stock	(25,486)	-
Reduction of restricted cash	-	4,533,555
Proceeds from loans from officers	-	165,000
Bank overdraft	85,335	-
Proceeds from bank loans	5,441,870	-
Payments on bank loans	(99,936)	-
Payments on capital lease obligations & loans - net	(3,409,496)	2,359,017
Net cash provided by financing activities	8,530,729	9,095,915
Effect of exchange rate changes in cash	90,597	106,285
Net increase in cash and cash equivalents	2,265,074	1,516,396
Cash and cash equivalents, beginning of year	4,010,164	2,493,768
Cash and cash equivalents, end of year	\$ 6,275,238	\$ 4,010,164

See accompanying notes to these consolidated financial statements.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Continued

For the Years
Ended June 30,
2008 2007

SUPPLEMENTAL DISCLOSURES:

Cash paid during the period for:

Interest	\$ 559,156	\$ 232,783
Taxes	\$ 118,535	\$ 70,184

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Common stock issued for intangible assets	\$ -	\$ 269,128
Common stock issued for acquisition of 100% of subsidiary	\$ 76,750	\$ 2,295,649
Common stock issued for payment of note payable and related interest	\$ -	\$ 27,500
Common stock issued for dividend payable	\$ 222,673	\$ -
Common stock issued for conversion of debentures	\$ -	\$ 150,000
Bonus stock distribution issued by subsidiary to minority holders	\$ 1,160,994	\$ 345,415
Stock issued for the conversion of Preferred Stock	\$ 2,210,000	\$ 1,370,000
Preferred stock issued for conversion of convertible note payable	\$ -	\$ 5,500,000

See accompanying notes to these consolidated financial statements.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BUSINESS AND CONTINUED OPERATIONS

NetSol Technologies, Inc. and subsidiaries (the "Company"), formerly known as NetSol International, Inc. and Mirage Holdings, Inc., was incorporated under the laws of the State of Nevada on March 18, 1997. During November of 1998, Mirage Collections, Inc., a wholly owned and non-operating subsidiary, was dissolved.

In March 2000, the Company formed NetSol (Pvt), Limited as a wholly owned subsidiary. The subsidiary was merged into the Company's subsidiary, NetSol Technologies Limited ("NetSol PK") in April 2006.

Business Combinations Accounted for Under the Purchase Method:

NetSol Technologies Europe Limited ("NTE") (formerly CQ Systems)

On January 19, 2005, the Company entered into an agreement to acquire 100% of the issued and outstanding shares of common stock of CQ Systems Ltd., a company organized under the laws of England and Wales. The acquisition closed on February 22, 2005. The initial purchase price was £3,576,335 or \$6,730,382, of which one-half was due at closing payable in cash and stock and the other half was due when the audited March 31, 2006 financial statements were completed. On the closing date, \$1.7 million was paid and 681,965 shares were issued to the shareholders of CQ, valued at \$1,676,795 at an average share price of \$2.46 was recorded. In addition, the agreement called for the accumulated retained earnings amounting to £423,711 or \$801,915 of CQ Systems as of the closing date to be paid to the shareholders in cash and stock. In April 2005, the additional cash of £350,000 or \$662,410 was paid and 77,503 shares of the Company's common stock valued at \$139,505 were issued. The total amount paid at closing was \$4,178,710. In June 2006, the final installment for the purchase of CQ Systems was determined based on the audited revenues for the twelve month period ending March 31, 2006. Based on the earn-out formula in the purchase agreement, £2,087,071 or \$3,785,210 was due in cash and stock. On June 12, 2006, 884,535 shares of the Company's restricted common stock were issued to the shareholders of CQ Systems. In July 2006, the cash portion of \$1,936,530 plus \$31,810 of interest was paid to the shareholders.

During the year ended June 30, 2008, the name of the subsidiary was changed to NetSol Technologies Europe Limited.

NetSol Technologies North America ("NTNA") (formerly McCue Systems)

On May 6, 2006, the Company entered into an agreement to acquire 100% of the issued and outstanding stock of McCue Systems, Inc. ("McCue"), a California corporation. The acquisition closed on June 30, 2006. The initial purchase price was estimated at \$8,471,455 of which one-half was due at closing payable in cash and stock. The other half is due in two installments over the next two years based on the revenue after the audited December 31, 2006 and 2007 financial statements are completed. On the closing date, \$2,117,864 payable and 958,213 shares to be issued valued at \$1,628,979 were recorded. The cash was paid on July 5, 2006 and the shares were also issued in July 2006. The total amount paid at closing was \$3,746,843. In June 2007, the second installment due was determined based on the audited revenues for the twelve month period ending December 31, 2006. Based on the earn-out formula in the purchase agreement, \$1,807,910 was due in cash and stock. On June 27, 2006 397,700 shares of the Company's restricted common stock were issued to the shareholders of McCue Systems. In July and August 2006, \$450,000 and \$429,007, respectively, of the cash portion was paid to the shareholders. In June 2007, the second installment on the acquisition consisting of \$903,955 in cash and 408,988 shares of the Company's restricted common stock became due and was recorded. In July and August, 2007, \$879,007 of the cash was paid. In June 2008, the third and final installment was determined based on the audited revenues for the twelve month period ending December 31, 2007. Based on the earn-out formula in the purchase agreement, \$1,525,632 was due, consisting of \$762,816 in cash and 345,131 shares of the Company's restricted common stock. The cash portion is shown as "Other Payable - Acquisition" and the stock portion is shown in "Shares to be issued" on these consolidated financial statements. The balance at June 30, 2008 was \$846,215. Of this amount, \$104,452 represents the few remaining McCue shareholders that have not been located as of the date of this report. The shares were issued on July 3, 2008 and the cash due was paid in July and August 2008.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During the year ended June 30, 2008 the name of the subsidiary was changed to NetSol Technologies North America, Inc.

Business Combinations Accounted for Under the Pooling of Interest Method:

Abraxas Australia Pty, Limited

On January 3, 2000, the Company issued 30,000 Rule 144 restricted common shares in exchange for 100% of the outstanding capital stock of Abraxas Australia Pty, Limited, an Australian Company. This business combination was accounted for using the pooling of interest method of accounting under APB Opinion No. 16.

Formation of Subsidiary:

During the period ended December 31, 2002, the Company formed a subsidiary in the UK, NetSol Technologies Ltd., as a wholly-owned subsidiary of NetSol Technologies, Inc. This entity serves as the main marketing and delivery arm for services and products sold and delivered in the UK and mainland Europe.

NetSol-Innovation (formerly TiG-Netsol)

In January 2005, the Company formed TiG-NetSol (Pvt) Limited (“TiG-Netsol”) as a joint venture with a UK based public company TIG Plc., with 50.1% ownership by NetSol Technologies, Inc. and 49.9% ownership by TiG. TiG-NetSol was incorporated in Pakistan on January 12, 2005 under the Companies Ordinance, 1984 as a private company limited by shares. The business of TiG-Netsol is export of computer software and its related services developed in Pakistan.

During the year ended June 30, 2008, the name of the joint venture was changed to NetSol-Innovation (Private) Limited.

NetSol Omni

In February 2006, the Company purchased 50.1% of the outstanding shares for \$60,012 in Talk Trainers (Private) Limited, (“Talk Trainers”), a Pakistan corporation which provides educational services, professional courses, training and Human Resource services to the corporate sector. The major stockholder of Talk Trainers was Mr. Ayub Ghauri, brother to the executive officers of the Company, and therefore the acquisition was recorded at historical cost as the entities are under common control. As the effects of this transaction are immaterial to the Company overall, no pro forma information is provided. During the quarter ended June 30, 2006, Talk Trainers changed its name to NetSol Omni (Private) Limited (“Omni”).

In December 2007, the Company entered into an agreement with the minority shareholders of Omni, whereby the Company purchased the remaining 49.9% of Omni for 25,000 shares of the Company’s common stock valued at \$76,750. Also in December, the operations of the subsidiary were merged into the operations of NetSol PK and will be reported under that subsidiary in the future.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Merger of Subsidiaries

In December 2007, the Companies wholly-owned subsidiary Omni was merged into NetSol PK both located in Lahore, Pakistan. As the subsidiaries were under common control, the assets and liabilities of Omni were recorded at historically values at the time of the merger. The consolidated financial statements reflect the income and expenses of Omni for the fiscal year up to the date of the merger.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, NetSol Technologies North America, Inc. ("NTNA"), NetSol Technologies Limited ("NetSol UK"), NetSol-Abraxas Australia Pty Ltd. ("Abraxas"), NetSol Technologies Europe Limited ("NTE"), and its majority-owned subsidiaries, NetSol Technologies, Ltd. ("NetSol PK"), NetSol Connect (Pvt), Ltd. ("Connect"), TIG-NetSol (Pvt) Limited ("NetSol-TIG"), and NetSol Omni (Private) Limited ("Omni"). All material inter-company accounts have been eliminated in the consolidation.

Business Activity:

The Company designs, develops, markets, and exports proprietary software products to customers in the automobile finance and leasing, banking, healthcare, and financial services industries worldwide. The Company also provides system integration, consulting, IT products and services in exchange for fees from customers.

Use of Estimates:

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

Cash and Cash Equivalents:

Equivalents

For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less which are not securing any corporate obligations.

Concentration

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Accounts Receivable:

The Company's customer base consists of a geographically dispersed customer base. The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. Reserves are recorded primarily on a specific identification basis.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenues in excess of billings:

“Revenues in excess of billings” represent the total of the project to be billed to the customer over the revenues recognized under the percentage of completion method. As the customer is billed under the terms of their contract, the corresponding amount is transferred from this account to “Accounts Receivable.”

Property and Equipment:

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation is computed using various methods over the estimated useful lives of the assets, ranging from three to seven years.

The Company accounts for the costs of computer software developed or obtained for internal use in accordance with Statement of Position 98-1, “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.” The Company capitalizes costs of materials, consultants, and payroll and payroll-related costs for employees incurred in developing internal-use computer software. These costs are included with “Computer equipment and software.” Costs incurred during the preliminary project and post-implementation stages are charged to general and administrative expense.

Intangible Assets:

Intangible assets consist of product licenses, renewals, enhancements, copyrights, trademarks, trade names, customer lists and goodwill. The Company evaluates intangible assets, goodwill and other long-lived assets for impairment, at least on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated future cash flows.

As part of intangible assets, the Company capitalizes certain computer software development costs in accordance with SFAS No. 86, “Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed.” Costs incurred internally to create a computer software product or to develop an enhancement to an existing product are charged to expense when incurred as research and development expense until technological feasibility for the respective product is established. Thereafter, all software development costs are capitalized and reported at the lower of unamortized cost or net realizable value. Capitalization ceases when the product or enhancement is available for general release to customers.

The Company makes on-going evaluations of the recoverability of its capitalized software projects by comparing the amount capitalized for each product to the estimated net realizable value of the product. If such evaluations indicate that the unamortized software development costs exceed the net realizable value, the Company writes off the amount which the unamortized software development costs exceed net realizable value. Capitalized and purchased computer software development costs are being amortized ratably based on the projected revenue associated with the related software or on a straight-line basis over three years, whichever method results in a higher level of amortization.

Statement of Cash Flows:

In accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," cash flows from the Company's operations are calculated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue Recognition:

The Company recognizes its revenue in accordance with the Securities and Exchange Commissions ("SEC") Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB 104") and The American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2, "Software Revenue Recognition," as amended by SOP 98-4 and SOP 98-9, SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts," and Accounting Research Bulletin 45 (ARB 45) "Long-Term Construction Type Contracts." The Company's revenue recognition policy is as follows:

License Revenue: The Company recognizes revenue from license contracts without major customization when a non-cancelable, non-contingent license agreement has been signed, delivery of the software has occurred, the fee is fixed or determinable, and collectibility is probable. Revenue from the sale of licenses with major customization, modification, and development is recognized on a percentage of completion method, in conformity with ARB 45 and SOP 81-1. Revenue from the implementation of software is recognized on a percentage of completion method, in conformity with Accounting Research Bulletin ("ARB") No. 45 and SOP 81-1. Any revenues from software arrangements with multiple elements are allocated to each element of the arrangement based on the relative fair values using specific objective evidence as defined in the SOPs. An output measure of "Unit of Work Completed" is used to determine the percentage of completion which measures the results achieved at a specific date. Units completed are certified by the Project Manager and EVP IT/ Operations.

Services Revenue: Revenue from consulting services is recognized as the services are performed for time-and-materials contracts. Revenue from training and development services is recognized as the services are performed. Revenue from maintenance agreements is recognized ratably over the term of the maintenance agreement, which in most instances is one year.

Unearned Revenue: Unearned Revenue is broken down into three main categories; a) annual maintenance contracts whereby the annual fee is collected at the beginning of the service period and recognized on a pro-rata basis over the life of the contract, b) service revenue connected to those contracts which the implementation and development segments are recognized on the percentage of completed method; and c) customized development projects for existing customers to modify their version of the product to better meet their individual needs which are recognized on the percentage of completion method. As of June 30, 2008, unearned revenues were \$3,293,728.

Fair Value:

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments, none of which are held for trading purposes, approximate carrying values of such amounts.

Advertising Costs:

The Company expenses the cost of advertising as incurred. Advertising costs for the years ended June 30, 2008 and 2007 were \$781,709 and \$643,081 respectively.

EARNINGS/(LOSS) PER SHARE:

"Earnings per share" is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings per share". Basic net income per share is based upon the weighted average number of common shares outstanding. Diluted net income per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

For the year ended June 30, 2008	Net Income	Shares	Per Share
Basic earnings per share:	\$ 7,043,507	24,118,538	\$ 0.29
Dividend to preferred shareholders	178,541		
Net income available to common shareholders			
Effect of dilutive securities			
Stock options		950,910	
Warrants		559,160	
Convertible Preferred Shares		368,441	
Diluted earnings per share	<u>\$ 7,222,048</u>	<u>25,997,049</u>	<u>\$ 0.28</u>

For the year ended June 30, 2007	Net Loss	Shares	Per Share
Basic earnings per share:	\$ (5,114,887)	18,189,590	\$ (0.28)
Dividend to preferred shareholders	-		
Effect of dilutive securities *			
Stock options		-	
Warrants		-	
Diluted earnings per share	<u>\$ (5,114,887)</u>	<u>18,189,590</u>	<u>\$ (0.28)</u>

* As there is a loss, these securities are anti-dilutive. The basic and diluted earnings per share is the same for the year ended June 30, 2007

Other Comprehensive Income & Foreign Currency Translation:

SFAS 130 requires unrealized gains and losses on the Company's available for sale securities, currency translation adjustments, and minimum pension liability, which prior to adoption were reported separately in stockholders' equity, to be included in other comprehensive income. The accounts of NetSol UK and NTE use the British Pound; NetSol PK, Connect, Omni, and NetSol-TiG use Pakistan Rupees; and Abraxas uses the Australian dollar as the functional currencies. NetSol Technologies, Inc., and subsidiary, NTNA, use the U.S. dollar as the functional currency. Assets and liabilities are translated at the exchange rate on the balance sheet date, and operating results are translated at the average exchange rate throughout the period. During the years ended June 30, 2008 and 2007, comprehensive income included net translation loss of \$3,792,148 and income \$55,770, respectively. Other comprehensive loss, as presented on the accompanying consolidated balance sheet in the stockholders' equity section amounted to \$4,267,579 as of June 30, 2008.

Accounting for Stock-Based Compensation:

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, which applies the fair-value method of accounting for stock-based compensation plans. In accordance with this standard, the Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In March 2000, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 44 (Interpretation 44), "Accounting for Certain Transactions Involving Stock Compensation." Interpretation 44 provides criteria for the recognition of compensation expense in certain stock-based compensation arrangements that are accounted for under APB Opinion No. 25, Accounting for Stock-Based Compensation. Interpretation 44 became effective July 1, 2000, with certain provisions that were effective retroactively to December 15, 1998 and January 12, 2000. Interpretation 44 did not have any material impact on the Company's financial statements.

In December 2004, the FASB issued FASB Statement No. 123R, "Share-Based Payment, an Amendment of FASB Statement No. 123" ("FAS No. 123R"). FAS No. 123R requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees. FAS No. 123R is effective beginning in the Company's first quarter of fiscal year ended June 30, 2007.

INCOME TAXES

The Company is incorporated in the State of Nevada and registered to do business in the State of California and has operations in primarily three tax jurisdictions - the United Kingdom ("UK"), Pakistan and the United States ("US").

The consolidated pre-tax income consists of the following:

	Years Ended June 30	
	2008	2007
US operations	\$ (3,223,892)	\$ (8,044,489)
Foreign operations	10,567,922	2,744,493
	\$ 7,344,030	\$ (5,299,996)

The components of the provision for income taxes are as follows:

	Years Ended June 30	
	2008	2007
Current:		
Federal	\$ -	\$ -
Foreign	121,982	160,306
State and Local	-	-
Deferred:		
Federal	-	-
Foreign	-	-
State and Local	-	-
Provision for income taxes	\$ 121,982	\$ 160,306

The following is a reconciliation of the provision for income taxes computed at the statutory federal income tax rate to the income taxes reflected in the Statement of Operations:

	Years ended June 30,	
	2008	2007
Income taxes (benefit) at statutory rate	34.00%	34.00%
State income taxes, net of federal tax benefit	17.22%	6.00%
Foreign earnings taxed at different rates	-47.26%	5.00%
Change in valuation allowance for deferred tax assets	-3.62%	-42.00%
Non-deductible expenses	0.06%	
Other, net	1.27%	
Provision for income taxes	1.66%	3.00%

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the significant components of the aggregate net deferred tax assets of the Company as of June 30, 2008 and 2007:

	Years ended June 30,	
	2008	2007
Deferred tax asset:		
Other	119,977	-
Intangible assets	(1,293,677)	-
Net Operating loss carry forwards	8,446,586	12,786,333
Net deferred tax assets	7,272,886	12,786,333
Valuation allowance for deferred tax assets	(7,272,886)	(12,786,333)
Net deferred tax assets/(liabilities)	-	-

United States of America

Under SFAS 109, deferred tax assets may be recognized for temporary differences that will result in deductible amounts in future periods and for loss carry forwards. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company established a full valuation allowance as management believes it is more likely than not that these assets will not be realized in the future. The valuation allowance decreased by \$5,513,447 for the year ended June 30, 2008 mainly due to reporting a deferred tax liability related to acquired intangibles and adjusting the Company's net operating losses. To the extent a benefit is realized from reducing the valuation allowance on acquired deferred income tax assets, the benefit will be credited to goodwill.

At June 30, 2008, federal and state net operating loss carry forwards were \$22,223,241 and \$4,983,979 respectively. Federal net operating loss carry forwards begin to expire in 2020, while state net operating loss carry forwards begin to expire in 2012. Due to both historical and recent changes in the capitalization structure of the Company, the utilization of net operating losses may be limited pursuant to section 382 of the Internal Revenue Code.

FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB 109. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The cumulative effect, if any, of applying FIN 48 is to be reported as an adjustment to the opening balance of retained earnings in the year of adoption. The impact of the Company's reassessment of its tax positions in accordance with FIN 48 did not have an effect on the results of operations, financial condition or liquidity. As of June 30, 2008, the Company does not have any unrecognized tax benefits related to various federal and state income tax matters. The Company will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company is subject to U.S. federal income tax, as well as various state and foreign jurisdictions. The Company is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years ending June 30, 2004 through 2007. The Company does not anticipate any material amount of unrecognized tax benefits within the next 12 months.

The cumulative amount of undistributed earnings of foreign subsidiaries that the Company intends to permanently invest and upon which no deferred US income taxes have been provided is \$20,107,651 as of June 30, 2008. The additional US income tax on unremitted foreign earnings, if repatriated, would be offset in part by foreign tax credits. The extent of this offset would depend on many factors, including the method of distribution, and specific earnings distributed.

Pakistan

As of June 30, 2008 the Company's Pakistan subsidiaries had net operating loss carry forwards which can be carried forward for six years to offset future taxable income. The deferred tax assets for the Pakistan subsidiaries at June 30, 2008 consists mainly of net operating loss carry forwards and were fully reserved as the management believes it is more likely than not that these assets will not be realized in the future.

The following table sets forth the significant components of the net deferred tax assets for operation in Pakistan as of June 30, 2008 and 2007.

2008	2007
------	------

Net Operating Loss Carryforward	\$ 1,137,985	\$ 1,496,002
Total Deferred Tax Assets	398,295	523,601
Less: Valuation Allowance	(398,295)	(523,601)
Net Deferred Tax Asset	<u>\$ -</u>	<u>\$ -</u>

UK

As of June 30, 2008 the Company's UK subsidiaries had net operating loss carry forwards which can be carried forward indefinitely to offset future taxable income. The deferred tax assets for the UK subsidiaries at June 30, 2008 consists mainly of net operating loss carry forwards and were fully reserved as the management believes it is more likely than not that these assets will not be realized in the future.

The following table sets forth the significant components of the net deferred tax assets for operation in the UK as of June 30, 2008 and 2007.

	2008	2007
Net Operating Loss Carryforward	\$ 172,687	\$ 1,649,025
Total Deferred Tax Assets	51,806	494,707
Less: Valuation Allowance	(51,806)	(494,707)
Net Deferred Tax Asset	<u>\$ -</u>	<u>\$ -</u>

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Derivative Instruments:

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000. SFAS No. 133 requires the Company to recognize all derivatives as either assets or liabilities and measure those instruments at fair value. It further provides criteria for derivative instruments to be designated as fair value, cash flow and foreign currency hedges and establishes respective accounting standards for reporting changes in the fair value of the derivative instruments. After adoption, the Company is required to adjust hedging instruments to fair value in the balance sheet and recognize the offsetting gains or losses as adjustments to be reported in net income or other comprehensive income, as appropriate. The Company has complied with the requirements of SFAS 133, the effect of which was not material to the Company's financial position or results of operations as the Company does not participate in such activities.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of:

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business." The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal.

For goodwill not identifiable with an impaired asset, the Company establishes benchmarks at the lowest level (entity level) as its method of assessing impairment. In measuring impairment, unidentifiable goodwill is considered impaired if the fair value at the lowest level is less than its carrying amount. The fair value of unidentifiable goodwill is determined by subtracting the fair value of the recognized net assets at the lowest level (excluding goodwill) from the value at the lowest level. The amount of the impairment loss is equal to the difference between the carrying amount of goodwill and the fair value of goodwill. In the event that impairment is recognized, appropriate disclosures are made.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Goodwill of a reporting unit is reviewed for impairment if events or changes in circumstances indicate that the carrying amount of its goodwill or intangible assets may not be recoverable. Impairment of reporting unit goodwill is evaluated based on a comparison of the reporting unit's carrying value to the implied fair value of the reporting unit. Conditions that indicate that an impairment of goodwill exists include a sustained decrease in the market value of the reporting unit or an adverse change in business climate.

Reporting segments:

Statement of financial accounting standards No. 131, Disclosures about segments of an enterprise and related information (SFAS No. 131), which superceded statement of financial accounting standards No. 14, Financial reporting for segments of a business enterprise, establishes standards for the way that public enterprises report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements regarding products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performances. The Company allocates its resources and assesses the performance of its sales activities based upon geographic locations of its subsidiaries (see Note 15).

New Accounting Pronouncements:

In September 2006, FASB issued SFAS 157 "Fair Value Measurements". This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The management is currently evaluating the effect of this pronouncement on the consolidated financial statements.

In September 2006, FASB issued SFAS 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)". This Statement improves financial reporting by requiring an employer to recognize the over funded or under funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. An employer without publicly traded equity securities is required to recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after June 15, 2007. However, an employer without publicly traded equity securities is required to disclose the following information in the notes to financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of this Statement in preparing those financial statements:

1. A brief description of the provisions of this Statement
2. The date that adoption is required
3. The date the employer plans to adopt the recognition provisions of this Statement, if earlier.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The management is currently evaluating the effect of this pronouncement on the consolidated financial statements.

In July 2006, the FASB released FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48)". FIN 48 clarifies the accounting and reporting for uncertainties in income tax law. This interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. This statement is effective for fiscal years beginning after December 15, 2006. Management is currently in the process of evaluating the expected effect of FIN 48 on our results of operations and financial position.

In February 2007 the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115." The statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Management is currently evaluating the effect of this pronouncement on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements". This Statement amends ARB 51 to establish accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 is effective for the Company's fiscal year beginning October 1, 2009. Management is currently evaluating the effect of this pronouncement on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations". This Statement replaces SFAS No. 141, Business Combinations. This Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement also establishes principles and requirements for how the acquirer: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and, c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) will apply prospectively to business combinations for which the acquisition date is on or after Company's fiscal year beginning October 1, 2009. While the Company has not yet evaluated this statement for the impact, if any, that SFAS No. 141(R) will have on its consolidated financial statements, the Company will be required to expense costs related to any acquisitions after September 30, 2009.

In March 2008, the FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities". The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The new standard also improves transparency about the location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under Statement 133; and how derivative instruments and related hedged items affect its financial position, financial performance, and cash flows. FASB Statement No. 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important. Based on current conditions, the Company does not expect the adoption of SFAS 161 to have a significant impact on its results of operations or financial position.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In May 2008, FASB issued SFASB No.162, "The Hierarchy of Generally Accepted Accounting Principles". The pronouncement mandates the GAAP hierarchy reside in the accounting literature as opposed to the audit literature. This has the practical impact of elevating FASB Statements of Financial Accounting Concepts in the GAAP hierarchy. This pronouncement will become effective 60 days following SEC approval. The Company does not believe this pronouncement will impact its financial statements.

In May 2008, FASB issued SFASB No. 163, "Accounting for Financial Guarantee Insurance Contracts-an interpretation of FASB Statement No. 60". The scope of the statement is limited to financial guarantee insurance (and reinsurance) contracts. The pronouncement is effective for fiscal years beginning after December 31, 2008. The Company does not believe this pronouncement will impact its financial statements.

Reclassifications:

For comparative purposes, prior year's consolidated financial statements have been reclassified to conform with report classifications of the current year.

NOTE 3 – MAJOR CUSTOMERS

During fiscal year ended June 30, 2008, there were no customers who represented 10% or more of the Company's total revenue.

The Company is a strategic business partner for Daimler Financial Services (which consists of a group of many companies), which accounts for approximately 5% and 2% of revenue, Toyota Motors (which consists of a group of many companies) accounts for approximately 3% and 9% of revenue, and Nissan (which consists of a group of many companies) accounts for approximately 11% and 5% of revenue for the fiscal year ended June 30, 2008 and 2007, respectively. Accounts receivable at June 30, 2008 and 2007 for these companies was \$2,357,889 and \$1,925,831.

NOTE 4 – OTHER CURRENT ASSETS

Other current assets consist of the following as of June 30, 2008:

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Prepaid Expenses	\$ 825,640
Advance Income Tax	356,843
Employee Advances	133,954
Security Deposits	244,409
Advance Rent	211,828
Tender Money Receivable	293,943
Other Receivables	335,493
Other Assets	4,297
	<u> </u>
Total	<u><u>\$ 2,406,407</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment, net, consist of the following at June 30, 2008:

Office furniture and equipment	\$ 1,224,340
Computer equipment	9,043,307
Assets under capital leases	1,511,311
Building	2,902,142
Land	925,210
Autos	245,855
Improvements	413,175
	<u> </u>
Subtotal	16,265,340
Accumulated depreciation	(7,088,560)
	<u><u>\$ 9,176,780</u></u>

For the years ended June 30, 2008 and 2007, fixed asset depreciation expense totaled \$1,573,345 and \$1,015,835, respectively. Of these amounts, \$1,031,943 and \$567,145, respectively, are reflected as part of cost of goods sold.

NOTE 6 - INTANGIBLE ASSETS

Intangible assets consist of the following at June 30, 2008:

	Product Licenses	Customer Lists	Total
Intangible assets - June 30, 2007	\$ 14,511,208	\$ 5,451,094	\$ 19,962,302
Additions	4,481,077	-	4,481,077
Effect of translation adjustment	(381,578)	-	(381,578)
Accumulated amortization	(7,772,851)	(3,718,333)	(11,491,184)
Net balance - June 30, 2008	<u><u>\$ 10,837,856</u></u>	<u><u>\$ 1,732,761</u></u>	<u><u>\$ 12,570,617</u></u>
Amortization expense:			
Year ended June 30, 2008	\$ 1,069,967	\$ 694,644	\$ 1,764,611
Year ended June 30, 2007	\$ 930,791	\$ 694,644	\$ 1,625,435

The above amortization expense includes amounts in "Cost of Goods Sold" for capitalized software development costs of \$366,511 and \$227,335 for the fiscal years ended June 30, 2008 and 2007, respectively.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2008, product licenses, renewals, enhancements, copyrights, trademarks, and tradenames, included unamortized software development and enhancement costs of \$9,550,831. Software development amortization expense was \$366,511 and \$227,335 for the years ended June 30, 2008 and June 30, 2007, respectively.

Amortization expense of intangible assets over the next five years is as follows:

	FISCAL YEAR ENDING					
Asset	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	TOTAL
Product Licences	\$ 1,512,349	\$ 1,257,480	\$ 794,583	\$ 128,892	\$ 128,892	\$ 3,822,195
Customer Lists	694,644	606,852	431,266	-	-	1,732,762
	<u>\$ 2,206,993</u>	<u>\$ 1,864,332</u>	<u>\$ 1,225,849</u>	<u>\$ 128,892</u>	<u>\$ 128,892</u>	<u>\$ 5,554,957</u>

Goodwill is comprised of amounts recognized in the acquisition of the following:

	Balance at June 30, 2008
NetSol PK Tech	\$ 1,166,611
CQ Systems	3,471,813
McCue Systems	4,664,100
NetSol Omni	136,761
	<u>\$ 9,439,285</u>
Total	<u>\$ 9,439,285</u>

There was no impairment of goodwill for the years ended June 30, 2008 and 2007.

NOTE 7 – OTHER ASSETS – LONG TERM

During the year ended June 30, 2007, NetSol PK agreed to lease a facility from the owner of the adjacent land agreed to build an office to the Company's specifications and the Company agreed to help pay for the development of the land in exchange for discounted rent for the next three years. As of June 30, 2008, the Company has paid a total of 26,156,725pkr or approximately \$383,530 in connection with this agreement. Of this amount, 14,446,675pkr or approximately \$211,828 has been classified as current, representing one-year of rental payments, and 3,570,000pkr or approximately \$52,346 shown as long-term assets. During the year ended June 30, 2008, 8,140,050pkr or approximately \$198,280 was expensed.

In addition, NetSol PK has begun work on building a new building behind the current one. The enhancement of infra-structure is necessary to meet the company's growth in local and international business. The balance for advance for Capital-Work-In-Progress was \$1,043,765.

During the current fiscal year, our North American operations determined it was necessary to move its location from Burlingame to Emeryville. The move is expected to be completed in September 2008. As part of the lease agreement, the Company was required to pay two months of rental payments as a security deposit valued at \$155,880.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2008, one of the Company's subsidiaries has classified two of its accounts receivable as long-term amounting to \$614,446 at present value net of discount of \$109,818. The discount was calculated using a rate of 8.25% and a time period of two years as the collection is expected by the fiscal year ended June 30, 2010.

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30, 2008:

Accounts Payable	\$ 1,468,491
Accrued Liabilities	2,099,693
Accrued Payroll	2,203
Accrued Payroll Taxes	176,916
Interest Payable	158,627
Deferred Revenues	72,240
Taxes Payable	138,489
Total	\$ 4,116,659

NOTE 9 – DEBTS

A) LOANS AND LEASES PAYABLE

Notes and leases payable consist of the following at June 30, 2008:

Name	Balance at 6/30/08	Current Maturities	Long-Term Maturities
D&O Insurance	\$ 41,508	\$ 41,508	\$ -
E&O Insurance	28,518	28,518	-
Habib Bank Line of Credit	1,501,998	1,501,998	-
Bank Overdraft Facility	84,952	84,952	-
HSBC Loan	739,428	327,820	411,608
Subsidiary Capital Leases	627,621	295,314	332,307
	<u>\$ 3,024,025</u>	<u>\$ 2,280,110</u>	<u>\$ 743,915</u>

On July 4, 2007, the Company entered into a debt agreement with AMZ, a brokerage firm, in Lahore, Pakistan for a total of \$2,457,642. AMZ brokered the loan with 2 banks in Pakistan, Bank Islami Pakistan Ltd, and Security Leasing Corporation Ltd. The loan called for 30% of the value of the loan to be collateralized by shares the Company owns in its Pakistan subsidiary, NetSol PK, plus an additional 10% of the total share pledged to cover any extra margin due to the change in value of the pledged shares. Finance costs associated with this debt totaled \$39,445 and the Company received a net balance of \$2,418,197. The loan had a maturity of three months and an interest rate 18.35%, consisting of the Karachi Interbank Offer Rate ("KIBOR" of 9.09%, a base rate of 4.26%, and a mark-up rate of 5%. On October 4, 2007, the loan matured and was rolled over for an additional three months. The new interest rate was 14.75%. Upon maturity on January 4, 2008, payment of the note and accrued interest was extended for six weeks. On February 16, 2008, the full balance of the loan and accrued interest of \$256,608 was paid. All pledged shares were returned to the Company.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In August 2007, the Company's subsidiary, NetSol UK, entered into an agreement with HSBC Bank whereby the line of credit outstanding of £500,000 or approximately \$1,023,850 was converted into a loan payable with a maturity of three years. The interest rate is 7.5% with monthly payments of £15,558 or approximately \$31,858. The Parent has guaranteed payment of the loan in the event the subsidiary should default on it. During the year ended June 30, 2008, £155,585 or approximately \$307,384 was paid on the principal of this note and £27,784 or approximately \$52,310 was paid in interest. The loan outstanding as of June 30, 2008 was £370,567 or \$739,428; of this amount \$327,820 is classified as current maturities and \$411,608 as long-term debt.

In January 2008, the Company renewed its directors' and officers' ("D&O") liability insurance for which the annual premium is \$102,585. The Company arranged financing with AFCO Credit Corporation with a down payment of \$10,584 with the balance to be paid in nine monthly installments of \$10,584 each. The balance owing as of June 30, 2008 was \$41,508.

In January 2008, the Company purchased an Errors and Omissions ("E&O") liability insurance for an annual premium of \$69,783. The Company arranged financing with AFCO Credit Corporation with a down payment of \$7,213 with the balance to be paid in nine monthly installments of \$7,213 each. The balance owing as of June 30, 2008 was \$28,518.

In April 2008, the Company entered into an agreement with Habib American Bank to secure a line of credit to be collateralized by Certificates of Deposit held at the bank. During the year ended June 30, 2008, \$1,510,595 was drawn down on this line of credit and \$12,629 was repaid. The interest rate on this account is variable and was 4.571% at June 30, 2008. Interest paid during the year ended June 30, 2008 was \$4,032 and the balance was \$1,501,998.

During the year ended June 30, 2008, the Company's subsidiary, NTE, entered into an overdraft facility with HSBC Bank plc whereby the bank would cover any overdrafts up to £200,000. The interest rate is 3.25% per year over the Bank's sterling Base Rate, which is currently 5%, for an effective rate of 8.25%. As of June 30, 2008, the subsidiary had used £42,574 or approximately \$84,952.

CAPITAL LEASE OBLIGATIONS

The Company leases various fixed assets under capital lease arrangements expiring in various years through 2013. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lesser of their related lease terms or their estimated useful lives and are secured by the assets themselves. Depreciation of assets under capital leases is included in depreciation expense for the years ended June 30, 2008 and 2007.

Following is the aggregate minimum future lease payments under capital leases as of June 30, 2008:

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
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Minimum Lease Payments	
Due FYE 6/30/09	\$ 368,671
Due FYE 6/30/10	258,927
Due FYE 6/30/11	113,053
Due FYE 6/30/12	6,135
Due FYE 6/30/13	3,356
Total Minimum Lease Payments	750,142
Interest Expense relating to future periods	(122,521)
Present Value of minimum lease payments	627,621
Less: Current portion	(295,314)
Non-Current portion	\$ 332,307

Following is a summary of fixed assets held under capital leases as of June 30, 2008:

Computer Equipment and Software	\$ 895,235
Furniture and Fixtures	62,054
Vehicles	392,727
Building Equipment	161,295
Total	1,511,311
Less: Accumulated Depreciation	(653,643)
Net	\$ 857,668

B) LOANS PAYABLE - BANK

The Company's Pakistan subsidiary, NetSol Technologies (Private) Ltd., has a loan with a bank, secured by the Company's assets. This note consists of the following as of June 30, 2008:

TYPE OF LOAN	MATURITY DATE	INTEREST RATE	BALANCE USD
Export Refinance	Every 6 months	7.50%	\$ 2,932,551
Total			\$ 2,932,551

C) OTHER PAYABLE – ACQUISITION

As of June 30, 2008, Other Payable – Acquisition consists of total payments of \$846,215 due to the shareholders of McCue Systems.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

McCue Systems (now NetSol Technologies North America Inc.)

On June 30, 2006, the acquisition with McCue Systems, Inc. (“McCue”) closed (see Note 17). As a result, the first installment consisting of \$2,117,864 cash and 958,213 shares of the Company’s restricted common stock was recorded. During the fiscal year ended June 30, 2007, \$2,059,413 of the cash portion of was paid to the McCue shareholders and in July 2006 the stock was issued. In June 2007, the second installment on the acquisition consisting of \$903,955 in cash and 408,988 shares of the Company’s restricted common stock became due and was recorded. In July and August 2007, \$879,007 of the cash was paid. In June 2008, the third and final installment became due, consisting of \$762,816 in cash and 345,131 shares of the Company’s restricted common stock. The cash portion is shown as “Other Payable – Acquisition” and the stock portion is shown in “Shares to be issued” on these consolidated financial statements. The balance at June 30, 2008 was \$846,215. Of this amount, \$104,452 represents the few remaining McCue shareholders that have not been located as of the date of this report. The shares were issued on July 3, 2008 and the cash due was paid in July and August 2008.

D) DUE TO OFFICERS

The officers of the Company, from time to time, loan funds to the Company.

On September 1, 2006, an officer of the Company loaned \$165,000 to the Company for its immediate short-term cash needs in the corporate office. The loan had a maturity date of three months and is interest free and had been automatically extended. The terms of the loan were approved by the Company’s board of directors. The balance of this loan was repaid in July 2007.

In addition, the officers of the Company have advanced \$34,173 as working capital. The balance due to officers as of June 30, 2008 was \$184,173.

In July 2008, the officers exercised 98,358 options against the amounts owed to them of \$179,738.

NOTE 10 – DIVIDEND PAYABLE

PREFERRED SHAREHOLDERS

On October 30, 2006, the convertible notes payable (see note 11) were converted into 5,500 shares of Series A 7% Cumulative Convertible Preferred Stock. The dividend is to be paid quarterly, either in cash or stock at the Company’s election. The dividend for the fiscal years ended June 30, 2008 and 2007 totaled \$178,541 and \$237,326. Of the amount due for fiscal year ended June 30, 2008, \$145,033 has been paid in stock and the remaining balance of \$33,508 is payable and is reflected in these consolidated financial statements. This amount was paid with the issuance of 13,107 shares of the Company’s common stock on July 3, 2008.

SUBSIDIARY DIVIDEND

On September 26, 2007, the Company’s joint-venture subsidiary, NetSol-Innovation declared a cash dividend of 100,000,000 Pakistan Rupees (“pkr”) or approximately \$1,651,522. Of this amount, the Company was due 50,520,000 pkr or approximately \$834,349. The dividend was paid during the quarter ended December 31, 2007. The amount attributable to the minority holders is approximately \$817,173 and is reflected in the accompanying consolidated financial statements.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – CONVERTIBLE NOTE PAYABLE

On June 15, 2006, the Company entered into an agreement with five accredited investors whereby the Company issued five convertible notes payable for an aggregate principal value of \$5,500,000. These notes bore interest at the rate of 12% per annum and were due in full one year from the issuance date or on June 15, 2007 (the “Financing”). The Convertible Notes could have immediately converted into shares of common stock of the Company at the conversion value (initially set at one share per \$1.65 of principal dollar) to the extent that such conversion did not violate Nasdaq Market Place rules. Due to the limitation rule, none of the note was convertible as of September 30, 2006. Upon the approval of the stockholders, to the extent not already converted into common shares, the Convertible Notes Payable would be immediately converted into shares of Preferred Stock. On October 18, 2006, the shareholders approved the issuance of the shares and on October 30, 2006 the notes were converted into 5,500 shares of Preferred Stock. During the quarter ended September 30, 2006, \$167,489 of interest was accrued. As of September 30, 2006, a total of \$194,989 in accrued interest had been recorded on the notes and was added to the principal of the notes. During the fiscal year ended June 30, 2007, \$251,167 of interest was accrued. On December 13, 2006, the note holders agreed to accept shares of the Company’s common stock in payment of the interest owed to them. In addition, the note holders required the Company to issue a total of 60,000 shares of the Company’s common stock valued at \$88,201 as a premium to receive payment in shares rather than cash. This amount is included in “interest expense” in the accompanying consolidated financial statements for the year ended June 30, 2007.

The beneficial conversion feature expense was based on the net value of the loan after reducing the proceeds by the value of the warrants issued and was \$2,208,334 for the year ended June 30, 2007.

The common stock shares issued under this financing agreement, including warrants, were to be registered within 120 days after closing (or October 19, 2006). If the Company did not meet the registration requirement, the Company was to pay in cash as liquidated damages for such failure and not as a penalty to each Holder an amount equal to one percent (1%) of such Holder’s Purchase Price paid by such Holder pursuant to the Purchase Agreement for each thirty (30) day period until the applicable Event has been cured. The registration statement became effective on January 19, 2007. During the fiscal year ended June 30, 2007, the Company accrued \$168,667 as liquidation damages due and has paid the full amount. As a result, the Company recorded an additional \$12,223 in liquidation damages during the fiscal year ended June 30, 2007. This amount is included in “Accrued Liabilities” as of June 30, 2008.

As part of the agreement, the investors received warrants to purchase 1,666,668 shares of the Company’s common stock. The warrants have an exercise price of \$2.00 and expire in five years. These warrants were valued using the Black-Scholes model at \$2,108,335 and were capitalized as a contra-account against the note balance. These costs were being amortized over the life of the loan or a pro-rata basis as the loan was converted into common or preferred stock. As the loans were converted on October 30, 2006, the balance of \$2,022,363 was amortized and recorded as “amortization of debt discount” for the year ended June 30, 2007.

The Black-Scholes pricing model used the following assumptions:

Risk-free interest rate	6.00%
Expected life	5 years
Expected volatility	100%
Dividend yield	0%

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
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Under the agreement, any future financing whereby warrants are issued at an exercise price lower than the exercise price of the warrants in the agreement, an adjustment to the exercise price is to be made. During the fiscal year ended June 30, 2007, a financing was completed which included the issuance of warrants at an exercise price of \$1.65 (see Note 11). Following the formula set out in the agreement, it was determined that the adjusted exercise price was \$1.93 per share. As a result, the Company revalued the warrants for the adjusted exercise price using the Black-Scholes model at \$2,120,000 and recorded an expense of \$11,667 for the repricing of the warrants during the year ended June 30, 2007. The Black-Scholes pricing model used the same assumptions as for the original valuation of the warrants.

In connection with this financing, the Company paid \$474,500 in cash for placement agent fees and legal fees. These costs were capitalized and are being amortized over the life of the loan or a pro-rata basis as the loan is converted into common or preferred stock. As the loans were converted on October 30, 2006, the balance of \$454,729 of these costs were amortized and recorded as "amortization of capitalized cost of debt" during the year ended June 30, 2007.

As part of the financing, warrants to purchase 266,666 shares of the Company's common stock were issued to the placement agent as part of its fee. The warrants have an exercise price of \$1.65 and expire in two years. These warrants were valued using the Black-Scholes model at \$340,799 and were capitalized. These costs were being amortized over the life of the loan or a pro-rata basis as the loan was converted into common or preferred stock. As the loans were converted on October 30, 2006, the balance of \$326,599 of these costs were amortized and recorded as "amortization of capitalized cost of debt" during the year ended June 30, 2007.

The Black-Scholes pricing model used the following assumptions:

Risk-free interest rate	6.00%
Expected life	2 years
Expected volatility	100%
Dividend yield	0%

NOTE 12 – STOCKHOLDERS' EQUITY

PREFERRED STOCK

On October 30, 2006, the convertible notes payable (see note 11) were converted into 5,500 shares of Series A 7% Cumulative Convertible Preferred Stock. The preferred shares are valued at \$1,000 per share or \$5,500,000. The preferred shares are convertible into common stock at a rate of \$1.65 per common share. The total shares of common stock that can be issued under these Series A Preferred Stock is 3,333,333. On January 19, 2007, the Form S-3 statement to register the underlying common stock and related dividends became effective. As of June 30, 2008 and 2007, 2,210 and 1,370 of the preferred shares had been converted into 1,339,392 and 830,302 shares of the Company's common stock, respectively. As of June 30, 2008, there were 1,920 shares of preferred stock outstanding.

The Series A Convertible Preferred Stock carries certain liquidation and preferential rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, before any distribution of assets of the Corporation can be made to or set apart for the holders of Common Stock, the holders of Convertible Preferred Stock shall be entitled to receive payment out of such assets of the Corporation in an amount equal to \$1,000 per share of Convertible Preferred Stock then outstanding, plus any accumulated and unpaid dividends thereon (whether or not earned or declared) on the Convertible Preferred Stock. In addition, the Convertible Preferred Stock ranks senior to all classes and series of Common Stock and existing preferred stock and to each other class or series of preferred stock established hereafter by the Board of Directors of the Corporation, with respect to dividend rights, redemption rights, rights on liquidation, winding-up and dissolution and all other rights in any manner, whether voluntary or involuntary.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations:

McCue Systems, Inc. (now NetSol Technologies North America Inc.)

In June 2006, the Company completed the acquisition of McCue Systems, Inc. (see Note 17). During fiscal year ended June 30, 2007 as part of this agreement, the Company issued 931,770 shares of its restricted common stock valued at \$1,584,009 to the shareholders of McCue Systems for the initial down payment.

In June 2007, the second installment became due for the acquisition and the Company issued 397,700 shares of its restricted common stock valued at \$711,640 to the shareholders of McCue Systems. In addition, a total of 37,731 shares valued at \$64,612 are shown in "Shares to Be Issued" in these consolidated financial statements representing McCue Systems shareholders that have not been located as of this date.

In June 2008, the third and final installment became due for the acquisition and the Company recorded 345,131 shares to be issued valued at \$890,437 on these consolidated financial statements. Of these, 335,604 shares were issued in July 2008. The balance represents McCue Systems shareholders that have not been located as of this date.

NetSol Omni ("Omni")

In December 2007, the Company entered into an agreement with the minority shareholders of Omni, whereby the Company purchased the remaining 49.9% of Omni for 25,000 shares of the Company's common stock valued at \$76,750.

Private Placements

In June 2007, the Company sold 757,576 shares of the Company's common stock to two institutional investors for \$1,250,000. The Company received \$1,000,000 of this by June 30, 2007 and the remainder was received on July 2, 2007. The shares were issued in July 2007. This purchase agreement contained a "green shoe" clause whereby the investors had the option to purchase within six months the same number of shares at the same price and receive the same number of warrants. In October 2007, the investors exercised the "green shoe" clause and the Company sold them 757,576 shares of the Company's common stock valued at \$1,250,000. As part of the agreement, the investors were granted 378,788 warrants with an exercise price of \$1.65.

Services, Accrued Expenses and Payables

In October 2005, the Company entered into an agreement with a vendor whereby the Company agreed to issue \$2,500 worth of stock per month as payment for services rendered. The stock was to be issued after the end of each quarter. The Company issued 12,177 shares of its common stock during the fiscal year ended June 30, 2007 valued at \$21,250. The agreement was terminated on December 15, 2006.

In January 2006, the Company entered into an agreement with two consultants whereby the Company agreed to issue shares of the Company's restricted common stock for their services. During the fiscal year ended June 30, 2007, the Company issued 160,624 shares of restricted common stock valued at \$269,128. The agreement was terminated in May 2007.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In October 2006, the Company entered into an agreement with a consultant whereby the Company agreed to issue 25,000 shares of the Company's restricted common stock at the signing of the agreement. The shares were valued at \$36,250 or \$1.45 per share.

In October 2006, the Company entered into an agreement with a consultant whereby the Company agreed to issue a total of 40,000 of the Company's restricted stock, to be paid at the end of each quarter of service. As of June 30, 2007, the Company has recorded as "Stock to Be Issued" 10,000 shares valued at \$15,000 or \$1.50 per share under this agreement. In October 2007, these shares were issued. During the year ended June 30, 2008, the remaining 30,000 shares valued at \$45,000 were issued.

In October 2006, the Company entered into an agreement with an employee whereby the Company agreed to issue a total of 35,000 shares of the Company's restricted common stock valued at \$132,650; vesting over one year on a quarterly basis. During the year ended June 30, 2008, 17,500 shares were vested and issued valued at \$66,324 were issued to the employee.

In June 2008, the Company entered into an agreement with a consultant whereby the Company agreed to issue a total of 20,000 shares of the Company's restricted common stock valued at \$56,600 for services rendered. As of June 30, 2008, the stock had not been issued and is shown in "Stock to be Issued".

Options and Warrants Exercised

During the year ended June 30, 2007, the Company issued 1,571,243 shares of its common stock for the exercise of options valued at \$2,585,474. Of this, \$1,173,750 was recorded as "Stock Subscription Receivable", \$33,750 was a cashless exercise whereby the exercise price was applied against amounts owed by the Company to a Director, and \$7,000 was applied to amounts owed by the Company to an employee. \$150,000 was a cashless exercise whereby the exercise price was applied against amounts owed by the Company to three officers (see Note 9). In addition, 3,030 shares of the Company's common stock valued at \$5,000 was issued against payments made in the previous year and was recorded as a reduction in "Shares to Be Issued."

During the year ended June 30, 2008, the Company issued 849,938 shares of its common stock for the exercise of options valued at \$1,477,929. Of these shares, 1,818 valued at \$3,000 were issued against amounts owed by the Company to an employee, and a net amount of \$16,750 was recorded against "subscription receivable". In addition, 20,000 shares valued at \$36,600 was recorded as "shares to be issued" as of June 30, 2008.

During the year ended June 30, 2008, the Company issued 1,087,359 shares of its common stock for the exercise of warrants valued at \$1,754,547.

Payment of Interest

On December 13, 2006, the Company issued a total of 230,863 shares of the Company's common stock valued at \$339,137 or \$1.47 per share to the convertible note holders as payment of the interest due to them (see note 11). This payment included 60,000 shares valued at \$88,201 as premium shares to accept payment of the interest in the Company's common stock rather than cash. These shares have been registered with the Securities and Exchange Commission.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Payment of Dividend to Preferred Stockholders

During the years ended June 30, 2008 and 2007, the Company issued 114,588 and 105,589 shares of the Company's common stock valued at \$222,673 and \$159,684, respectively, as payment of the dividend owed to the Preferred Stockholders (see Note 10).

Stock Subscription Receivable

Stock subscription receivable represents stock options exercised and issued that the Company has not yet received the payment from the purchaser.

During the year ended June 30, 2007, the Company issued a total of \$1,673,750 of new receivables and received payments of \$936,593. In addition, \$35,000 was applied to amounts owing from a subsidiary. The balance at June 30, 2007 was \$1,001,407.

During the year ended June 30, 2008, a total of \$542,000 was collected and new receivables of \$211,500 were issued. In addition, the Company wrote-off \$70,000 of receivables as uncollectible from employees who have since left the Company. The balance at June 30, 2008 was \$600,907.

Treasury Stock

The balance at June 30, 2007 was \$10,194.

On March 24, 2008, the Company announced that it had authorized a stock repurchase program permitting the Company to repurchase up to 1,000,000 of its shares of common stock over the next 6 months. The shares are to be repurchased from time to time in open market transactions or privately negotiated transactions in the Company's discretion. During the year ended June 30, 2008, the Company had repurchased a total of 13,600 shares on the open market valued at \$25,486. The balance as of June 30, 2008 was \$35,681.

Common Stock Purchase Warrants and Options

From time to time, the Company issues options and warrants as incentives to employees, officers and directors, as well as to non-employees.

Common stock purchase options and warrants consisted of the following as of June 30, 2008:

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	# shares	Exercise Price	Aggregated Intrinsic Value
Options:			
Outstanding and exercisable, June 30, 2007	7,102,363	\$ 0.75 to \$5.00	\$ 129,521
Granted	20,000	\$ 1.60	
Exercised	(869,938)	\$ 0.75 to \$2.55	
Expired	(180,000)	\$ 0.75	
Outstanding and exercisable, March 31, 2008	6,072,425	\$ 0.75 to \$5.00	\$ 1,717,608
Warrants:			
Outstanding and exercisable, June 30, 2007	3,002,725	\$ 1.75 to \$5.00	\$ 58,091
Granted	378,788	\$ 1.65	
Exercised	(1,269,199)	\$ 1.65 to \$3.30	
Expired	(120,000)	\$ 2.50 to \$5.00	
Outstanding and exercisable, March 31, 2008	1,992,314	\$ 1.65 to \$5.00	\$ 1,206,095

The average life remaining on the options and warrants as of June 30, 2008 is as follows:

Exercise Price	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Ave Exercise Price
<u>OPTIONS:</u>			
\$0.01 - \$0.99	14,000	3.58	0.75
\$1.00 - \$1.99	2,193,425	7.10	1.87
\$2.00 - \$2.99	3,065,000	6.75	2.68
\$3.00 - \$5.00	800,000	5.78	4.24
Totals	<u>6,072,425</u>	<u>6.74</u>	<u>2.59</u>
<u>WARRANTS:</u>			
\$1.00 - \$1.99	1,527,652	3.43	1.79
\$3.00 - \$5.00	464,662	1.14	3.31
Totals	<u>1,992,314</u>	<u>2.90</u>	<u>2.15</u>

All options and warrants granted are vested and are exercisable as of June 30, 2008.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
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Options:

The company adopted SFAS No. 123-R effective July 1, 2006 using the modified prospective method. Under this transition method, stock compensation expense recognized in the six months ended December 31, 2006 includes compensation expense for all stock-based compensation awards vested during the six months ended December 31, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123-R.

During the quarter ended June 30, 2007, 180,606 options were granted to employees with an exercise price of \$1.65 per share and an expiration date of one-year. All options granted have been exercised as of June 30, 2007. Using the Black-Scholes method to value the options, the Company recorded \$102,584 in compensation expense for these options in the accompanying consolidated financial statements. The Black-Scholes option pricing model used the following assumptions:

Risk-free interest rate	7%
Expected life	1 year
Expected volatility	83%

During the quarter ended September 30, 2007, 20,000 options were granted to two officers with an exercise price of \$1.60 per share and an expiration date of ten years, vesting immediately. Using the Black-Scholes method to value the options, the Company recorded \$24,320 in compensation expense for these options in the accompanying consolidated financial statements.

The Black-Scholes option pricing model used the following assumptions:

Risk-free interest rate	4.5%
Expected life	10 years
Expected volatility	65%

Warrants:

On October 11, 2006, the Company entered into an agreement with a consultant whereby the Company agreed to grant the consultant a total of 100,000 warrants with an exercise price of \$1.85 and 100,000 warrants with an exercise price of \$3.70. The warrants vest equally over the term of the agreement on a quarterly basis commencing on January 11, 2007 and vest only upon completion of the quarter's service as earned. The agreement was terminated on March 31, 2007. The 25,000 warrants vested are exercisable until October 10, 2011 and all non-vested warrants were cancelled at the time of the agreement termination. During the quarter ended March 31, 2007, a total of 25,000 of the warrants had vested. The warrants were valued using the fair value method at \$33,987 or \$1.44 and \$1.28 per share and recorded during the year ended June 30, 2007. The Black-Scholes option pricing model used the following assumptions:

Risk-free interest rate	7.0%
Expected life	5 years
Expected volatility	100%
Dividend yield	0%

In October 2007, the investors exercised the "green shoe" clause and the Company sold them 757,576 shares of the Company's common stock valued at \$1,250,000. In addition as part of the agreement, the investors were granted 378,788 warrants with an exercise price of \$1.65 and expire in five years.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – INCENTIVE AND NON-STATUTORY STOCK OPTION PLAN

The 2001 Plan

On March 27, 2002, the Company enacted an Incentive and Non-statutory Stock Option Plan (the “2001 Plan”) for its employees and consultants under which a maximum of 2,000,000 options may be granted to purchase common stock of the Company. Two types of options may be granted under the Plan: (1) Incentive Stock Options (also known as Qualified Stock Options) which may only be issued to employees of the Company and whereby the exercise price of the option is not less than the fair market value of the common stock on the date it was reserved for issuance under the Plan; and (2) Non-statutory Stock Options which may be issued to either employees or consultants of the Company and whereby the exercise price of the option is less than the fair market value of the common stock on the date it was reserved for issuance under the plan. Grants of options may be made to employees and consultants without regard to any performance measures. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

Any Option granted to an Employee of the Corporation shall become exercisable over a period of no longer than ten (10) years and no less than twenty percent (20%) of the shares covered thereby shall become exercisable annually. No Incentive Stock Option shall be exercisable, in whole or in part, prior to one (1) year from the date it is granted unless the Board shall specifically determine otherwise, as provided herein. In no event shall any Option be exercisable after the expiration of ten (10) years from the date it is granted, and no Incentive Stock Option granted to a Ten Percent Holder shall, by its terms, be exercisable after the expiration of ten (10) years from the date of the Option. Unless otherwise specified by the Board or the Committee in the resolution authorizing such option, the date of grant of an Option shall be deemed to be the date upon which the Board or the Committee authorizes the granting of such Option.

The number and exercise prices of options granted under the 2001 Plan for the years ended June 30, 2008 and 2007 are as follows:

	2008	Exercise Price	2007	Exercise Price
Outstanding and exercisable, beginning of year	31,000	\$ 0.75 to \$1.25	46,000	\$ 0.75 to \$2.50
Granted	-		-	
Exercised	(15,000)	\$ 0.75	(15,000)	\$ 0.75 to \$1.75
Expired	-	-	-	-
Outstanding and exercisable, end of year	16,000	\$ 0.75 to \$1.00	31,000	\$ 0.75 to \$1.00

The 2002 Plan

In January 2003, the Company enacted an Incentive and Non-statutory Stock Option Plan (the “2002 Plan”) for its employees and consultants under which a maximum of 2,000,000 options may be granted to purchase common stock of the Company. Two types of options may be granted under the Plan: (1) Incentive Stock Options (also known as Qualified Stock Options) which may only be issued to employees of the Company and whereby the exercise price of the option is not less than the fair market value of the common stock on the date it was reserved for issuance under the Plan; and (2) Non-statutory Stock Options which may be issued to either employees or consultants of the Company and whereby the exercise price of the option is less than the fair market value of the common stock on the date it was reserved for issuance under the plan. Grants of options may be made to employees and consultants without regard to any performance measures. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
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Any Option granted to an Employee of the Corporation shall become exercisable over a period of no longer than ten (10) years and no less than twenty percent (20%) of the shares covered thereby shall become exercisable annually. No Incentive Stock Option shall be exercisable, in whole or in part, prior to one (1) year from the date it is granted unless the Board shall specifically determine otherwise, as provided herein. In no event shall any Option be exercisable after the expiration of ten (10) years from the date it is granted, and no Incentive Stock Option granted to a Ten Percent Holder shall, by its terms, be exercisable after the expiration of ten (10) years from the date of the Option. Unless otherwise specified by the Board or the Committee in the resolution authorizing such option, the date of grant of an Option shall be deemed to be the date upon which the Board or the Committee authorizes the granting of such Option.

The number and weighted average exercise prices of options granted under the 2002 Plan for the year ended June 30, 2008 and 2007 are as follows:

	2008	Exercise Price	2007	Exercise Price
Outstanding and exercisable, beginning of year	972,000	\$ 0.75 to \$5.00	1,059,500	\$ 0.75 to \$2.50
Granted	-	-	-	-
Exercised	(60,000)	\$ 1.25	(47,500)	\$ 0.75 to \$2.30
Expired	(30,000)	\$ 0.75 - \$2.50	(40,000)	\$ 3.00 to \$5.00
Outstanding and exercisable, end of year	882,000	\$ 0.75 to \$5.00	972,000	\$ 0.75 to \$5.00

The 2003 Plan

In March 2004, the Company enacted an Incentive and Non-statutory Stock Option Plan (the "2003 Plan") for its employees and consultants under which a maximum of 2,000,000 options may be granted to purchase common stock of the Company. Two types of options may be granted under the Plan: (1) Incentive Stock Options (also known as Qualified Stock Options) which may only be issued to employees of the Company and whereby the exercise price of the option is not less than the fair market value of the common stock on the date it was reserved for issuance under the Plan; and (2) Non-statutory Stock Options which may be issued to either employees or consultants of the Company and whereby the exercise price of the option is less than the fair market value of the common stock on the date it was reserved for issuance under the plan. Grants of options may be made to employees and consultants without regard to any performance measures. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

Any Option granted to an Employee of the Corporation shall become exercisable over a period of no longer than ten (10) years and no less than twenty percent (20%) of the shares covered thereby shall become exercisable annually. No Incentive Stock Option shall be exercisable, in whole or in part, prior to one (1) year from the date it is granted unless the Board shall specifically determine otherwise, as provided herein. In no event shall any Option be exercisable after the expiration of ten (10) years from the date it is granted, and no Incentive Stock Option granted to a Ten Percent Holder shall, by its terms, be exercisable after the expiration of ten (10) years from the date of the Option. Unless otherwise specified by the Board or the Committee in the resolution authorizing such option, the date of grant of an Option shall be deemed to be the date upon which the Board or the Committee authorizes the granting of such Option.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
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The number and weighted average exercise prices of options granted under the 2003 Plan for the year ended June 30, 2008 and 2007 are as follows:

	2008	Exercise Price	2007	Exercise Price
Outstanding and exercisable, beginning of year	745,000	\$ 1.00 to \$5.00	970,000	\$ 1.00 to \$5.00
Granted	20,000	\$ 1.60	180,606	\$ 1.65
Exercised	(236,000)	\$ 1.70 to \$1.98	(355,606)	\$ 1.25 to \$1.65
Expired	(50,000)	\$ 2.64 to \$5.00	(50,000)	\$ 2.64 to \$5.00
Outstanding and exercisable, end of year	479,000	\$ 1.60 to \$5.00	745,000	\$ 1.25 to \$5.00

The 2004 Plan

In March 2005, the Company enacted an Incentive and Non-statutory Stock Option Plan (the "2004 Plan") for its employees and consultants under which a maximum of 5,000,000 options may be granted to purchase common stock of the Company. A registration statement on form n S-8 was filed on April 7, 2006 registering the shares of common stock underlying the options in this plan. Two types of options may be granted under the Plan: (1) Incentive Stock Options (also known as Qualified Stock Options) which may only be issued to employees of the Company and whereby the exercise price of the option is not less than the fair market value of the common stock on the date it was reserved for issuance under the Plan; and (2) Non-statutory Stock Options which may be issued to either employees or consultants of the Company and whereby the exercise price of the option is less than the fair market value of the common stock on the date it was reserved for issuance under the plan. Grants of options may be made to employees and consultants without regard to any performance measures. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

Any Option granted to an Employee of the Corporation shall become exercisable over a period of no longer than ten (10) years and no less than twenty percent (20%) of the shares covered thereby shall become exercisable annually. No Incentive Stock Option shall be exercisable, in whole or in part, prior to one (1) year from the date it is granted unless the Board shall specifically determine otherwise, as provided herein. In no event shall any Option be exercisable after the expiration of ten (10) years from the date it is granted, and no Incentive Stock Option granted to a Ten Percent Holder shall, by its terms, be exercisable after the expiration of ten (10) years from the date of the Option. Unless otherwise specified by the Board or the Committee in the resolution authorizing such option, the date of grant of an Option shall be deemed to be the date upon which the Board or the Committee authorizes the granting of such Option.

The number and weighted average exercise prices of options granted under the 2004 Plan for the year ended June 30, 2008 and 2007 are as follows:

	2008	Exercise Price	2007	Exercise Price
Outstanding and exercisable, beginning of year	3,574,363	\$ 1.65 to \$3.00	4,730,000	\$ 1.65 to \$3.00
Granted	-	-	-	-
Exercised	(448,938)	\$ 1.65 to \$2.00	(1,155,637)	\$ 1.65 to \$1.94
Expired	(50,000)	\$ 1.93 to \$2.89	-	-
Outstanding and exercisable, end of year	3,075,425	\$ 1.65 to \$3.00	3,574,363	\$ 1.65 to \$3.00

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
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The 2005 Plan

In April 2006, the Company enacted an Incentive and Non-statutory Stock Option Plan (the “2005 Plan”) for its employees and consultants under which a maximum of 5,000,000 options may be granted to purchase common stock of the Company. Two types of options may be granted under the Plan: (1) Incentive Stock Options (also known as Qualified Stock Options) which may only be issued to employees of the Company and whereby the exercise price of the option is not less than the fair market value of the common stock on the date it was reserved for issuance under the Plan; and (2) Non-statutory Stock Options which may be issued to either employees or consultants of the Company and whereby the exercise price of the option is less than the fair market value of the common stock on the date it was reserved for issuance under the plan. Grants of options may be made to employees and consultants without regard to any performance measures. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

Any Option granted to an Employee of the Corporation shall become exercisable over a period of no longer than ten (10) years and no less than twenty percent (20%) of the shares covered thereby shall become exercisable annually. No Incentive Stock Option shall be exercisable, in whole or in part, prior to one (1) year from the date it is granted unless the Board shall specifically determine otherwise, as provided herein. In no event shall any Option be exercisable after the expiration of ten (10) years from the date it is granted, and no Incentive Stock Option granted to a Ten Percent Holder shall, by its terms, be exercisable after the expiration of ten (10) years from the date of the Option. Unless otherwise specified by the Board or the Committee in the resolution authorizing such option, the date of grant of an Option shall be deemed to be the date upon which the Board or the Committee authorizes the granting of such Option.

The number and weighted average exercise prices of options granted under the 2005 Plan for the year ended June 30, 2008 and 2007 are as follows:

	2008	Exercise Price	2007	Exercise Price
Outstanding and exercisable, beginning of year	1,780,000	\$ 1.70 to \$2.55	1,780,000	\$ 1.70 to \$2.55
Granted	-	-	-	-
Exercised	(110,000)	\$ 1.70 to \$2.55	-	-
Expired	(50,000)	\$ 1.83 to \$2.50	-	-
Outstanding and exercisable, end of year	1,620,000	\$ 1.70 to \$2.50	1,780,000	\$ 1.70 to \$2.55

2008 EQUITY INCENTIVE PLAN

In May 2008, the shareholders approved the 2008 Equity Incentive Plan (the “2008 Plan”) which provides for the grant of equity-based awards, including options, stock appreciation rights, restricted stock awards or performance share awards or any other right or interest relating to shares or cash, to eligible participants. The aggregate number of shares reserved and available for award under the 2008 Plan is 1,000,000 (the Share Reserve). The 2008 Plan contemplates the issuance of common stock upon exercise of options or other awards granted to eligible persons under the 2008 Plan. Shares issued under the 2008 Plan may be both authorized and unissued shares or previously issued shares acquired by the Company. Upon termination or expiration of an unexercised option, stock appreciation right or other stock-based award under the 2008 Plan, in whole or in part, the number of shares of common stock subject to such award again become available for grant under the 2008 Plan. Any shares of restricted stock forfeited as described below will become available for grant. The maximum number of shares that may be granted to any one participant in any calendar year may not exceed 500,000 shares. All options issued pursuant to the Plan are nontransferable and subject to forfeiture.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- a) *Stock Options.* Options granted under the 2008 Plan are not generally transferable and must be exercised within 10 years, subject to earlier termination upon termination of the option holder's employment, but in no event later than the expiration of the option's term. The exercise price of each option may not be less than the fair market value of a share of the Company's common stock on the date of grant (except in connection with the assumption or substitution for another option in a manner qualifying under Section 424(a) of the Internal Revenue Code of 1986, as amended (the Code)). Incentive stock options granted to any participant who owns 10% or more of the Company's outstanding common stock (a Ten Percent Shareholder) must have an exercise price equal to or exceeding 110% of the fair market value of a share of our common stock on the date of the grant and must not be exercisable for longer than five years. Options become vested and exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Committee. The maximum term of any option granted under the 2008 Plan is ten years, provided that an incentive stock option granted to a Ten Percent Shareholder must have a term not exceeding five years.
- b) *Performance Awards.* Under the 2008 Plan, a participant may also be awarded a "performance award," which means that the participant may receive cash, stock or other awards contingent upon achieving performance goals established by the Committee. The Committee may also make "deferred share" awards, which entitle the participant to receive our stock in the future for services performed between the date of the award and the date the participant may receive the stock. The vesting of deferred share awards may be based on performance criteria and/or continued service with our Company. A participant who is granted a "stock appreciation right" under the Plan has the right to receive all or a percentage of the fair market value of a share of stock on the date of exercise of the stock appreciation right minus the grant price of the stock appreciation right determined by the Committee (but in no event less than the fair market value of the stock on the date of grant). Finally, the Committee may make "restricted stock" awards under the 2008 Plan, which are subject to such terms and conditions as the Committee determines and as are set forth in the award agreement related to the restricted stock.

As of June 30, 2008, no options or other awards have been made under this plan.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Leases

The Company's headquarters is located in California in approximately 1,919 rentable square feet and a monthly rent of \$4,754 per month. The term of the lease is for two years and expires on December 31, 2009. A security deposit of \$4,790 was made and is included in other current assets in the accompanying consolidated financial statements.

The Australia lease is a month to month lease and is rented at the rate of \$1,380 per month. The Beijing lease is a two year lease that expires in August 2009. The monthly rent is \$4,315 per month. The Bangkok lease is a one year lease with monthly rent of \$752. The NetSol Europe facilities, located in Horsham, United Kingdom, are leased until June 23, 2011 for an annual rent of £75,000 (approximately \$150,330). NTNA recently relocated to the Emeryville, California location. The Emeryville lease is a ten year lease with monthly rent of \$77,880. NTNA's former Burlingame, California, premises are leased until June 30, 2009 with a monthly rent of \$16,178. NTNA is actively seeking to sublet the Burlingame, California premises.

The NetSol Karachi lease is a 3 year lease that expires on December 4, 2008 and currently is rented at the rate of \$1,726 per month. The NetSol Islamabad lease is a 15 year lease that expires on August 31, 2016 and currently is rented at the rate of \$1,417 per month. The NetSol Rawalpindi lease is a 1 year lease that expires in January 2009 and currently is rented at the rate of \$850 per month.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Upon expiration of its leases, the Company does not anticipate any difficulty in obtaining renewals or alternative space. Rent expense amounted to \$807,835 and \$804,295 for the years ended June 30, 2008 and 2007, respectively.

The total annual lease commitment for the next five years is as follows:

FYE 2009	\$	1,339,914
FYE 2010	\$	1,122,606
FYE 2011	\$	1,122,606
FYE 2012	\$	951,564
FYE 2013	\$	951,564

Lahore Technology Campus

In May 2004, the newly built Technology Campus was inaugurated in Lahore, Pakistan. This facility consists of 50,000 square feet of computer and general office space. This facility is state of the art, purpose-built and fully dedicated for IT and software development; the first of its kind in Pakistan. Title to this facility is held by NetSol Technologies Ltd. and is not subject to any mortgages. In order to cater for future business expansion and taking advantage of depressing real estate market, the company purchased two new cottages adjacent to its main building. Total covered area of these cottages is 4,900 sq feet and it cost was \$250,000 approx. The management has moved its accounts, finance, internal audit, company secretariat and costing and budgeting department into these cottages. For the recreation of its valuable human resources, the management has also established a gymnasium there.

NetSol PK has outgrown its current facility and has looked to other sources to house its growing numbers of employees. During the year ended June 30, 2007, the owner of the adjacent land agreed to build an office to the Company's specifications and the Company agreed to help pay for the development of the land in exchange for discounted rent for the next three years. In addition, NetSol PK has begun work on building a new building behind the current one. The enhancement of infra-structure is necessary to meet the company's growth in local and international business.

Employment Agreements

Effective January 1, 2007 and amended on January 1, 2008, the Company entered into an Employment Agreement with the Chief Executive Officer. Pursuant to the Employment Agreement between the CEO and the Company (the "CEO Agreement"), the Company agreed to employ him as its Chief Executive Officer from the date of the CEO Agreement through December 31, 2009. Under the CEO Agreement, the CEO is entitled to an annualized base salary of \$300,000 and is eligible for annual bonuses at the discretion of the Compensation Committee. The Company retained the right to increase the base compensation as it deems necessary. In addition, the CEO is entitled to participate in the Company's stock option plans, is entitled to two weeks of paid vacation per calendar year and is to receive a car allowance totaling \$3,000 per month for the term of the CEO Agreement. Finally, during the term of the CEO Agreement, the Company shall pay the amount of premiums or other costs incurred for the coverage of the CEO, his spouse and dependent family members under the Company's health and related benefit plans.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Effective January 1, 2007 and amended on January 1, 2008, the Company entered into an Employment Agreement with the President of the EMEA Region and Chief Executive Officer of the Global Products Division. Pursuant to the Employment Agreement between him and the Company (the "President EMEA Agreement"), the Company agreed to employ him as its President of the EMEA region and Chief Executive Officer of the Global Products Division from the date of the President EMEA Agreement through December 31, 2009. Under the President EMEA Agreement, he is entitled to an annualized base salary of £122,000 or approximately \$245,000 and is eligible for annual bonuses at the discretion of the Compensation Committee. The Company retained the right to increase the base compensation as it deems necessary. In addition, he is entitled to participate in the Company's stock option plans, is entitled to two weeks of paid vacation per calendar year and is to receive a car allowance totaling \$2,000 per month for the term of the President EMEA Agreement. Finally, during the term of the President EMEA Agreement, the Company shall pay the amount of premiums or other costs incurred for the coverage of him, his spouse and dependent family members under the Company's health and related benefit plans.

Effective January 1, 2007 and amended on January 1, 2008, the Company entered into an Employment Agreement with our President of the APAC Region and Chief Executive Officer of the Global Services Division. Pursuant to the Employment Agreement between him and the Company (the "President APAC Agreement"), the Company agreed to employ him as its President APAC and Chief Executive Officer of the Global Services Division from the date of the President APAC Agreement through December 31, 2009. Under the President APAC Agreement, he is entitled to an annualized base salary of \$225,000 and is eligible for annual bonuses at the discretion of the Compensation Committee. The Company retained the right to increase the base compensation as it deems necessary. In addition, he is entitled to participate in the Company's stock option plans, is entitled to two weeks of paid vacation per calendar year. Finally, during the term of the President APAC Agreement, the Company shall pay the amount of premiums or other costs incurred for the coverage of him, his spouse and dependent family members under the Company's health and related benefit plans.

Effective May 1, 2006, the Company entered into an Employment Agreement with our Secretary and General Counsel. Pursuant to the Employment Agreement between her and the Company (the "General Counsel Agreement"), the Company agreed to employ her as its Secretary and General Counsel from the date of the General Counsel Agreement through April 30, 2008. Under the General Counsel Agreement, she was entitled to an annualized base salary of \$110,000 and is eligible for annual bonuses at the discretion of the Chief Executive Officer. Effective August 1, 2007, Ms. her annualized salary was raised to \$130,000. The Company retained the right to increase the base compensation as it deems necessary. In addition, she is entitled to participate in the Company's stock option plans and, is entitled to two weeks of paid vacation per calendar year. Finally, during the term of the General Counsel Agreement, the Company shall pay the amount of premiums or other costs incurred for the coverage of her, her spouse and dependent family members under the Company's health and related benefit plans.

Effective July 20, 2005, we entered into an employment agreement with the Chief Financial Officer. The agreement was amended effective May 1, 2006 to provide a yearly salary of \$95,000. Effective August 1, 2007, her annualized salary was raised to \$132,000 and is eligible for annual bonuses at the discretion of the Chief Executive Officer. The Company retained the right to increase the base compensation as it deems necessary. In addition, she is entitled to participate in the Company's stock option plans and, is entitled to two weeks of paid vacation per calendar year. Finally, during the term of the Chief Financial Officer Agreement, the Company shall pay the amount of premiums or other costs incurred for the coverage of her and her dependent family members under the Company's health and related benefit plans.

The agreements also provide for reimbursement of reasonable business-related expenses. The agreements also provide for certain covenants concerning non-competition, non-disclosure, indemnity and assignment of intellectual property rights.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Litigation

As of June 30, 2008 and 2007, to the best knowledge of the Company's management and counsel, there is no material litigation pending or threatened against the Company.

NOTE 15 – SEGMENT AND GEOGRAPHIC AREAS

The Company has identified three global regions or segments for its products and services; North America, Europe, and Asia-Pacific. Our reportable segments are business units located in different global regions. Each business unit provides similar products and services; license fees for leasing and asset-based software, related maintenance fees, and implementation and IT consulting services. Separate management of each segment is required because each business unit is subject to different operational issues and strategies due to their particular regional location. We account for intercompany sales and expenses as if the sales or expenses were to third parties and eliminate them in the consolidation.

The following table presents a summary of operating information and certain year-end balance sheet information for the years ended June 30, 2008 and 2007:

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2008	2007
Revenues from unaffiliated customers:		
North America	\$ 3,969,521	\$ 4,953,083
Europe	7,676,225	5,482,972
Asia - Pacific	<u>24,996,429</u>	<u>18,846,031</u>
Consolidated	<u>\$ 36,642,175</u>	<u>\$ 29,282,086</u>
Operating income (loss):		
Corporate headquarters	\$ (3,845,756)	\$ (3,358,739)
North America	(932,008)	29,257
Europe	1,838,541	(704,530)
Asia - Pacific	<u>10,148,442</u>	<u>6,680,880</u>
Consolidated	<u>\$ 7,209,219</u>	<u>\$ 2,646,868</u>
Net income (loss) before minority adjustment:		
Corporate headquarters	\$ (2,784,659)	\$ (8,474,143)
North America	(910,833)	38,510
Europe	1,767,712	(832,294)
Asia - Pacific	<u>11,958,119</u>	<u>6,325,955</u>
Consolidated	<u>\$ 10,030,339</u>	<u>\$ (2,941,972)</u>
Identifiable assets:		
Corporate headquarters	\$ 16,566,612	\$ 13,263,112
North America	1,920,508	2,070,829
Europe	6,233,480	4,833,181
Asia - Pacific	<u>39,056,094</u>	<u>29,362,020</u>
Consolidated	<u>\$ 63,776,694</u>	<u>\$ 49,529,142</u>
Depreciation and amortization:		
Corporate headquarters	\$ 1,402,219	\$ 1,406,989
North America	214,777	131,848
Europe	301,505	268,795
Asia - Pacific	<u>1,419,455</u>	<u>833,638</u>
Consolidated	<u>\$ 3,337,956</u>	<u>\$ 2,641,270</u>
Capital expenditures:		
Corporate headquarters	\$ 4,189	\$ 3,986
North America	70,443	20,821
Europe	56,155	249,690
Asia - Pacific	<u>4,304,968</u>	<u>2,145,974</u>
Consolidated	<u>\$ 4,435,755</u>	<u>\$ 2,420,471</u>

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Net revenues by our various products and services provided are as follows:

	For the Years Ended June 30,	
	2008	2007
Licensing Fees	\$ 12,685,039	\$ 9,788,266
Maintenance Fees	6,306,321	5,441,339
Services	17,650,815	14,052,481
Total	\$ 36,642,175	\$ 29,282,086

NOTE 16 – MINORITY INTEREST IN SUBSIDIARY

The Company had minority interests in several of its subsidiaries. The balance of the minority interest as of June 30, 2008 was as follows:

SUBSIDIARY	MIN INT %	MIN INT BALANCE AT 6/30/08
Netsol PK	39.11%	\$ 5,122,459
NetSol-TiG	49.90%	1,505,854
Connect	49.90%	238,201
Total		\$ 6,866,514

NetSol Technologies, Limited (“NetSol PK”)

In August 2005, the Company’s wholly-owned subsidiary, NetSol Technologies (Pvt), Ltd. (“NetSol PK”) became listed on the Karachi Stock Exchange in Pakistan. The Initial Public Offering (“IPO”) sold 9,982,000 shares of the subsidiary to the public thus reducing the Company’s ownership by 28.13%. During the quarter ended September 30, 2007, the Company was notified by an affiliate party that they had sold their shares; therefore, the adjusted minority ownership was increased to 37.21%. Net proceeds of the IPO were \$4,890,224. As a result of the IPO, the Company is required to show the minority interest of the subsidiary on the accompanying consolidated financial statements.

For the fiscal years ended June 30, 2008 and 2007, the subsidiary had net income of \$9,842,805 and \$4,747,590, of which \$2,721,439 and \$1,375,247, respectively, was recorded against the minority interest. The balance of the minority interest at June 30, 2008 was \$5,122,459.

On May 18 2007, the subsidiary’s board of directors authorized a 15% stock bonus dividend to all its stockholders as of that date. The net value of shares issued to minority holders was \$345,415.

On October 19, 2007, the subsidiary’s board of directors authorized a 22% stock bonus dividend to all its stockholders as of that date. The net value of shares issued to minority holders was \$545,359.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On April 11, 2008, the subsidiary's board of directors authorized a 20% stock bonus dividend to all its stockholders as of that date. The net value of shares issued to minority holders was \$615,335.

In February 2008, the Company sold 948,100 shares of its ownership in NetSol PK on the open market with a value of \$1,765,615. A net gain of \$1,240,808 was recorded as "Other Income" on these consolidated financial statements. As a result of the sale, the Company's ownership in the subsidiary decreased from 62.79% to 60.89% and the minority interest percentage increased 1.9% to 39.11%.

NetSol-Innovation:

In December 2004, NetSol forged a new and a strategic relationship with a UK based public company TiG Plc. A new Joint Venture was signed by the two companies to create a new company, TiG NetSol Pvt Ltd., during the current year the name was changed to NetSol-Innovation (Private) Limited, ("NetSol-Innovation"), with 50.1% ownership by NetSol Technologies, Inc. and 49.9% ownership by TiG. The agreement anticipates TiG's technology business to be outsourced to NetSol's offshore development facility.

During year ended June 30, 2005, the Company invested \$253,635 and TiG invested \$251,626 and the new subsidiary began operations during the quarter ended March 31, 2005.

For the fiscal years ended June 30, 2008 and 2007, the subsidiary had net income of \$2,133,301 and \$1,401,444, of which \$92,006 after considering cash dividends of \$1,651,522, and \$596,802 was recorded against the minority interest, respectively. The balance of the minority interest at June 30, 2008 was \$1,505,854.

On September 26, 2007, the subsidiary's board of directors authorized a cash dividend of 100,000,000 Pakistan Rupees ("pkr") or approximately \$1,651,522. Of this amount, the Company received 50,520,000 pkr or approximately \$834,349 which has been invested in NetSol PK. The net value to the minority holders is approximately \$817,173 and is reflected on these consolidated financial statements.

NetSol Connect:

In August 2003, the Company entered into an agreement with United Kingdom based Akhter Group PLC ("Akhter"). Under the terms of the agreement, Akhter Group acquired 49.9 percent of the Company's subsidiary; Pakistan based NetSol Connect Pvt Ltd. ("Connect"), an Internet service provider ("ISP"), in Pakistan through the issuance of additional Connect shares. As part of this Agreement, Connect changed its name to NetSol Akhter. The partnership with Akhter Computers is designed to rollout connectivity and wireless services to the Pakistani national market.

As of June 30, 2005, a total of \$751,356 had been transferred to Connect, of which \$410,781 was from Akhter. In June 2006, a total of \$40,000 cash was distributed to each partner as a return of capital. In addition during the year ended June 30, 2008, and addition \$20,000 of cash was distributed to Akhter as a return of capital.

For the fiscal years ended June 30, 2008 and 2007, the subsidiary had net loss of \$8,765 and \$57,117, respectively, of which (\$4,374) and (\$28,501) respectively, was recorded against the minority interest. The balance of the minority interest at June 30, 2008 was \$238,201.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Talk Trainers (Private) Limited (“Talk Trainers”) – NetSol Omni

In February 2006, the Company purchased for \$60,012 50.1% of the outstanding shares in Talk Trainers (Private) Limited, (“Talk Trainers”), a Pakistan corporation which provides educational services, professional courses, training and human resource services to the corporate sector. The major stockholder of Talk Trainers was Mr. Ayub Ghauri, brother to the executive officers of the Company, and therefore the acquisition was recorded at historical cost as the entities are under common control. As the effects of this transaction are immaterial to the Company overall, no pro forma information is provided. During the quarter ended June 30, 2006, Talk Trainers changed their name to NetSol Omni.

In December 2007, the Company purchased the remaining 49.9% of the outstanding shares from the minority shareholders with a historical value of \$12,399 for 25,000 shares of the Company’s common stock valued at \$76,750 (see note 12). Also in December, the operations of the subsidiary were merged into the operations of NetSol PK and will be reported under that subsidiary in the future.

For the fiscal years ended June 30, 2008 and 2007, the subsidiary had a net loss of \$10,224 and \$71,298, of which (\$781) and (\$7,959) was recorded against the minority interest. The balance of the minority interest at June 30, 2008 was \$0.

NOTE 17 – ACQUISITION OF McCUE SYSTEMS (now NetSol Technologies North America)

On May 6, 2006, the Company entered into an agreement to acquire 100% of the issued and outstanding stock of with McCue Systems, Inc. (“McCue”), a California corporation. The acquisition closed on June 30, 2006.

According to the terms of the Share Purchase Agreement, the Company acquired 100% of the issued and outstanding shares of McCue from McCue’s current shareholders, whose identity is set forth in the Share Purchase Agreement (the “McCue Shareholders”) at the completion date in exchange for a purchase price consisting of: a) 50% of McCue’s total gross revenue for the audited twelve month period ending December 31, 2005 after an adjustment for any revenue occurring outside of the company’s ordinary scope of operations as defined by US GAAP multiplied by 1.5 payable: (i) 50% in shares of restricted common stock of the Company at the 30 day volume weighted average price (“VWAP”) for each of the 30 trading days prior to the execution date of this agreement or at the VWAP for each of the 30 trading days prior to November 30, 2005 whichever is the greater VWAP; and, (ii) 50% in cash; b) 25% of McCue’s total gross revenue for the twelve months ending December 31, 2006 multiplied by 1.5 payable, at the Company’s discretion: (i) wholly in cash; or (ii) on the same basis and on the same terms as the initial payment provided that under no circumstances shall the total number of shares of common stock issued to the McCue Shareholders exceed 19% of the issued and outstanding shares of common stock, less treasury shares, of the Company at May 6, 2006; and c) 25% of McCue’s total gross revenue for the twelve months ending December 31, 2007 multiplied by 1.5 payable, at the Company’s discretion: (i) wholly in cash; or (ii) on the same basis and on the same terms as the initial payment provided that under no circumstances shall the total number of shares of common stock issued to the McCue Shareholders exceed 19% of the issued and outstanding shares of common stock, less treasury shares, of the Company at May 6, 2006.

The initial purchase price was estimated at \$8,471,455 of which one-half was due at closing payable in cash and stock. The other half is due in two installments over the next two years based on revenues after the audited December 31, 2006 and 2007 financial statements are completed. On the closing date, \$2,117,864 payable and 958,213 shares to be issued valued at \$1,628,979, adjusted for the market value at closing, was recorded. The cash was paid on July 5, 2006 and the shares were also issued in July 2006. The total amount recorded at closing was \$3,746,843.

NETSOL TECHNOLOGIES INC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The purchase price was allocated as follows:

<i>Purchase Price Allocation:</i>	
Purchase Price	\$ 8,471,455
Less contingent consideration	(4,235,727)
Adjustment for valuation of shares to market at closing	(488,885)
Net purchase price	<u>\$ 3,746,843</u>
Net tangible assets	\$ 80,245
<i>Intangible Assets:</i>	
Product License	127,510
Customer Lists	2,143,837
Goodwill	1,395,251
Net purchase price	<u>\$ 3,746,843</u>

In June 2007, the second installment for the purchase of McCue Systems was determined based on the audited revenues for the twelve month period ending December 31, 2006. Based on the earn-out formula in the purchase agreement, \$1,807,910 was due in cash and stock. On June 27, 2007, 397,700 shares of the 408,988 shares due of the Company's restricted common stock were issued to the shareholders of McCue Systems. The balance represents shareholders of McCue Systems that haven't been located as of this date. In July and August 2007, \$450,000 and \$429,007 of the cash portion was paid to the shareholders. As a result of the second payment the Company recorded an addition of \$1,615,595 to goodwill.

In June 2008, the third and final installment for the purchase of McCue Systems was determined based on the audited revenues for the twelve month period ending December 31, 2007. Based on the earn-out formula in the purchase agreement, \$1,525,632 was due in cash and stock, of which \$762,816 is due in cash and 345,131 shares were due. On July 3, 2008, 335,604 shares of the 345,131 shares due of the Company's restricted common stock were issued to the shareholders of McCue Systems. The balance represents shareholders of McCue Systems that haven't been located as of this date. In July and August 2008, \$737,868 of the cash portion was paid to the shareholders. As a result of the final payment the Company recorded an addition of \$1,653,254 to goodwill.

NOTE 18 – SUBSEQUENT EVENTS

On July 3, 2008, 335,604 shares of the 345,131 shares due of the Company's restricted common stock were issued to the shareholders of McCue Systems. In addition, in July and August 2008, \$737,868 of the cash balance due to the shareholders was paid.

On July 3, 2008, 13,107 shares valued at \$33,508 of the Company's common stock was issued as payment of the dividend due to the Preferred Shareholders.

In July 2008, three officers of the Company exercised 98,358 option shares valued at \$179,738 against amounts owing to them.

On July 23, 2008, the Company entered into a Convertible Note with two investors with a total value of \$6,000,000. The note has an interest rate of 7% per annum and is convertible into common shares at a conversion rate of \$3.00 per share. The fair market value of the shares at the date of signing was \$2.90; therefore, no beneficial conversion feature expense is to be recorded on the transaction.

In August 2008, a warrant holder exercised 51,515 warrants valued at \$99,424.

STATE OF NEVADA

ROSS MILLER
Secretary of State



SCOTT W. ANDERSON
Deputy Secretary
for Commercial Recordings

OFFICE OF THE
SECRETARY OF STATE

Filing Acknowledgement

May 7, 2008

Job Number
C20080508-0037

Corporation Number
C5490-1997

Filing Description
Amendment

**Document Filing
Number**
20080319143-51

Date/Time of Filing
May 7, 2008 06:07:37 AM

Corporation Name
NETSOL TECHNOLOGIES, INC.

Resident Agent

The attached document(s) were filed with the Nevada Secretary of State, Commercial Recordings Division. The filing date and time have been affixed to each document, indicating the date and time of filing. A filing number is also affixed and can be used to reference this document in the future.

Respectfully,

A handwritten signature in black ink, appearing to read "Ross Miller".

ROSS MILLER
Secretary of State

Commercial Recording Division
202 N. Carson Street
Carson City, Nevada 89701-4069
Telephone (775) 684-5708
Fax (775) 684-7138

STATE OF NEVADA

ROSS MILLER
Secretary of State



SCOTT W. ANDERSON
Deputy Secretary
for Commercial Recordings

OFFICE OF THE
SECRETARY OF STATE

Certified Copy

May 12, 2008

Job Number: C20080508-0037
Reference Number:
Expedite:
Through Date:

The undersigned filing officer hereby certifies that the attached copies are true and exact copies of all requested statements and related subsequent documentation filed with the Secretary of State's Office, Commercial Recordings Division listed on the attached report.

Document Number(s)	Description	Number of Pages
20080319143-51	Amendment	3 Pages/1 Copies

Respectfully,

Handwritten signature of Ross Miller.

ROSS MILLER
Secretary of State

By

Handwritten signature of the Certification Clerk.

Certification Clerk



Commercial Recording Division
202 N. Carson Street
Carson City, Nevada 89701-4069
Telephone (775) 684-5708
Fax (775) 684-7138



ROSS MILLER
 Secretary of State
 204 North Carson Street, Ste 1
 Carson City, Nevada 89701-4299
 (775) 684-5708
 Website: secretaryofstate.biz

Filed in the office of 	Document Number 20080319143-51
Ross Miller Secretary of State State of Nevada	Filing Date and Time 05/07/2008 6:07 AM
	Entry Number C5490-1997

Certificate of Amendment
 (PURSUANT TO NRS 78.385 AND 78.390)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

**Certificate of Amendment to Articles of Incorporation
 For Nevada Profit Corporations**
 (Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)

1. Name of corporation:

NetSol Technologies, Inc.

2. The articles have been amended as follows (provide article numbers, if available):

Section 3: The Corporation shall be authorized to issue 100,000,000 shares of capital stock, of which 95,000,000 shares shall be shares of Common Stock, \$0.01 par value ("Common Stock") and 5,000,000 shares shall be shares of Preferred Stock, \$0.01 par value ("Preferred Stock"). The board of directors of the Corporation (the "Board of Directors") is expressly authorized to provide for issuance of all or any shares of the Preferred Stock in one or more series, and to fix for each such series such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such series and as may be permitted by the Nevada Revised Statutes (as amended from time to time, the "NRS"), including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at any time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; (iv) entitled to vote separately or together with any other series or class of stock of the Corporation; or (v) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation have voted in favor of the amendment is:

12,439,286

4. Effective date of filing (optional):

5/6/08
(must not be later than 90 days after the certificate is filed)

5. Officer Signature (Required):

X

*If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless of limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and submit the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

**AMENDMENT OF ARTICLES OF INCORPORATION
OF
NETSOL TECHNOLOGIES, INC.**

NetSol Technologies, Inc., a corporation duly organized and existing under the General Corporation Law of the state of Nevada (the "Corporation"), does hereby certify that:

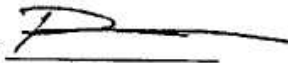
1. The Amendment to the Articles of Incorporation of the Corporation, filed with the Secretary of State of the State of Nevada on October 18, 2006, as amended, is hereby amended by adding the following paragraph:

"Section 3: The Corporation shall be authorized to issue 100,000,000 shares of capital stock, of which 95,000,000 shares shall be shares of Common Stock, \$0.001 par value ("Common Stock") and 5,000,000 shares shall be shares of Preferred Stock, \$0.001 par value ("Preferred Stock"). The board of directors of the Corporation (the "Board of Directors") is expressly authorized to provide for issuance of all or any shares of the Preferred Stock in one or more series, and to fix for each such series such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such series and as may be permitted by the Nevada Revised Statutes (as amended from time to time, the "NRS"), including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at any time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; (iv) entitled to vote separately or together with any other series or class of stock of the Corporation; or (v) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions."

2. The foregoing amendment was duly adopted in accordance with the provisions of Sections 78.390 and 78.209 of the Nevada Revised Statutes. The total number of shares voting at our annual meeting of shareholders held on May 2, 2008 was 23,069,500 of which shares voted in favor of the Amendment exceeding the vote required by more than three percent.

IN WITNESS WHEREOF, NetSol Technologies, Inc. has caused this Certificate to be executed by its duly authorized officer on this 6th day of May, 2008.

Signature: 
Name: Najeeb Ghauri
Title: Chief Executive Officer

Signature: 
Name: Patti L. W. McGlasson
Title: Secretary

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment ("Amendment") to the Employment Agreement by and between NetSol Technologies, Inc. ("Netsol" or the "Company") and Najeeb Ghauri ("Executive"), dated January 1, 2007 (the "Employment Agreement") is entered into effective as of January 1, 2008, other than the specific amendments enumerated in the Amendment, all of the terms of the Employment Agreement shall remain in the full force and effect, and shall not be obviated or affected by this Amendment.

In the event of a conflict between the terms of this Amendment and the Employment Agreement, the terms of this Amendment shall govern. All capitalized terms contained herein are, unless otherwise stated, as defined in the Agreement.

Now therefore, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1.1 of the Employment Agreement is modified to read:

1.1 The Company hereby enters into this Agreement with Executive, and Executive hereby accepts employment under the terms and conditions set forth in this Agreement for a period of three years thereafter (the "Employment Period"); provided, however, that the Employment Period may be terminated earlier as provided herein. The Employment Period shall be automatically extended for additional three-year periods unless either party notifies the other in writing six months before the end of the term to elect not to so extend the Employment Period.

Section 3.1 of the Employment Agreement is modified to read:

3.1 The Company shall pay Executive a base salary of Three Hundred Thousand Dollars (\$300,000) per year (the "Base Salary"), payable in accordance with the Company policy. Such salary shall be pro rated for any partial year of employment on the basis of a 365-day fiscal year. Executive will be eligible for bonuses from time to time as determined by the Board.

A new section 3.8 shall be added to read as follows:

3.8 Only upon the achievement of the Minimum Bonus Benchmark (as defined below), Executive shall be granted stock options for 750,000 shares of the common stock of the Company (the "Options") pursuant to an option agreement (the "Option Agreement") issued pursuant to the Company's 2005 Employee Stock Option Plan and shall vest equally over twenty four months beginning on the grant date and will be exercisable based on the customary provisions of such plan. The Option Agreement will have customary provisions relating to adjustments for stock splits and similar events. The exercise price of the Options will be \$2.62 for 250,000 shares and, \$3.90 for 500,000 shares.

A new section 3.9 shall be added to read as follows:

3.9 Pursuant to the power granted to the board to provide bonuses to the Executive in section 3.1 of this Agreement, the compensation committee has authorized the following bonus structure. The bonus structure contemplates a bonus being awarded on the basis of a benchmark and accelerators. A bonus of One Hundred Thousand Dollars (\$100,000) is payable upon achieving the minimum bonus benchmark of: company-wide revenue of \$32,230,000 for fiscal year 2007-2008; and, earnings per share of \$0.22 (the "Minimum Bonus Benchmark"). Additional bonuses may be earned if certain "accelerator goals" are achieved. The bonus is accelerated to 200% of the bonus amount if revenue of \$35,000,000 is attained and earnings per share of \$0.27; and, to 300% if revenue of \$40,000,000 and earnings per share \$0.32. Once the Minimum Bonus Benchmark is attained the additional bonus may be earned based on a percentage of accelerator goals achieved.

The Amendment is agreed to on February 11, 2008, and shall become effective as of the date first written above.

Employee

By: _____
Najeeb Ghauri

NetSol Technologies, Inc.

By: _____
Tina Gilger
Chief Executive Officer

By: _____
Patti L. W. McGlasson
Secretary

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment ("Amendment") to the Employment Agreement by and between NetSol Technologies, Inc. ("Netsol" or the "Company") and Naeem Ghauri ("Executive"), dated January 1, 2007 (the "Employment Agreement") is made effective as of January 1, 2008. Other than the specific amendments enumerated in the Amendment, all of the terms of the Employment Agreement shall remain in the full force and effect, and shall not be obviated or affected by this Amendment.

In the event of a conflict between the terms of this Amendment and the Employment Agreement, the terms of this Amendment shall govern. All capitalized terms contained herein are, unless otherwise stated, as defined in the Agreement.

Now therefore, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1.1 of the Employment Agreement is modified to read:

1.1 The Company hereby enters into this Agreement with Executive, and Executive hereby accepts employment under the terms and conditions set forth in this Agreement for a period of three years thereafter (the "Employment Period"); provided, however, that the Employment Period may be terminated earlier as provided herein. The Employment Period shall be automatically extended for additional three-year periods unless either party notifies the other in writing six months before the end of the term to elect not to so extend the Employment Period.

Section 3.1 of the Employment Agreement is modified to read:

3.1 The Company shall pay Executive a base salary of One Hundred Twenty-Two Thousand British Pounds Sterling (£122,000) per year (the "Base Salary"), payable in accordance with the Company policy. Such salary shall be pro rated for any partial year of employment on the basis of a 365-day fiscal year. Executive will be eligible for bonuses from time to time as determined by the Board.

A new section 3.8 shall be added to read as follows:

3.8 Only upon the achievement of company-wide revenue of \$32,230,000 for fiscal year 2007-2008; and, earnings per share of \$0.22 (the "Minimum Bonus Benchmark"), Executive shall be granted stock options for 525,000 shares of the common stock of the Company (the "Options") pursuant to an option agreement (the "Option Agreement") issued pursuant to the Company's 2005 Employee Stock Option Plan and shall vest equally over twenty four months beginning on the grant date and will be exercisable based on the customary provisions of such plan. The Option Agreement will have customary provisions relating to adjustments for stock splits and similar events. The exercise price of the Options will be \$2.62 for 175,000 shares and, \$3.90 for 350,000 shares.

A new section 3.9 shall be added to read as follows:

3.9 Pursuant to the power granted to the board to provide bonuses to the Executive in section 3.1 of this Agreement, the compensation committee has authorized the following bonus structure. The bonus structure contemplates a bonus being awarded on the basis of a benchmark and accelerators. A bonus of Twenty-Four Thousand Two Hundred Fifty Dollars (\$24,250) is payable upon achieving the minimum bonus benchmark of: company-wide revenue of \$32,230,000 for fiscal year 2007-2008; and, earnings per share of \$0.22 (the "Minimum Bonus Benchmark"). Additional bonuses may be earned if certain "accelerator goals" are achieved. The bonus is accelerated to 200% of the bonus amount if revenue of \$35,000,000 is attained and earnings per share of \$0.27; and, to 300% if revenue of \$40,000,000 and earnings per share \$0.32. Once the Minimum Bonus Benchmark is attained the additional bonus may be earned based on a percentage of accelerator goals achieved. Additionally, so long as Executive is the head of the mergers and acquisition team, Executive shall receive a bonus of Twenty-Four Thousand Two Hundred Fifty Dollars (\$24,250) per successfully closed acquisition which involves minimal participation (with fees of no more than \$10,000) from mergers and acquisition advisors.

The Amendment is agreed entered into on February 11, 2008 and shall become effective as of the date first written above.

Employee

By: /s/ Naeem Ghauri

Naeem Ghauri

NetSol Technologies, Inc.

By: /s/ Tina Gilger

Tina Gilger
Chief Executive Officer

By: /s/ Patti L. W. McGlasson

Patti L. W. McGlasson
Secretary

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment ("Amendment") to the Employment Agreement by and between NetSol Technologies, Inc. ("Netsol" or the "Company") and Salim Ghauri ("Executive"), dated January 1, 2007 (the "Employment Agreement") is entered into effective as of January 1, 2008, other than the specific amendments enumerated in the Amendment, all of the terms of the Employment Agreement shall remain in the full force and effect, and shall not be obviated or affected by this Amendment.

In the event of a conflict between the terms of this Amendment and the Employment Agreement, the terms of this Amendment shall govern. All capitalized terms contained herein are, unless otherwise stated, as defined in the Agreement.

Now therefore, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1.1 of the Employment Agreement is modified to read:

1.1 The Company hereby enters into this Agreement with Executive, and Executive hereby accepts employment under the terms and conditions set forth in this Agreement for a period of three years thereafter (the "Employment Period"); provided, however, that the Employment Period may be terminated earlier as provided herein. The Employment Period shall be automatically extended for additional three-year periods unless either party notifies the other in writing six months before the end of the term to elect not to so extend the Employment Period.

Section 3.1 of the Employment Agreement is modified to read:

3.1 The Company shall pay Executive a base salary of Two Hundred Twenty-Five Thousand Dollars (\$225,000) per year (the "Base Salary"), payable in accordance with the Company policy. Such salary shall be pro rated for any partial year of employment on the basis of a 365-day fiscal year. Executive will be eligible for bonuses from time to time as determined by the Board.

A new section 3.8 shall be added to read as follows:

3.8 Only upon the achievement of the Minimum Bonus Benchmark (as defined below), Executive shall be granted stock options for 525,000 shares of the common stock of the Company (the "Options") pursuant to an option agreement (the "Option Agreement") issued pursuant to the Company's 2005 Employee Stock Option Plan and shall vest equally over twenty four months beginning on the grant date and will be exercisable based on the customary provisions of such plan. The Option Agreement will have customary provisions relating to adjustments for stock splits and similar events. The exercise price of the Options will be \$2.62 for 175,000 shares and, \$3.90 for 350,000 shares.

A new section 3.9 shall be added to read as follows:

3.9 Pursuant to the power granted to the board to provide bonuses to the Executive in section 3.1 of this Agreement, the compensation committee has authorized the following bonus structure. The bonus structure contemplates a bonus being awarded on the basis of a benchmark and accelerators. A bonus of Fifty Thousand Dollars (\$50,000) is payable upon achieving the minimum bonus benchmark of: company-wide revenue of \$32,230,000 for fiscal year 2007-2008; and, earnings per share of \$0.22 (the "Minimum Bonus Benchmark"). Additional bonuses may be earned if certain "accelerator goals" are achieved. The bonus is accelerated to 200% of the bonus amount if revenue of \$35,000,000 is attained and earnings per share of \$0.27; and, to 400% if revenue of \$40,000,000 is attained and earnings per share of \$0.32. Once the Minimum Bonus Benchmark is attained the accelerator bonus shall be awarded proportionally to the accelerator goals achieved.

The Amendment is agreed to on February 11, 2008 and shall become effective as of the date first written above.

Employee

By: _____
Salim Ghauri

NetSol Technologies, Inc.

By: _____
Tina Gilger
Chief Executive Officer

By: _____
Patti L. W. McGlasson
Secretary

April 29, 2008

Mr. Tony Beatty
NAI BT Commercial
555 12th Street, Suite 1400
Oakland, CA 94607

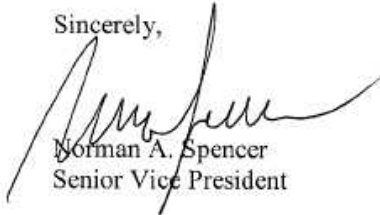
Re: NetSol
Watergate – 2000 Powell

Hines Dear Tony:

In your capacity as agent for NetSol, we have enclosed one (1) fully executed original Lease Agreement for your clients' premises at Watergate Towers. Please deliver the document to your client for their permanent record. Also enclosed is a copy of this agreement for your records.

On behalf of Hines, we are pleased to have been of assistance to NetSol in this transaction. Please let us know if we can be of additional assistance.

Sincerely,



Norman A. Spencer
Senior Vice President

cc: Kathleen Breslin
Dustin Haas

**Basic Lease
Information**

Date: April 3, 2008

Tenant: NetSol Technologies, Inc., a Nevada corporation, and
NetSol Technologies North America, Inc., a California corporation

Address: 2000 Powell Street, Suite 1500
Emeryville, California 94608

Landlord: NOP Watergate LLC, a Delaware limited liability company

Address: c/o Property Manager
Watergate Towers
2200 Powell Street, Suite 120
Emeryville, CA 94608

Leased Premises: The entire Fifteenth (15th) Floor of the Building, as shown on
Exhibit A attached hereto

Net Rentable Area: Approximately Twenty-Three Thousand Nine Hundred Eight (23,908)
square feet of Net Rentable Area

Scheduled Term
Commencement Date: September 1, 2008

Term: One Hundred Twenty-Five (125) Lease Months, commencing as of the
Term Commencement Date, subject to Sections 3.02 and 3.03

Base Rent: See Section 3.05

Base Year: The calendar year of 2009

Tenant's Plan Delivery
Date: May 1, 2008

Security Deposit: One Hundred Fifty-Five Thousand Eight Hundred Eighty and
16/100ths Dollars (\$155,880.16)

Tenant's Broker: NAI BT Commercial

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NOP WATERGATE LLC LEASE

This Lease is made and entered into as of the date specified in the Basic Lease Information Sheet attached hereto and incorporated herein by this reference, by and between the Landlord identified on the Basic Lease Information Sheet and the Tenant identified in the Basic Lease Information Sheet.

IN CONSIDERATION OF THE MUTUAL COVENANTS AND AGREEMENTS CONTAINED IN THIS LEASE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE 1. **Definitions**

Certain terms used in this Lease and the Exhibits hereto shall have the meaning set forth below for each such term. Certain other terms shall have the meaning set forth elsewhere in this Lease and the Exhibits hereto.

1.01. "Additional Rent" shall mean all obligations of Tenant hereunder other than the obligation for payment of Gross Rent.

1.02. "Affiliate" shall mean any corporation, partnership or limited liability company which directly or indirectly controls or is controlled by or is under common control with Tenant (for this purpose, "control" shall mean the possession, directly or indirectly, of both the power to direct or cause the direction of the management and policies of the entity, whether through the ownership of voting securities or partnership shares or by contract or otherwise, when combined with the ownership, directly or indirectly, of not less than fifty percent (50%) of all classes of the then outstanding stock, if the entity is a corporation, or of fifty percent (50%) of all classes of the profit interests, if the entity is a partnership or a limited liability company).

1.03. "Alterations" shall mean those alterations, additions or improvements in or to the Leased Premises described in Section 5.07.

1.04. "Assignment or Sublease Profit" shall have the meaning given that term in Section 5.06(d).

1.05. "Base Rent" shall mean the basic rent payable by Tenant to Landlord in the amount shown on the Basic Lease Information Sheet and in the manner provided in Section 3.05.

1.06. "Base Year" shall mean the calendar year specified on the Basic Lease Information Sheet.

1.07. "Base Year Basic Operating Cost" shall mean the Basic Operating Cost for the Base Year.

1.08. "Basic Operating Cost" shall have the meaning given that term in Section 3.06.

1.09. "Basic Operating Cost Adjustment" shall mean, for each calendar year during the Term after the Base Year, the difference, if any, between Basic Operating Cost Excess for that calendar year and Estimated Basic Operating Cost Excess for that calendar year.

1.10. **“Basic Operating Cost Excess”** shall mean, for each calendar year during the Term after the Base Year, the positive difference, if any, resulting from the subtraction of Base Year Basic Operating Cost from Basic Operating Cost for that calendar year.

1.11. **“Basic Services”** shall mean the services provided pursuant to Section 4.01.

1.12. **“Building”** shall mean the office building located at 2000 Powell Street in Emeryville, California.

1.13. **“Building Standard Improvements”** shall mean those improvements of the Leased Premises that are so defined in Exhibit B-1.

1.14. **“Common Areas”** shall mean the total square footage of areas of the Building devoted to non-exclusive uses such as lobbies, fire vestibules, rest rooms, mechanical areas, tenant and ground floor corridors, elevator foyers, electrical and janitorial closets, ground floor lobbies, telephone and equipment rooms, and other similar facilities maintained for the benefit of Building tenants and invitees, but shall not mean Major Vertical Penetrations.

1.15. **“Cost Pools”** shall have the meaning given that term in Section 3.06(b).

1.16. **“Estimated Basic Operating Cost Excess”** shall mean, for each calendar year during the Term after the Base Year, Landlord’s estimate of Basic Operating Cost Excess for that calendar year.

1.17. **“Event of Default”** shall mean the occurrence of any of the circumstances referred to in Section 7.10(a).

1.18. **“Fair Market Rent”** shall mean the rate being charged by Landlord in the Building for comparable space (or comparable space in non-equity transactions in comparable buildings located in the City of Emeryville or downtown Oakland area, if there is no comparable space in the Building), taking into consideration: location in the Building or other building, tenant improvements or allowances existing or to be provided, rental abatements, lease takeovers/assumptions, moving expenses and other forms of rental concessions, proposed term of lease, extent of service provided or to be provided, the ownership of the comparable space, whether or not the transaction is a sublease, the time the particular rate under consideration became or is to become effective and any other relevant terms or conditions. Costs which are incurred by a landlord in connection with the negotiation and documentation of a lease transaction, and other costs incurred by a landlord which are not paid to or for the direct benefit of the tenant, shall not be considered. Comparable transactions in which the rent for a renewal was discounted to a rate below the fair market rate, whether by the application of a percentage to the fair market rate or otherwise, shall be adjusted to reflect the fair market rate before the discount was applied. Renewal transactions in which the rent was either established at a pre-determined amount by reason of the exercise by the tenant of an option to renew or extend at a fixed rental rate or was established due to the operation of a pre-determined minimum or maximum amount shall not be regarded as comparable transactions.

1.19. **“Force Majeure”** shall mean any actual delay in Substantial Completion of the Leased Premises due to strikes, lockouts, labor disputes, acts of God, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions (including, without limitation, delays in providing required inspections or giving the required approvals and permits), civil commotions, fire or other casualty, or other causes beyond the reasonable control of Landlord. The foregoing notwithstanding, Force Majeure shall not include any actual delay in Substantial Completion of the Leased Premises to the extent such delay is due solely to the actions of Landlord.

1.20. "Gross Rent" shall mean the total of Base Rent and Tenant's Proportionate Share of Estimated Basic Operating Cost Excess.

1.21. "Hazardous Material" shall mean any (a) oil or other petrochemical hydrocarbons, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Hazardous Materials Laws; (b) asbestos in any form, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) chemical, material or substance defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous waste", "restricted hazardous waste", or "toxic substances" or words of similar import under any applicable local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. §9601, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq.; the Hazardous Materials Transportation Uniform Safety Act, as amended, 49 U.S.C. §5101, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251, et seq.; Sections 25115, 25117, 25122.7, 25140, 25249.8, 25281, 25316, 25501, and 25316 of the California Health and Safety Code; and Article 9 or Article 11 of Title 22 of the Administrative Code, Division 4, Chapter 20; (d) other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; and (e) other chemicals, materials or substances which may or could pose a hazard to the environment.

1.22. "Hazardous Materials Claims" shall mean any enforcement, cleanup, removal, remedial or other governmental or regulatory actions, agreements or orders instituted pursuant to any Hazardous Materials Laws; and any claims made by any third party against Landlord, Tenant or the Project relating to damage, contribution, cost recovery compensation, loss or injury resulting from the presence, release or discharge of any Hazardous Materials.

1.23. "Hazardous Materials Laws" shall mean any federal, state or local laws, ordinances, regulations or policies relating to the environment, health and safety, and Hazardous Materials (including, without limitation, the use, handling, transportation, production, disposal, discharge or storage thereof) or to industrial hygiene or the environmental conditions on, under or about the Project, including, without limitation, soil, groundwater and indoor and ambient air conditions.

1.24. "Lease Month" shall mean a period commencing as of a particular date and continuing to and including the date immediately preceding the same date of the next calendar month (or, if the next calendar month does not contain such a same date due to it being shorter in duration, then continuing to and including the last day of such next calendar month). The First Lease Month shall commence as of the Term Commencement Date, and successive Lease Months shall be consecutively numbered.

1.25. "Leased Premises" shall mean the floor area more particularly shown on the Exhibit A floor plan attached hereto, containing the Net Rentable Area specified on the Basic Lease Information Sheet.

1.26. "Major Vertical Penetrations" shall mean the area or areas within Building stairs (including the landing at each floor), elevator shafts, flues, vents, stacks, pipe shafts and vertical ducts and the like, that service more than one floor of the Building. The area with Major Vertical Penetrations shall be bounded and defined by the exterior surface of the perimeter walls thereof (or the extended plane of

such walls over areas that are not enclosed). Major Vertical Penetrations shall exclude, however, areas for the specific use of Tenant or installed at the request of Tenant, such as special stairs or elevators.

1.27. "Net Rentable Area" shall mean the "Rentable Area" of space within the Project and the Leased Premises determined in accordance with the "Standard Method for Measuring Floor Area in Office Buildings," approved as of June 7, 1996 by the American National Standards Institute, Inc. (ANSI/BOMA Z65.1-1996; the "BOMA Standard"). The Net Rentable Area in the Leased Premises has been calculated on the basis of the foregoing definition and is hereby stipulated for all purposes hereof to be the amount stated on the Basic Lease Information Sheet, subject to confirmation by actual measurement by Landlord's architect, at the request of either party, prior to Tenant's Plan Delivery Date. The Net Rentable Area of the Project is subject to adjustment by Landlord from time to time to reflect any remeasurement thereof by Landlord's architect, at Landlord's request, and/or as a result of any additions or deletions to any of the buildings in the Project as designated by Landlord.

1.28. "Parent Entity" shall mean any corporation, partnership or limited liability company owning, directly or indirectly, not less than fifty percent (50%) of all classes of the then outstanding stock of Tenant, if Tenant is a corporation, or fifty percent (50%) of all classes of the profit interests in Tenant, if Tenant is a partnership or a limited liability company.

1.29. "Permitted Hazardous Materials" shall mean Hazardous Materials which are contained in ordinary office supplies of a type and in quantities typically used in the ordinary course of business within executive offices of similar size and quality in Emeryville, California, but only if and to the extent that such supplies are transported, stored and used in full compliance with all applicable laws, ordinances, orders, rules and regulations and otherwise in a safe and prudent manner. Hazardous Materials which are contained in ordinary office supplies but which are transported, stored and used in a manner which is not in full compliance with all applicable laws, ordinances, orders, rules and regulations or which is not in any respect safe and prudent shall not be deemed to be "Permitted Hazardous Materials" for the purposes of this Lease.

1.30. "Permitted Use" shall mean executive, professional office and corporate administrative office uses in the Leased Premises of a kind appropriate in a building of the type and quality of the Building; provided, however, that for the purpose of limiting the type of use permitted by Tenant, or an assignee of Tenant, but without limiting Landlord's right to lease any portion of the Building to a tenant of Landlord's choice, "Permitted Use," shall not include (i) offices of any agency or bureau of the United States or any state or political subdivision thereof; (ii) offices or agencies of any foreign government or political subdivision thereof; (iii) offices of any health care professionals or service organization, except for administrative offices where no diagnostic, treatment or laboratory services are performed; (iv) schools or other training facilities that are not ancillary to executive, professional or corporate administrative office use; (v) retail or restaurant uses; (vi) broadcast studios or other broadcast production facilities, such as radio and/or television stations; (vii) product display or demonstration facilities; (viii) offices at which deposits or bills are regularly paid in person by customers; (ix) personnel agencies, except offices of executive search firms; (x) research or testing laboratories; and (xi) executive suite uses or other uses which license or lease office space for use by others as a primary business purpose.

1.31. "Project" shall mean the Building, the real property upon which the Building is located and all other improvements thereon or used and maintained by Landlord in connection therewith, together with any improvements or facilities now or hereafter located on any of the real property which Landlord designates as part of the Project. Landlord shall have the right from time to time, in its discretion, to include or exclude existing or future buildings in the Project for purposes of determining the total Net Rentable Area of the Project, Basic Operating Cost and/or the provision of various services and amenities thereto, including allocation of Basic Operating Cost in Cost Pools (as described in Section 3.06(b)). In

such event, Tenant's Proportionate Share shall be appropriately revised to reflect any such increases or decreases in the Net Rentable Area of the Project. As provided in Section 1.27, Landlord shall have the right from time to time, in its discretion, to include or exclude existing or future buildings as a part of the Project.

1.32. "Real Property Taxes" shall mean those taxes described in Section 3.06(a)(10).

1.33. "Rent" shall mean Gross Rent plus Additional Rent comprising all of Tenant's monetary obligations arising under this Lease.

1.34. "Scheduled Term Commencement Date" shall mean the date stated on the Basic Lease Information Sheet, representing the parties' estimate of the Term Commencement Date.

1.35. "Security Deposit" shall mean the amount specified on the Basic Lease Information Sheet paid by Tenant to Landlord to be held pursuant to Section 5.14.

1.36. "Substantial Completion" shall mean (and the Leased Premises shall be deemed "Substantially Complete") when (i) installation of the Tenant Improvements required to be installed by Landlord or Landlord's contractor or subcontractors pursuant to the provisions of Exhibit B has occurred, (ii) Tenant has direct access from the street to the elevator lobby on the floor (or floors) where the Leased Premises are located, (iii) Basic Services are available to the Leased Premises, and (iv) appropriate governmental authorities have signed the permit card or otherwise indicated clearance for temporary or permanent occupancy of the Leased Premises (unless the issuance of such clearance is delayed by acts or omissions of Tenant or its agents or contractors, in which event Substantial Completion shall be deemed to have occurred notwithstanding that such a clearance has not been issued). Substantial Completion shall be deemed to have occurred notwithstanding a requirement to complete "punchlist" or similar corrective work.

1.37. "Successor" shall mean: (i) a corporation into which or with which Tenant, its corporate successors or assigns, is merged or consolidated in accordance with the applicable statutory provisions for merger or consolidation of corporations, but only if, by operation of law or by effective provisions contained in the instruments of merger or consolidation, the liabilities of the corporations participating in such merger or consolidation are assumed by the corporation surviving the merger or created by such consolidation and if the corporation surviving the merger intends to continue to operate the business of Tenant in the Leased Premises; (ii) any partnership or limited liability company into which Tenant is merged in accordance with the applicable statutory provisions for the merger of partnerships or limited liability companies, but only if the surviving entity intends to continue to operate the business of Tenant in the Leased Premises and agrees in writing that it has unconditionally assumed for the benefit of Landlord all of the obligations and liabilities of Tenant under this Lease; and, (iii) any corporation, partnership or limited liability company acquiring the leasehold interest of Tenant under this Lease and substantially all of the other property and assets of Tenant or its Successor, but only if such entity intends to continue to operate the business of Tenant in the Leased Premises and agrees in writing that it has unconditionally assumed for the benefit of Landlord all of the obligations and liabilities of Tenant under this Lease. Acquisition by Tenant or its successors of substantially all of the assets, together with the assumption of all or substantially all of the obligations and liabilities of any corporation, shall be deemed a merger of such corporation into Tenant for purposes of this Lease.

1.38. "Tenant Extra Improvements" shall mean the extent to which the existing and future alterations, additions and improvements in the Leased Premises exceed or would exceed in quality or quantity the Building Standard Improvements. In instances where this Lease refers to Tenant Extra Improvements as a standard for the provision of services, maintenance, repair or replacement by Tenant

or Landlord, such reference shall be to the difference in required services, maintenance, repairs or replacements between the Tenant Improvements as constructed in the Leased Premises and the Building Standard Improvements, had the Building Standard Improvements been constructed in the Leased Premises.

1.39. "Tenant Improvements" shall mean the Building Standard Improvements and Tenant Extra Improvements (if any) installed or to be installed for Tenant as approved by Landlord pursuant to Exhibit B.

1.40. "Tenant's Broker" shall mean Tenant's broker stated on the Basic Lease Information Sheet.

1.41. "Tenant's Plan Delivery Date" shall mean the date stated on the Basic Lease Information Sheet for delivery of working drawings pursuant to Exhibit B.

1.42. "Tenant's Proportionate Share" is based on the percentage that the Net Rentable Area of the Leased Premises bears to ninety-five percent (95%) of the total Net Rentable Area of the Project or to the total Net Rentable Area leased in the Project (if such total is greater than ninety-five percent (95%) of the total Net Rentable Area) as calculated for each calendar year of the Term. Tenant's Proportionate Share shall be subject to adjustment to reflect the inclusion or exclusion of buildings as a part of the Project and to reflect the allocation of expenses to Cost Pools, as provided in Section 3.06(b).

1.43. "Term" shall mean the period from the Term Commencement Date and ending on the Term Expiration Date, unless sooner terminated pursuant to the terms of this Lease.

1.44. "Term Commencement Date" shall mean the date when the Term commences as determined pursuant to Section 3.01 hereof.

1.45. "Term Expiration Date" shall mean the last day of the period shown as the "Term" on the Basic Lease Information Sheet if such period commenced on the Term Commencement Date, unless sooner terminated pursuant to the terms of this Lease. Except to the extent and in the manner, if any, otherwise expressly provided in this Lease, Tenant shall not have any right to extend the Term.

ARTICLE 2. **Leased Premises**

2.01. Lease. Landlord leases to Tenant and Tenant leases from Landlord the Leased Premises upon all of the terms, covenants and conditions set forth herein.

2.02. Access to the Leased Premises. Tenant shall be granted access to the Leased Premises twenty-four (24) hours per day, every day of the year, provided that such access shall: (i) be in accordance with all reasonable security measures as may be imposed by Landlord from time to time and as are generally applicable to tenants of the Building and their invitees; and, (ii) be subject to restrictions on access imposed or recommended as a result of an emergency.

2.03. Landlord's Reserved Rights. Landlord reserves from the leasehold estate hereunder, in addition to all other rights reserved by Landlord under this Lease: (i) all exterior walls and windows bounding the Leased Premises, and all space located within the Leased Premises for Major Vertical Penetrations, conduits, electric and all other utilities, air-conditioning, sinks or other Building facilities that do not constitute Tenant Extra Improvements, the use thereof and access thereto through the Leased

Premises for operation, maintenance, repair or replacement thereof, and (ii) the right from time to time, without unreasonable interference with Tenant's use, to install, remove or relocate any of the foregoing for service to any part of the Building to locations that will not materially interfere with Tenant's use of the Leased Premises, to make alterations or additions to and to build additional stories on the Building, to alter or relocate any other Common Area facility or any other common facility to make changes or alterations therein or enlargements thereof, and to restrict access to portions of the Common Areas in a manner which does not unreasonably interfere with Tenant's access to the Leased Premises. Landlord shall have the sole and exclusive right to possession and control of the Common Areas and all other areas of the Project outside the Leased Premises, provided that Tenant shall have the right to the non-exclusive use of those portions of the Common Areas necessary for reasonable access to the Leased Premises or otherwise designated by Landlord from time to time for the non-exclusive use of Tenant.

ARTICLE 3.

Rent, Term, Use And Basic Operating Cost

3.01. Term.

(a) Except as otherwise provided herein, the Term shall commence upon the later of Substantial Completion of the Leased Premises (as such date may be adjusted pursuant to the provisions of Paragraph 14 of Exhibit B to this Lease) or the Scheduled Term Commencement Date and shall continue in full force for the Term. If the Leased Premises are Substantially Complete prior to the Scheduled Term Commencement Date, Tenant shall have the option to take occupancy and the Term Commencement Date shall be the date of such occupancy. If the Leased Premises are not Substantially Complete by the Scheduled Term Commencement Date for any reason, Landlord shall not be liable for any claims, damages or liabilities by reason thereof, but the Term Commencement Date shall be the day when the Leased Premises are Substantially Complete (as such date may be adjusted pursuant to the provisions of Paragraph 14 of Exhibit B to this Lease). Landlord shall provide Tenant as much notice as circumstances allow of the date when Landlord expects to achieve Substantial Completion, based upon the progress of the work. Should the Term Commencement Date be a date other than the Scheduled Term Commencement Date, either Landlord or Tenant, at the request of the other, shall execute a declaration specifying the Term Commencement Date. Tenant's obligation to pay Rent and its other obligations under this Lease shall commence upon the Term Commencement Date (except as expressly otherwise provided herein with respect to obligations arising earlier).

(b) The foregoing notwithstanding, if Substantial Completion of the Leased Premises is delayed beyond October 1, 2008 (except as a result of Force Majeure or Tenant's Delay, as defined in Exhibit B), then Tenant shall be entitled to a credit against Base Rent due hereunder commencing as of the day following expiration of the Base Rent Forgiveness Period, as defined in Section 3.05(b) below, in the amount of one (1) day of Base Rent for every day following October 1, 2008 that Substantial Completion of the Leased Premises is so delayed. The parties agree that the actual delay damages that would be suffered by Tenant in the event of a delay in Substantial Completion of the Leased Premises would be extremely difficult if not impossible to ascertain and that the amount of the credit of Base Rent set forth in this Section 3.01(b) is a reasonable estimate of the actual damages Tenant will suffer and that such credit represents liquidated damages and not a penalty. The credit provided in this Section 3.01(b) shall be the sole remedy of Tenant for any delay in Substantial Completion of the Leased Premises beyond October 1, 2008.

3.02. Option to Extend.

(a) Tenant shall have the option to extend the Term for one (1) period of sixty (60) months (the "Extended Term"). The Extended Term, if any, shall commence on the day following the last day of the initial Term of this Lease and shall continue for a period of sixty (60) months thereafter. Tenant's option to extend the Term of this Lease shall be both: (i) upon condition (which may be waived

by Landlord in its sole discretion) that no Event of Default exists hereunder at the time of the giving by Tenant of its notice of exercise; and, (ii) upon further condition (which may be waived by Landlord in its sole discretion) that no Event of Default exists hereunder at the time of the commencement of the Extended Term. Base Rent per month for the Extended Term shall be at ninety-five percent (95%) of the then current Fair Market Rent for the Extended Term.

(b) To exercise Tenant's option to extend the Term, Tenant shall give Landlord written notice of its election at least nine (9) months prior to expiration of the initial Term. Within thirty (30) days of receipt of Tenant's election to extend, Landlord shall notify Tenant of Landlord's determination of Base Rent for the Extended Term. Within thirty (30) days after receipt of such notice from Landlord, Tenant shall have the right to: (i) elect to accept Landlord's determination of Base Rent for the Extended Term; or, (ii) elect to determine Fair Market Rent for the Extended Term by arbitration pursuant to Section 7.11 hereof. Failure on the part of Tenant to elect in writing to require arbitration of Fair Market Rent for the Extended Term within such thirty (30) day period shall constitute an election by Tenant to accept Landlord's determination of Base Rent for the Extended Term.

(c) Tenant shall have no other option, right or obligation to extend the Term or otherwise remain in the Leased Premises after expiration of the initial Term of this Lease. From and after commencement of any Extended Term, all of the other terms, covenants and conditions of the Lease shall apply, and references to the Term shall be deemed to include the Extended Term; provided, however, that Base Rent shall be revised as herein provided, and Tenant shall have no option or right to further extend the Term beyond the Extended Term.

3.03. Early Termination. Tenant shall have the one (1) time right to terminate this Lease (the "Termination Right") effective as of the sixth (6th) anniversary of the Term Commencement Date (the "Termination Date"), provided that:

(a) Tenant shall have given Landlord written notice of Tenant's exercise of the Termination Right at least twelve (12) months prior to the Termination Date;

(b) No later than thirty (30) days prior to the Termination Date, Tenant shall pay to Landlord a termination payment equal to the sum of: (i) the then unamortized portion of all direct out of pocket costs incurred by Landlord associated with the making of this Lease (including without limitation legal, brokerage, architect and engineering fees, and Landlord's Contribution), as if such costs were amortized in equal monthly installments over the entire initial Term commencing as of the Term Commencement Date and ending on the scheduled date of expiration of the initial Term with interest at the rate of ten percent (10%) per annum, (iii) any Rent past due from Tenant under the terms of this Lease, (iv) the aggregate amount of Base Rent actually abated pursuant to the provisions of Section 3.05(b) below; and (v) the aggregate amount of Base Rent that is due (or would be due but for such termination) under the terms of this Lease for the six (6) Lease Months following the Termination Date, excluding any temporary abatement then in, or which comes into, effect;

(c) If Tenant gives the notice referred to in Section 3.03(a) but the other conditions of this Section 3.03 are not satisfied, then Landlord may elect by written notice to Tenant either to deem the notice ineffective, in which event this Lease shall not terminate, or to allow this Lease to be terminated and to collect the amount described in Section 3.03(b) from Tenant; and

(d) If the Lease is terminated early pursuant to the provisions of this Section 3.03, Tenant shall quit and surrender possession of the Leased Premises to Landlord on the Termination Date in the manner and condition required under the terms of this Lease.

3.04. Use. Tenant shall use the Leased Premises solely for the Permitted Use and for no other use or purpose.

3.05. Payment of Base Rent and Tenant's Proportionate Share of Estimated Basic Operating Cost Excess. Tenant shall pay Base Rent and Tenant's Proportionate Share of Estimated Basic Operating Cost Excess with adjustments and in the manner hereinafter set forth:

(a) Base Rent shall commence on and as of the Term Commencement Date and shall, subject to the remaining provisions hereof, be payable during the Term at the following rates:

Lease Month	Monthly Rate per Square Foot of Net Rentable Area	Monthly Base Rent
1 through 12	\$3.26	\$77,940.08
13 through 24	\$3.36	\$80,330.88
25 through 36	\$3.46	\$82,721.68
37 through 48	\$3.56	\$85,112.48
49 through 60	\$3.67	\$87,742.36
61 through 72	\$3.78	\$90,372.24
73 through 84	\$3.89	\$93,002.12
85 through 96	\$4.01	\$95,871.08
97 through 108	\$4.13	\$98,740.04
109 through 120	\$4.25	\$101,609.00
121 through 125	\$4.38	\$104,717.04

(b) Provided no Event of Default exists under this Lease (and no event or condition exists which could constitute an Event of Default but for a requirement of notice or expiration of a period of grace) and subject to the provisions of this Section 3.05(b), Tenant shall not be required to pay Base Rent commencing as of the First Lease Month and continuing to and including the last day of the Fifth Lease Month (the "Base Rent Forgiveness Period"). The other provisions of this Section 3.05(b) to the contrary notwithstanding, Landlord and Tenant acknowledge that Base Rent for the Base Rent Forgiveness Period would be the sum of Seventy-Seven Thousand Nine Hundred Forty and 08/100ths Dollars (\$77,940.08) per Lease Month, in the absence of the forgiveness of the Base Rent for such period, and that such forgiveness is expressly conditioned on the absence of any Event of Default existing hereunder (and no event or condition existing which could constitute an Event of Default but for a requirement of notice or expiration of a period of grace). In the event of the occurrence during the Base Rent Forgiveness Period either of any such Event of Default hereunder or of an event or condition which could constitute an Event of Default but for a requirement of notice or expiration of a period of grace, and without notice or demand by Landlord: (i) such forgiveness shall terminate; and (ii) the Base Rent shall immediately return to the sum of Seventy-Seven Thousand Nine Hundred Forty and 08/100ths Dollars (\$77,940.08) per Lease Month, from the date of the first occurrence of such event or condition, and shall be payable on a per diem basis in advance, without demand and without reduction, abatement, counterclaim or setoff, at the address specified on the Basic Lease Information Sheet or at such other address as may be designated by Landlord in the manner provided for giving notice under Section 7.20 hereof. Landlord and Tenant hereby acknowledge and agree that the requirement of the payment of such Base Rent does not constitute a penalty or forfeiture, but rather only the reinstatement of Base Rent otherwise due. The foregoing notwithstanding, in the event that Landlord contends that the forgiveness of Base Rent is terminated by reason of the existence of an Event of Default hereunder (or an event or condition which could constitute an Event of Default but for a requirement of notice or expiration of a period of grace), then Tenant may reinstate such forgiveness by curing the event or condition within five (5) business days from the date upon which Tenant (including, without limitation, any of its agents or employees) first receives written notice of such contention by Landlord. The foregoing notwithstanding, the provisions of this Section 3.05(b) are subject to the provisions of Section 3.03 above.

(c) Base Rent for the Sixth Lease Month shall be paid upon execution of this Lease. Base Rent for the portion of the sixth full calendar month of the Term contained between the last day of the Sixth Lease Month and the first day of the seventh full calendar month of the Term (if any) shall be prorated and the prorated installment shall be paid on the first day of such sixth full calendar month of the Term. Commencing with the first day of the seventh full calendar month of the Term, Tenant shall pay

Base Rent in equal monthly installments on the first day of each calendar month during the Term and any extensions or renewals thereof, in advance, without demand and without reduction, abatement, counterclaim or setoff, at the address specified on the Basic Lease Information Sheet or at such other address as may be designated by Landlord in the manner provided for giving notice under Section 7.20 hereof. If the rate at which Base Rent is payable under this Lease changes on a day other than the first day of a calendar month, then the Base Rent for such partial calendar month shall be prorated on a daily basis to take such change into account, and any additional amount due as a result of such proration shall be paid on the first day of the calendar month for which the proration occurs.

(d) Commencing with the first day following the Base Year, Tenant shall pay Tenant's Proportionate Share of Estimated Basic Operating Cost Excess in equal monthly installments on the first day of each calendar month during the Term and any extensions or renewals thereof, in advance, without demand and without reduction, abatement, counterclaim or setoff, at the address specified on the Basic Lease Information Sheet or at such other address as may be designated by Landlord in the manner provided for giving notice under Section 7.20 hereof.

(e) If the Term terminates on other than the last day of a calendar month, then Gross Rent provided for such partial calendar month shall be prorated and the prorated installment shall be paid on the first day of the calendar month next preceding the date of termination.

3.06. Basic Operating Cost.

(a) Basic Operating Cost shall mean all expenses and costs (but not specific costs that are separately billed to and paid by specific tenants) of every kind and nature that Landlord shall have paid or incurred or become obligated to pay or incur (including, without limitation, costs incurred by managers and agents that are reimbursed by Landlord) because of or in connection with the management, maintenance, preservation, ownership and operation of the Project and its supporting facilities directly servicing the Project (as allocated to the Project in accordance with accounting principles generally accepted in the real estate industry, consistently applied) including, but not limited to the following:

(1) Wages, salaries and reimbursable expenses and benefits of all on-site and off-site personnel engaged in the operation, maintenance and security of the Project and the direct costs of training such employees limiting such charges only to amounts directly allocable to services rendered by the employees and personnel for the benefit of the Project.

(2) Costs of the property management office and office operation.

(3) All supplies, materials and rental equipment used in the operation and maintenance of the Project, including, without limitation, temporary lobby displays and events, the cost of erecting, maintaining and dismantling art work and similar decorative displays commensurate with operation of a first-class office building.

(4) Utilities, including, without limitation, water, power, gas, sewer, waste disposal, communication and cable T.V. facilities, heating, cooling, lighting and ventilation of the Project.

(5) All maintenance, janitorial and service agreements for the Project and the equipment therein, including, but not limited to, alarm service, window cleaning, elevator maintenance, and maintenance and repair of sidewalks, landscaping, Building exterior and service areas.

(6) A management cost recovery equal to three percent (3%) of all income (excluding such management cost recovery) derived from the Project, without limitation, all Rent hereunder, all rent and other payments derived from other tenants in the Building, parking revenues and other revenues derived from licensees of any other part of or right in the Building.

(7) Legal and accounting services for the Project, including, but not limited to, the costs of reviews or audits by certified public accountants of Basic Operating Cost records; provided, however, that legal expense shall not include the cost of (i) negotiating lease terms for prospective tenants, (ii) negotiating termination or extension of leases with existing tenants, (iii) proceedings against any other specific tenant relating solely to the collection of rent or other sums due to Landlord from such tenant, or (iv) legal costs incurred in connection with development and/or

construction of the Project. In addition, any and all fees or costs actually recovered by Landlord from a tenant against whom collection proceedings were initiated shall be excluded from Basic Operating Cost.

(8) All insurance premiums and costs, including but not limited to, the premiums and cost of fire, casualty, liability, rental loss and earthquake insurance applicable to the Project and Landlord's personal property used in connection therewith (and all amounts paid as a result of loss sustained that would be covered by such policies but for "deductible" or self-insurance provisions); provided, however, that Landlord may, but shall not be obligated to, carry earthquake insurance.

(9) Repairs, replacements and general maintenance (except for repairs and replacements (i) paid for from the proceeds of insurance, (ii) paid for directly by Tenant, other tenants or any third party, or (iii) for the benefit solely of tenants of the Project other than Tenant to the extent that Tenant could not obtain similar services from Landlord without an obligation to reimburse Landlord for the entire cost thereof under the provisions of this Lease).

(10) All real estate or personal property taxes, possessory interest taxes, business or license taxes or fees, service payments in lieu of such taxes or fees, annual or periodic license or use fees, including, but not limited to, all of the following: (i) all real estate taxes and assessments, and all other taxes relating to, or levied, assessed or imposed on, the Project, or any portion thereof, or interest therein; (ii) all taxes, assessments, charges, levies, fees, excises or penalties, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature imposed, levied upon, measured by or attributable to Landlord's equipment, furniture, fixtures and other property located in, or used in connection with, the Project, or levied upon, measured by or reasonably attributable to the cost or value of any of the foregoing; (iii) all other taxes (including, without limitation, value added taxes), assessments, charges, levies, fees, or penalties, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature imposed, levied, assessed, charged or collected by any governmental authority or other entity either directly or indirectly (A) for or in connection with public improvements, user, maintenance or development fees, transit, parking, housing, employment, police, fire, open space, streets, sidewalks, utilities, job training, child care or other governmental services or benefits, (B) upon or with respect to the development, possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of, or business operations in, the Project (C) upon, against or measured by the area of the Project, or uses made thereof, or leases made to tenants thereof, or all or any part of the rents or other charges collected or collectible from tenants or other users thereof, and (D) for environmental matters or as a result of the imposition of mitigation measures, including, without limitation, parking taxes, employer parking regulations, or fees, charges or assessments as a result of the treatment of the Project, or any portion thereof or interest therein, as a source of pollution or storm water runoff; (iv) any tax or excise, however described, imposed in addition to, or in substitution partially or totally of, any or all of the foregoing taxes, assessments, charges or fees; and (v) any and all costs, expenses and attorneys' fees paid or incurred by Landlord in connection with any proceeding or action to contest in whole or in part, formally or informally, the imposition, collection or validity of any of the foregoing taxes, assessments, charges or fees. If by law any Real Property Taxes may be paid in installments at the option of the taxpayer, then Landlord shall include within Real Property Taxes only those installments (including interest, if any) which would become due by exercise of such option. Real estate taxes shall not include (i) inheritance or estate taxes imposed upon or assessed against the Project, or any part thereof or interest therein, or (ii) taxes computed upon the basis of the net income derived from the Project by Landlord or the owner of any interest therein.

(11) Amortization (together with reasonable financing charges) of capital improvements made to the Project (i) to comply with the requirements of law, ordinance rule or regulation; (ii) to replace items which Landlord would be obligated to maintain under this Lease; or (iii) to improve the operating efficiency of the Project; provided, however, that in the case of improvements made solely for efficiency purposes, the amount chargeable as a Basic Operating Cost in any year shall not exceed Landlord's reasonable determination of the efficiency achieved either in direct cost savings, avoidance of cost increases or a combination of both. As used in this Section 3.06(a)(11), "amortization" shall mean allocation of the cost (together with interest thereon at the rate of ten percent (10%) per annum

or such higher rate as may have been paid by Landlord on funds borrowed for the purpose of funding such improvements) equally to each year of useful life of the items being amortized or a shorter period equal to the number of years required to recover the cost of said item of capital improvement out of the savings in operating efficiency derived therefrom. Notwithstanding the foregoing, however, Landlord may treat as expenses (chargeable in the year incurred) and not as capital costs items that are less than two percent (2%) of Basic Operating Cost for the year in question.

(b) Notwithstanding any other provision herein to the contrary, if the Project is not fully occupied during any year of the Term (including the Base Year), an adjustment shall be made in computing Basic Operating Cost for such year so that Basic Operating Cost shall be computed as though the Project had been fully occupied during such year; provided, however, that in no event shall Landlord collect in total, from Tenant and all other tenants of the Project, an amount greater than one hundred percent (100%) of the actual Basic Operating Cost during any year of the Term. In addition, Landlord shall have the right, from time to time, to equitably allocate and prorate some or all of the Basic Operating Cost among different tenants and/or different buildings of the Project and/or on a building-by-building basis (the "Cost Pools"), adjusting Tenant's Proportionate Share as to each of the separately allocated costs based on the ratio of the Net Rentable Area of the Leased Premises to the Net Rentable Areas of all of the premises to which such costs are allocated.

3.07. Adjustment for Variation Between Estimated Excess and Actual Excess. If the Basic Operating Cost Adjustment for any calendar year is a positive number (i.e., Estimated Basic Operating Cost Excess is less than the actual Basic Operating Cost Excess for such calendar year), Tenant shall pay to Landlord, pursuant to Landlord's billing therefor (submitted pursuant to Section 3.08), Tenant's Proportionate Share of the Basic Operating Cost Adjustment within thirty (30) days after presentation of Landlord's statement. If the Basic Operating Cost Adjustment for any calendar year is a negative number (i.e., Estimated Basic Operating Cost Excess is greater than the actual Basic Operating Cost Excess for such calendar year), then Landlord at Landlord's option shall pay Tenant's Proportionate Share of the Basic Operating Cost Adjustment to Tenant in cash, within ten (10) days after the Basic Operating Cost Adjustment is finally determined, or credit said amount against future installments of Estimated Basic Operating Cost Excess payable by Tenant hereunder. The foregoing notwithstanding, there shall be no Basic Operating Cost Adjustment for any calendar year in which Basic Operating Cost for such calendar year is equal to, or less than, Base Year Basic Operating Cost. Should the Term commence or terminate at any time other than the first day of a calendar year, Tenant's Proportionate Share of the Basic Operating Cost Adjustment shall be prorated for the exact number of calendar days during such calendar year that fall within the Term.

3.08. Computation of Basic Operating Cost Adjustment. Landlord shall, within a reasonable period of time after the end of any calendar year for which there exists a Basic Operating Cost Adjustment, give written notice thereof to Tenant. The notice shall contain or be accompanied by a statement of the Basic Operating Cost during such calendar year, and a computation of Basic Operating Cost Adjustment. Landlord's failure to give such notice and statement within a reasonable period of time after the end of any calendar year for which a Basic Operating Cost Adjustment is due shall not release either party from the obligation to make the adjustment provided for in Section 3.07.

ARTICLE 4. **Landlord Covenants**

4.01. Basic Services. Landlord shall:

(a) Administer initial improvement of the Leased Premises in accordance with Exhibit B.

(b) Furnish Tenant during Tenant's occupancy of the Leased Premises for the Permitted Use:

(i) Hot and cold water at those points of supply provided for general use of other tenants in the Project.

(ii) Central heat and air conditioning in season, at such times as Landlord normally furnishes these services to other tenants in the Project and at such temperatures and in such amounts as are considered by Landlord to be standard or as may be permitted or controlled by applicable laws, ordinances, rules and regulations.

(iii) Routine maintenance, repairs, structural and exterior maintenance (including, without limitation, exterior glass and glazing), painting and electric lighting service for all public areas and special service areas of the Project in the manner and to the extent deemed by Landlord to be standard, subject to the limitation contained in Section 4.05.

(iv) Janitorial service on a five (5) day week basis, excluding holidays.

(v) An electrical system to convey power delivered by public utility providers selected by Landlord in amounts sufficient for normal office operations as provided in similar office buildings, but not to exceed a total allowance of four (4) watts per square foot of Net Rentable Area during normal office hours (which includes an allowance for lighting of the Leased Premises at the maximum wattage per square foot of Net Rentable Area permitted under applicable laws, ordinances, orders, rules and regulations), provided that no single item of electrical equipment consumes more than 0.5 kilowatts at rated capacity or requires a voltage other than 120 volts, single phase. If Tenant's electrical requirements, as estimated by Landlord based upon rated capacity (or based upon metered consumption, at Landlord's option and at Tenant's expense), exceed such amounts, Tenant shall pay the full amount of such excess together with any additional cost necessary to provide and meter such excess capacity; and provided that if the installation and operation of said electrical equipment requires additional air conditioning capacity above that provided by the Building Standard Improvements, then the additional air conditioning installation and operating costs shall be paid by Tenant.

(vi) Initial lamps, bulbs and ballasts used in the Leased Premises.

(vii) Limited security services for the Project, subject to the provisions of Section 7.06.

(viii) Public elevator service serving the floors on which the Leased Premises are situated, during hours designated by Landlord.

(c) Landlord shall not be liable for damages to either person or property, nor for injury to or interference with Tenant's business (including, without limitation, interruptions or inconveniences in business operations and loss of profits), nor shall Landlord be deemed to have evicted Tenant, nor shall there be any abatement of Rent, nor shall Tenant be relieved from performance of any covenant on its part to be performed hereunder by reason of (i) a deficiency in the provision of Basic Services, (ii) a breakdown or malfunction of lines, cables, wires, pipes, equipment or machinery utilized in supplying or permitting Basic Services or telecommunications, or (iii) the effects of applicable laws, ordinances, rules and regulations, the effects of emergencies, any interruption of utility services, and the effects of mechanical breakdowns or any damage to, or destruction of, the Building or Building systems. Landlord shall use reasonable diligence to make such repairs as may be required to lines, cables, wires, pipes, equipment or machinery within the Project to provide restoration of Basic Services and, where the cessation or interruption of Basic Service has occurred due to circumstances or conditions beyond Project boundaries, to cause the same to be restored, by diligent application or request to the provider thereof. In no event shall any mortgagee or the beneficiary under any deed of trust referred to in Section 5.12 be or become liable for any default of Landlord under this Section 4.01(c).

4.02. Extra Services. Landlord shall provide to Tenant at Tenant's sole cost and expense (and subject to the limitations hereinafter set forth) the following:

(a) Such extra cleaning and janitorial services required if Tenant Improvements are not consistent in quality and quantity with Building Standard Improvements;

(b) Additional air conditioning and ventilating capacity (including equipment necessary to quantify its usage) required by reason of any electrical, data processing or other equipment or facilities or services required to support the same, in excess of that which would be required for Building Standard Improvements;

(c) Maintaining and replacing lamps, bulbs, and ballasts after initial installation;

(d) Heating, ventilation, air conditioning or extra electrical service (including equipment necessary to quantify its usage) provided by Landlord to Tenant (i) during hours other than normal Building hours, (ii) on Saturdays, Sundays, or holidays, said heating, ventilation and air conditioning or extra electrical service to be furnished solely upon the prior written request of Tenant given with such advance notice as Landlord may reasonably require;

(e) Repair and maintenance service which is the obligation of Tenant hereunder;

(f) Any Basic Service in amounts determined by Landlord to exceed the amounts required to be provided under Section 4.01(a), but only if Landlord elects to provide such additional or excess service. Tenant shall pay Landlord the cost of providing such additional services (or an amount equal to Landlord's reasonable estimate of such cost, if the actual cost is not readily ascertainable) together with an administration fee equal to seven and one-half percent (7.5%) of such cost, within ten (10) days following presentation of an invoice therefor by Landlord to Tenant. The cost chargeable to Tenant for all extra services shall constitute Additional Rent.

4.03. Window Coverings. Tenant shall not place or maintain any window coverings, blinds or drapes on any exterior window (other than those supplied by Landlord) without Landlord's prior written approval which Landlord shall have the right to grant or withhold in its absolute and sole discretion. Tenant acknowledges that breach of this covenant will directly and adversely affect the exterior appearance of the Project and/or the operation of the heating, ventilation and air conditioning systems.

4.04. Graphics and Signage. Landlord shall provide the initial identification of Tenant's name in the appropriate Building entry lobby. All signs, notices and graphics of every kind or character, visible in or from public corridors, the Common Area or the exterior of the Leased Premises shall be subject to Landlord's prior written approval which Landlord shall have the right to withhold in its absolute and sole discretion.

4.05. Tenant Extra Improvements. All additional Tenant Extra Improvements shall be installed and paid for pursuant to the provisions of Exhibit B (if made in connection with the initial Tenant Improvements), or pursuant to the provisions of Section 5.07 (if made in connection with any Alterations). For purposes hereof, "costs" shall include, but without limitation, all building permit fees for Tenant Extra Improvements (not included in the permit fees paid with respect to the Building), payments to design consultants for services and disbursements, and such inspection fees as Landlord may incur and reimbursement to Landlord for permit and other fees Landlord has prepaid that are fairly attributable to the Tenant Extra Improvement work. Landlord shall not seek the benefits of depreciation deductions or income tax credit allowances for federal or state income tax reporting purposes with respect to any Tenant Extra Improvements for which Tenant has fully reimbursed Landlord under this Section 4.05.

4.06. Repair Obligation. Landlord's obligation with respect to repair as part of Basic Services shall be limited to (i) the structural portions of the Building, (ii) the exterior walls of the Building, including, without limitation, glass and glazing, (iii) the roof, (iv) mechanical, electrical, plumbing and life safety systems, and (v) Common Areas. Landlord shall not be deemed to have breached any obligation with respect to the condition of any part of the Project unless Tenant has given to Landlord written notice of any required repair and Landlord has not made such repair within a reasonable time

following the receipt by Landlord of such notice. The foregoing notwithstanding: (i) Landlord shall not be required to repair damage to any of the foregoing to the extent caused by the acts or omissions of Tenant or its agents, employees or contractors, except to the extent covered by insurance carried by Landlord; and (ii) the obligations of Landlord pertaining to damage or destruction by casualty shall be governed by the provisions of Section 7.09. Landlord shall have the right but not the obligation to undertake work of repair that Tenant is required to perform under this Lease and that Tenant fails or refuses to perform in a timely and efficient manner. All costs incurred by Landlord in performing any such repair for the account of Tenant shall be repaid by Tenant to Landlord upon demand, together with an administration fee equal to fifteen percent (15%) of such costs; provided, however, that administration fees shall not be included in "income" for purposes of calculating Landlord's management cost recovery under Section 3.06(a)(6).

4.07. Peaceful Enjoyment. Tenant shall peacefully have, hold and enjoy the Leased Premises, subject to the other terms hereof, provided that Tenant pays the Rent and performs all of Tenant's covenants and agreements herein contained. This covenant and the other covenants of Landlord contained in this Lease shall be binding upon Landlord and its successors only with respect to breaches occurring during its and their respective ownerships of Landlord's interest hereunder.

ARTICLE 5. **Tenant's Covenants**

5.01. Payments By Tenant. Tenant shall pay Rent at the times and in the manner herein provided. All obligations of Tenant hereunder to make payments to Landlord shall constitute Rent and failure to pay the same when due shall give rise to the rights and remedies provided for in Section 7.10.

5.02. Construction of Tenant Improvements. Landlord shall cause its contractor to install the Tenant Improvements pursuant to Exhibit B. All additions to or improvements of the Leased Premises, whether of Building Standard Improvements or Tenant Extra Improvements installed pursuant to Section 4.05, shall be and become the property of Landlord upon installation and shall be surrendered to Landlord upon termination of this Lease by lapse of time or otherwise, subject to Tenant's rights of removal with respect thereto in the same manner as provided in Section 5.07 hereof. The foregoing notwithstanding, Tenant shall reimburse Landlord upon the expiration or earlier termination of the Term of this Lease for the reasonable cost of removing all telecommunications and data cabling installed in the Leased Premises by, or for the use of, Tenant. Although Tenant Extra Improvements become the property of Landlord upon installation, they are intended to be for the convenience of Tenant and are not intended to be a substitute for Rent or any part thereof.

5.03. Taxes on Personal Property and Tenant Extra Improvements. In addition to, and wholly apart from its obligation to pay Tenant's Proportionate Share of Basic Operating Cost, Tenant shall be responsible for and shall pay prior to delinquency taxes or governmental service fees, possessory interest taxes, fees or charges in lieu of any such taxes, capital levies, or other charges imposed upon, levied with respect to or assessed against its personal property, on the value of its Tenant Extra Improvements or Alterations, on its interest pursuant to this Lease or on any use made of the Leased Premises or the Common Areas by Tenant in accordance with this Lease. To the extent that any such taxes are not separately assessed or billed to Tenant, Tenant shall pay the amount thereof as invoiced to Tenant by Landlord.

5.04. Repairs By Tenant. Tenant shall maintain and repair the Leased Premises and keep the same in good condition. Tenant's obligation shall include, without limitation, the obligation to maintain and repair all walls, floors, entry doors, ceilings and fixtures and to repair all damage caused by Tenant,

its agents, employees, invitees and licensees to the utility outlets and other installations in the Leased Premises or anywhere in the Project, whatever the scope of the work of maintenance or repair required. Tenant shall repair all damage caused by removal of Tenant's movable equipment or furniture or the removal of any Tenant Extra Improvements or Alterations permitted or required by Landlord, all as provided in Section 5.18. At the request of Tenant, Landlord shall perform the work of maintenance and repair constituting Tenant's obligation pursuant to this Section 5.04 and as an "extra service" to be rendered pursuant to Section 4.02 at Tenant's sole cost and expense including, without limitation, the administration fee referred to therein. Any work of repair and maintenance performed by or for the account of Tenant by persons other than Landlord shall be performed by contractors approved by Landlord prior to commencement of the work and in accordance with procedures Landlord shall from time to time establish. All such work shall be performed in compliance with all applicable laws, ordinances, rules and regulations and Tenant shall provide to Landlord copies of all permits and records of inspection issued or obtained by Tenant in connection therewith to establish such compliance. Tenant shall also comply with all Landlord's construction procedures and requirements for the Project (including, without limitation, Landlord's requirements relating to insurance). Nothing herein contained, however, shall be deemed to impose upon Tenant the obligation to perform work of maintenance or repair required by reason of Landlord's negligence or wrongful acts or those of Landlord's agents or employees. Landlord may require by written notice to Tenant that Tenant shall install and maintain all required intrabuilding network cable and other communications wires and cables necessary to serve the Leased Premises from the point of presence in the Building of a telecommunications provider.

5.05. Waste. Tenant shall not commit or allow any waste or damage to be committed in any portion of the Leased Premises.

5.06. Assignment or Sublease.

(a) If Tenant intends to assign this Lease or sublet the Leased Premises or any part thereof, Tenant shall give Landlord written notice of such intent. Tenant's notice shall: (i) be accompanied by an exact copy of the proposed agreements between Tenant and the proposed assignee or subtenant; (ii) contain a statement of the name and legal form of the proposed assignee, subtenant or other transferee; (iii) contain a description of the business to be conducted at and from the Leased Premises by the proposed assignee or sublessee following the proposed assignment or subletting; and (iv) include a balance sheet as of a date not more than six (6) months preceding the delivery of the balance sheet to Landlord and operating statements for the last two fiscal years of the proposed assignee or sublessee. Tenant shall also promptly provide to Landlord (i) any additional information or documents reasonably requested by Landlord within ten (10) days after receiving Tenant's notice, and (ii) an opportunity to meet and interview the proposed assignee or subtenant, if requested.

(b) Landlord shall then have a period of fifteen (15) days following such interview and receipt of such additional information (or twenty-five (25) days from the date of Tenant's original notice if Landlord does not request additional information or an interview) within which to notify Tenant in writing that Landlord elects either (i) to terminate this Lease as to the space so affected as of the date so specified by Tenant, in which event Tenant will be relieved of all further obligations hereunder as to such space, or (ii) to grant, either conditionally or unconditionally, or to deny its consent to the proposed assignment or subletting, subject, however, to prior written approval of the proposed assignee or subtenant by Landlord. The consent of the Landlord shall not be unreasonably withheld. Tenant hereby acknowledges and agrees that, without limiting in any way other circumstances or factors under which Landlord could reasonably withhold consent to a proposed assignment or subletting, it shall be reasonable for Landlord to withhold consent where: (i) the use of the Leased Premises by such proposed assignee or subtenant would not be a Permitted Use; (ii) the financial resources or operating history of the proposed assignee or subtenant is not sufficient to assure that the proposed assignee or subtenant will be able to perform in a timely manner all of its obligations under this Lease or the proposed sublease, as applicable; (iii) the proposed assignee's or subtenant's use would involve the storage, use, treatment or disposal of

any Hazardous Material (except for Permitted Hazardous Materials transported, stored and used in accordance with the provisions of this Lease); (iv) the employees and invitees of the proposed assignee or sublessee would, in the opinion of Landlord, not be of appearance and demeanor consistent with the standards of appearance and demeanor then prevalent among other users of the Building; (v) the proposed assignee or sublessee does not intend itself to occupy the entire portion of the Leased Premises assigned or sublet; (vi) the proposed use by the proposed assignee or subtenant could cause the violation of any covenant or agreement of Landlord to any third party or would permit any other tenant to terminate its lease; (vii) the proposed subtenant or assignee then leases or occupies any other space in the Building; (viii) Landlord or Landlord's agent has shown space in the Project to the proposed assignee or sublessee or any of its Affiliates or Parent Entity or responded to any inquiries from any of them or their representatives or agents concerning availability of space in the Project, at any time within the preceding six (6) months; (ix) the proposed subletting or assignment would, when taken together with all previous sublettings then still in effect, materially increase the density of employees in the Leased Premises or the portion thereof subject to a sublease or materially increase the scope or usage of utilities and services required to be provided by Landlord under this Lease; (x) result in more than three (3) occupancies in the Leased Premises; (xi) Landlord otherwise determines that the proposed assignment or subletting would have the effect of decreasing the value of the Project or increasing the expenses associated with operating, maintaining and repairing the Project; (xii) in the case of a sublease, if the rent payable by the subtenant is less than the then prevailing rate being charged by Landlord for the lease of comparable space in the Building; or (xiii) the assignment or subletting would be in contravention of any provision in this Section 5.06.

(c) If Landlord fails to notify Tenant in writing of such election within said period, Landlord shall be deemed to have waived its option to terminate this Lease as to the space so affected as of the date so specified by Tenant, but written approval by Landlord of the proposed assignee or subtenant shall be required. Failure by Landlord to approve a proposed subtenant or assignee shall not cause a termination of this Lease, and the sole remedy of Tenant shall be an action for injunctive or declaratory relief.

(d) Any Assignment or Sublease Profit realized by Tenant under any such assignment or sublease shall be divided and paid as follows: fifty percent (50%) to Landlord and fifty percent (50%) to Tenant. In respect of a sublease (but not an assignment), "Assignment or Sublease Profit" shall mean any rent or other consideration realized by Tenant under such sublease in excess of the Gross Rent payable hereunder for the same period (prorated on a per square foot of Net Rentable Area basis, in the case of a subletting of less than all of the Leased Premises), after prorating on a calendar monthly basis over the term of sublease, and deducting the prorata amount from each of the payments to be made in respect of any calendar month under the sublease: (i) reasonable leasing commissions and legal fees paid to third parties in connection with the subletting; and (ii) costs incurred by Tenant in providing a necessary demising wall for the subtenant. In respect of an assignment (but not a sublease), "Assignment or Sublease Profit" shall mean any consideration realized by Tenant in connection with such assignment, after deducting: (i) reasonable leasing commissions and legal fees paid to third parties in connection with the assignment; and (ii) costs incurred by Tenant in performing Alterations or leasehold improvements for the assignee. The foregoing notwithstanding, if more than one (1) payment of Assignment or Sublease Profit is to be made in respect of an assignment, then the amount which would otherwise be deducted from a single payment shall instead be prorated over each payment of Assignment or Sublease Profit to be made in respect of the assignment and the prorata amount shall be deducted from each such sublease or assignment payment. If, in connection with any assignment or subletting, the consideration received by Tenant pertains both to the assignment or subletting and other assets or rights which Tenant is conveying or transferring to the assignee or subtenant, then in no event shall the portion of such consideration allocated to the assignment or sublease be less than that required to cause the assignee or subtenant to have paid an amount equal to the then Fair Market Rent for the portion of the Leased Premises subject to the assignment or subletting. Within ten (10) days following the end of any calendar month during which Tenant receives any payment of Assignment or Sublease Profit, Tenant

shall: (i) deliver to Landlord a copy of any instrument by which such payment was made, together with an accounting of any Assignment or Sublease Profit arising in connection with such payment of Assignment or Sublease Profit; and, (ii) pay to Landlord Landlord's share (as calculated in accordance with this Section 5.06(d)).

(e) Without limiting the other events which may constitute an assignment of this Lease, the following shall be deemed an assignment of this Lease: (i) the pledging, mortgaging or encumbering of Tenant's interest in this Lease, or the Leased Premises or any part thereof; (ii) any occupancy of all of the Leased Premises by any person, firm, partnership, or corporation, or any groups of persons, firms, partnerships, or corporations, or any combination thereof, other than Tenant; (iii) an assignment or transfer by operation of law; (iv) a transfer, in one or more transactions occurring within a period of twelve (12) months, whether by sale, assignment, bequest, inheritance, operation of law or other disposition or by subscription of twenty-five percent (25%) or more of the corporate shares of, or partnership or other interests in, Tenant; (v) the dissolution of Tenant, unless such dissolution is immediately followed by the reconstitution of a successor entity which continues the business of Tenant with substantially the same ownership of shares or constituent partnership interests as existed prior to such dissolution; or, (vi) the sale or other transfer or disposition of substantially all of the assets of Tenant. Without limiting the other events which may constitute a subletting, any occupancy of less than all of the Leased Premises by any person, firm, partnership, or corporation, or any groups of persons, firms, partnerships, or corporations, or any combination thereof, other than Tenant and its employees and business guests, shall be deemed a subletting of the Leased Premises.

(f) In any subletting undertaken by Tenant, Tenant shall diligently seek to obtain not less than Fair Market Rent for the space so sublet. In any assignment of this Lease in whole or in part, Tenant shall seek to obtain from the assignee consideration reflecting a value of not less than Fair Market Rent for the space subject to such assignment. Tenant shall provide to Landlord, upon Landlord's demand, true and correct executed copies of the documents constituting such sublease or assignment and any amendments thereof during the Term.

(g) The provisions of Sections 5.06(b), 5.06(d), 5.06(e), and 5.06(f) notwithstanding, Tenant may sublet the Leased Premises or any part thereof to an Affiliate or Parent Entity of Tenant without the necessity of obtaining the consent of Landlord. In the event that Tenant sublets the Leased Premises or any part thereof to an Affiliate or Parent Entity of Tenant in accordance with this Section 5.06(g), Tenant shall remain primarily liable with respect to its obligations under this Lease and, as to sublettings to Affiliates, Tenant shall remain the agent of the subtenant for the purposes of this Lease, with such agent being fully authorized to act for and bind the subtenant without the necessity of confirmation or ratification by such subtenant. Such agency shall be irrevocable and for the express benefit of Landlord, and Landlord may elect to disregard any notice or other communication purporting to revoke any such agency.

(h) The provisions of Sections 5.06(b), 5.06(d), 5.06(e), 5.06(f), 5.06(g) notwithstanding, Tenant shall have the right to assign this Lease and its rights and obligations hereunder, without the necessity of obtaining the consent of Landlord, to a Successor to Tenant, but only if such Successor, immediately following the conclusion of all of the transactions (the "Succession Transactions") undertaken in connection with the merger or other succession transaction, has a tangible net worth equal to, or greater than, the greater of (i) the tangible net worth of Tenant as of the date of this Lease; or, (ii) the tangible net worth of Tenant immediately prior to the commencement of the Succession Transactions. The right of Tenant to make such an assignment without the consent of Landlord shall be conditioned upon there not existing hereunder at the time of such assignment any monetary Event of Default on the part of Tenant under this Lease and there not then existing any event or condition which, with the giving of notice or the passage of time or both, would constitute a monetary Event of Default by Tenant under this Lease.

(i) No assignment or subletting by Tenant shall relieve Tenant of any obligation under this Lease. Any assignment or subletting that conflicts with the provisions hereof shall be void. No consent by Landlord to any subletting or assignment shall constitute a consent to any other assignment

or subletting nor shall it constitute a waiver of any of the provisions of this Section 5.06 as they apply to any such future sublettings or assignments. In no event shall Tenant assign this Lease or enter into any sublease, license, concession or other agreement for use, occupancy or utilization of any part of the Leased Premises which provides for a rental or other payment for such use, occupancy or utilization based in whole or in part on the income or profits derived by any person from the Leased Premises leased, used, occupied or utilized (other than an amount based on a fixed percentage or percentages of gross receipts or sales), and Tenant agrees that all assignments, subleases, licenses, concessions or other agreements for use, occupancy or utilization of any part of the Leased Premises shall provide that no subtenant or assignee of Tenant may further sublease or assign the Lease and any such purported assignment, sublease, license, concession or other agreement shall be absolutely void and ineffective as a conveyance of any right or interest in the possession, use, occupancy or utilization of any part of the Leased Premises.

(j) Any assignee shall assume in writing, for the express benefit of Landlord, all of the obligations of Tenant under this Lease, provided that no such assumption shall be deemed a novation or other release of the prior Tenant. Following any assignment, the obligations for which the prior Tenant remains liable under this Lease shall include, without limitation, any obligations arising in connection with any amendments to this Lease executed by Landlord and the assignee, whether or not such amendments are made with knowledge or consent of the prior Tenant.

(k) If this Lease is assigned, whether or not in violation of the terms of this Lease, Landlord may collect Rent from the assignee. If the Leased Premises or any part thereof is sublet, Landlord may, upon any failure by Tenant to perform its obligations hereunder, collect Rent from the subtenant. In either event, Landlord may apply the amount collected from the assignee or subtenant to Tenant's monetary obligations hereunder. Collecting Rent from the assignee or subtenant or applying that Rent to Tenant's monetary obligations shall not be deemed to be an acceptance of the assignee or subtenant as a direct tenant of Landlord nor a waiver of any provision of this Section 5.06 nor an assumption by Landlord of any obligation of Tenant or any other party as an assignor or sublessor to such assignee or subtenant.

(l) Tenant shall not enter into any subletting or assignment of this Lease until after the Term Commencement Date has occurred.

(m) Any improvements, additions, or alterations to the Building or the Project that are required by any law, ordinance, rule or regulation, or are deemed necessary or appropriate by Landlord as a result of any subletting or assignment hereunder, shall be installed and provided without cost or expense to Landlord. Landlord may condition its consent to any proposed subtenant or assignee on the construction of improvements deemed necessary or appropriate by Landlord by reason of the subletting or assignment.

(n) Landlord may hire outside consultants to review all assignment and subletting documents and information. Tenant shall reimburse Landlord for the cost thereof, including reasonable attorneys' fees, on demand.

(o) Without liability to Tenant, Landlord shall have the right to offer and to lease space in the Building, or in any other property, to any party, including without limitation parties with whom Tenant is negotiating, or with whom Tenant desires to negotiate, concerning assignment or subletting the Leased Premises, or any portion thereof.

5.07. Alterations, Additions, Improvements.

(a) Tenant shall not make or allow to be made any alterations, additions or improvements in or to the Leased Premises (collectively, "Alterations") without obtaining the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld with respect to proposed Alterations that (i) comply with all applicable laws, ordinances, rules and regulations, (ii) are compatible with the Building and its mechanical, electrical, heating, ventilation and air conditioning and life safety systems; (iii) will not interfere with the use and occupancy of any other portion of the Building by any other tenant or their invitees; (iv) do not affect the structural portions of the Building; and, (v) do

not and will not, whether alone or taken together with other improvements, require the construction of any other improvements or alterations within the Building. In determining whether or not to consent to proposed Alterations, Landlord shall have the right (without limitation) to review plans and specifications for proposed Alterations, construction means and methods, the identity of any contractor or subcontractor to be employed on the work of Alterations, and the time for performance of such work. Without limiting the other grounds upon which Landlord may refuse to approve any contractor or subcontractor, Landlord may take into account the desirability of maintaining harmonious labor relations at the Project. Landlord may also require that all life safety related work be performed by the life safety contractor for the Building. Tenant shall supply to Landlord any documents and information requested by Landlord in connection with the exercise of its rights hereunder. Upon completion of any Alteration, Tenant shall provide Landlord, at Tenant's expense, with a complete set of plans in reproducible form and specifications reflecting the actual conditions of the Tenant Improvements as affected by the Alteration, together with an electronic copy of such plans in the AutoCAD format or such other format as may then be in common use for computer assisted design purposes. Landlord may hire outside consultants to review such documents and information and Tenant shall reimburse Landlord for the cost thereof, including reasonable attorneys' fees, upon demand. All Alterations permitted hereunder shall be made and performed by Tenant, without cost or expense to Landlord, in a diligent and first-class workmanlike manner and in accordance with plans and specifications approved by Landlord, and shall comply with all laws, ordinances, orders, rules and regulations and Landlord's construction procedures and requirements for the Project (including, without limitation, Landlord's requirements relating to insurance). At Landlord's election, the Alterations permitted hereunder may be made and performed by Landlord, without cost or expense to Landlord. Tenant shall pay Landlord, upon completion of any Alteration, a reasonable fee for Landlord's supervision and administration of the installation thereof; provided, however, that such fee shall not be deemed to be "income" for purposes of calculating management cost recovery under Section 3.06(a)(6). The obligations of the parties with respect to removal of Alterations shall be controlled by Section 5.18.

(b) Anything to the contrary set forth in Section 5.07(a) above notwithstanding, upon Tenant's written request expressly referring to this Section 5.07(b), Tenant may request (at any time following mutual execution and delivery of this Lease) that Landlord inform Tenant in writing whether or not Landlord will require that Tenant remove any Alteration or item of Tenant Extra Improvement at the expiration or earlier termination of this Lease and restore the Leased Premises to their condition prior to the making of such Alteration or item of Tenant Extra Improvement, and Landlord shall so inform Tenant thereof within five (5) business days of receipt of Tenant's written request and all other information reasonably requested by Landlord in connection with the making of such determination. The foregoing notwithstanding, Tenant's Delay shall not include any actual delay in Substantial Completion of the Leased Premises to the extent such delay is due solely to the failure of Landlord to so inform Tenant within five (5) business days of receipt of Tenant's written request and all other information reasonably requested by Landlord in connection with the making of such determination. The other provisions of this Section 5.07(b) notwithstanding, Tenant shall not be required to so remove: (i) any item of Tenant Extra Improvement which exists in the Leased Premises as of the date of this Lease; (ii) any item of Tenant Extra Improvement or any Alteration which is constructed or installed in the Leased Premises on or following the date of this Lease, but only to the extent consisting of standard and customary commercial office improvements which do not (A) identify Tenant or relate specifically to Tenant's particular business or identity and (B) consist or constitute a part of a stairwell, raised floor, vault or safe; or (iii) any item of Building Standard Improvement which exists in the Leased Premises, whether or not as of the date of this Lease or after the date of this Lease.

(c) If Tenant performs any Alterations permitted under this Section 5.07, Tenant shall, in addition to complying with the provisions of this Section 5.07, perform such Alterations in a manner that avoids disturbing any asbestos containing materials present in the Building. If asbestos containing materials are likely to be disturbed in the course of such work, Tenant shall encapsulate or

remove the asbestos containing materials in accordance with an asbestos-removal plan approved by Landlord and otherwise in accordance with all applicable laws.

5.08. Liens. Tenant shall keep the Leased Premises and the Project free from any liens arising out of any (i) work performed or material furnished to or for the Leased Premises, and (ii) obligations incurred by or for Tenant or any person claiming through or under Tenant. Tenant shall, within ten (10) days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a bond fully satisfactory to Landlord in form and substance. Landlord shall have the right at all times to post and keep posted on the Leased Premises any notices permitted or required by law, or that Landlord shall deem proper for the protection of Landlord, the Leased Premises, the Project and any other party having an interest therein, from mechanics', materialmen's and other liens. In addition to all other requirements contained in this Lease, Tenant shall give to Landlord at least ten (10) business days prior written notice before commencement of any construction on the Leased Premises.

5.09. Compliance with Laws and Insurance Standards.

(a) Tenant shall comply with all laws, ordinances, orders, rules and regulations (state, federal, municipal or promulgated by other agencies or bodies having or claiming jurisdiction) related to the use, improvement, condition or occupancy of the Leased Premises and all improvements located therein, regardless of when they become effective, including, without limitation, all applicable federal, state and local laws, regulations or ordinances pertaining to air and water quality, Hazardous Materials, waste disposal, air emissions and other environmental matters and including, without limitation, the Americans with Disabilities Act of 1990. Tenant shall immediately deliver to Landlord a copy of any notices received from any governmental agency in connection with the Leased Premises. It is the intention of Tenant and Landlord that the obligations of Tenant under this Section 5.09 shall apply irrespective of the scope of work required to achieve such compliance. Tenant's obligations under this Section and Section 5.04 or either of them shall include, without limitation, the responsibility of Tenant to make substantial repairs, improvements or Alterations to the extent provided above, regardless of, among other factors, the relationship of the cost of curative action to the Rent under this Lease, the length of the then remaining Term hereof, the relative benefit of the repairs to Tenant or Landlord, the degree to which the curative action may interfere with Tenant's use or enjoyment of the Leased Premises, or the likelihood that the parties contemplated the particular law involved. Tenant waives any rights now or hereafter conferred upon it by any existing or future law to terminate this Lease or to receive any abatement, diminution, reduction or suspension of payment of Rent by reason of the obligations of Tenant under this Section 5.09. In no event, however, shall Tenant be responsible for any structural upgrade required to be made to the Leased Premises, except to the extent that the requirement of such upgrade is imposed due to the use of the Leased Premises by Tenant or any Alteration made or proposed to be made by Tenant.

(b) Tenant shall promptly cure and satisfy all Hazardous Materials claims arising out of or by reason of the activities or businesses of Tenant, its subtenants, or the agents, contractors, businesses or employees of Tenant or any subtenant. Tenant shall not do anything or permit anything to be done in the Leased Premises which creates, requires or causes imposition of any requirement by any public authority for structural or other upgrading of or improvement to the Project.

(c) Tenant shall not occupy or use, or permit any portion of the Leased Premises to be occupied or used, for any business or purpose that is disreputable or productive of fire hazard, or permit anything to be done that would increase the rate of fire or other insurance coverage on the Project and/or its contents. If Tenant does or permits anything to be done that shall increase the cost of any insurance policy required to be carried hereunder, then Tenant shall reimburse Landlord, upon demand, for any such additional premiums. Landlord shall deliver to Tenant a written statement setting forth the amount of any such insurance cost increase and showing in reasonable detail the manner in which it has been computed.

5.10. Entry for Repairs, Inspection, Posting Notices, etc. After reasonable notice (except in the event of emergencies, to supply Basic Services or to supply any extra service referred to in Section 4.02 above, where no such notice shall be required), Landlord, its agents and representatives, shall have the right to enter the Leased Premises to inspect the same, to clean, to perform such work as may be permitted or required hereunder, to make repairs to or alterations of the Project or other tenant spaces therein, to deal with emergencies, to post such notices as may be permitted or required by law to prevent the perfection of liens against Landlord's interest in the Project or to exhibit the Leased Premises to prospective tenants, purchasers, encumbrancers or others, or for any other purpose as Landlord may deem necessary or desirable; provided, however, that Landlord shall not unreasonably interfere with Tenant's business operations. Tenant shall not be entitled to any abatement of Rent by reason of the exercise of any such right of entry.

5.11. No Nuisance. Tenant shall conduct its business and control its agents, employees, invitees and visitors without creating any nuisance, or interfering with, annoying, endangering or disturbing any other tenant or Landlord in its operation of the Project. Tenant shall not place any loads upon the floor, walls or ceiling of the Leased Premises that exceed the design load limitations of the Building or which otherwise endanger the structure nor place any harmful liquids or Hazardous Material in the drainage system of the Building. Tenant shall not permit any vibration, noise or odor to escape from the Leased Premises and shall not do or permit anything to be done within the Leased Premises which would adversely affect the quality of the air in the Building.

5.12. Subordination.

(a) Tenant agrees that this Lease and the rights of Tenant hereunder are subject and subordinate to any first lien mortgage or deed of trust which now or in the future encumbers the Project (each such mortgage or deed of trust, a "Mortgage") and to any and all advances made thereunder, and interest thereon, and all modifications, renewals, supplements, consolidations and replacements thereof. Tenant agrees, however, that the holder of or beneficiary under a Mortgage (each such holder or beneficiary, a "Mortgage Lender") may at its option upon written notice to Tenant, unilaterally elect to subordinate, in whole or in part, by an instrument in form and substance satisfactory to such Mortgage Lender, the lien of such Mortgage to this Lease so that this Lease shall then become superior, in whole or in part, to such Mortgage. In such case, Tenant agrees to execute promptly and to deliver to Landlord or such Mortgage Lender any such subordination instrument or instruments requested by such Mortgage Lender and agrees that if it fails or refuses to do so within fifteen (15) days after written request therefor by Landlord or such Mortgage Lender, such failure or refusal shall constitute an Event of Default by Tenant under this Lease, but such failure or refusal shall in no way affect the validity or enforceability of any such subordination made by such Mortgage Lender.

(b) In the event any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any Mortgage made by Landlord encumbering the Project, or in the event of any conveyance in lieu of foreclosure thereof, Tenant shall attorn to the purchaser (including Mortgage Lender or any designee of Mortgage Lender) upon any such foreclosure, sale or conveyance in lieu of foreclosure and recognize such purchaser as Tenant's landlord under this Lease or, at the option of such purchaser, Tenant will execute a new lease with such purchaser on the same terms and conditions as are contained in this Lease.

(c) Any Mortgage Lender or any successor in interest to any Mortgage Lender shall not be: (i) bound by any payment of Gross Rent for more than one (1) month in advance, (ii) liable for, or subject to, any damages or offset for any default or act or omission by a predecessor landlord, (iii) bound by any termination or assignment of this Lease except strictly in accordance with the terms of this Lease and the Mortgage, or (iv) bound by any unperformed construction obligation or other default by any predecessor landlord, provided that, after such Mortgage Lender or successor succeeds to the interest of Landlord under the Lease, such Mortgage Lender or successor shall remedy any curable, non-monetary defaults of a continuing nature within a reasonable time following the acquisition by any such party of

title to the Project. Except as specifically provided in the preceding sentence, nothing herein contained shall be deemed to impose upon the person or party succeeding to the interest of Landlord as a result of the enforcement of such Mortgage by any Mortgage Lender, any obligation for defaults on the part of Landlord, and any person or party succeeding to possession of the Project as a successor to Landlord shall be subject to Landlord's obligations hereunder only during the period of such persons' or party's ownership, such person or party to have the benefit of Sections 4.05, 5.14, 5.15 and 7.17. Within ten (10) days of a written request from Landlord or Mortgage Lender, Tenant shall execute, acknowledge and return to Landlord a subordination, nondisturbance and attornment agreement with Mortgage Lender in such form as Landlord and/or such Mortgage Lender may then require.

(d) With reference to any assignment of this Lease and/or the rents payable hereunder, whether as security or absolute, in connection with financing on all or part of the Project, Tenant agrees that Mortgage Lender, as the holder of any Mortgage or other instrument so assigning Landlord's interest in the Lease and/or the rents therefrom in connection with such financing, shall never be treated as a mortgagee in possession or be liable for any obligations of Landlord, even if Mortgage Lender shall have commenced collecting rents hereunder, until such time as Mortgage Lender shall have obtained actual legal title to or actual physical possession of the Project.

5.13. Estoppel Certificate. Within ten (10) days of a written request from Landlord, Tenant shall execute estoppel certificates addressed to (i) any mortgagee or prospective mortgagee of Landlord or, (ii) any purchaser or prospective purchaser of all or any portion of, or interest in, the Project, on a form specified by Landlord, certifying as to such facts (if true) and agreeing to such notice provisions and other matters as such mortgagee(s) or purchaser(s) may reasonably require; provided, however, that in no event shall any such estoppel certificate require an amendment of the provisions hereof, although Tenant shall be bound by the statements made in such certificate. In the event that Tenant fails or refuses to deliver such an estoppel certificate to Landlord within ten (10) days of a written request from Landlord, then Landlord may give to Tenant a second notice, reiterating the request that Tenant execute an estoppel certificate in the form specified by Landlord and stating that, if Tenant fails to do so within five (5) days of the receipt by Tenant of such second notice from Landlord, Tenant shall be deemed to be bound by the statements set forth in the form of certificate which Landlord requested that Tenant deliver. In the event that Tenant fails to deliver an estoppel certificate in the form specified by Landlord within five (5) days of the receipt by Tenant of such second notice from Landlord: (i) Tenant shall conclusively be deemed, without exception, to have acknowledged the correctness of the statements set forth in the form of certificate which Landlord requested that Tenant deliver, and Tenant shall be estopped from denying the correctness of each such statement, such that a mortgagee or purchaser may rely on the correctness of the statements in such form of certificate, as if made and certified by Tenant; and, (ii) such failure shall, at the sole option of Landlord and without the necessity of further notice to Tenant, constitute an Event of Default under this Lease.

5.14. Security Deposit. Concurrently with execution hereof, Tenant has paid to Landlord the Security Deposit as security for the full and faithful performance of Tenant's obligations under this Lease and for the payment of any damages incurred by Landlord as a result of an Event of Default or breach hereunder (including, without limitation, amounts which Landlord may be entitled to recover pursuant to the provisions of Sections 1951.2 or 1951.4 of the California Civil Code); provided, however, that the Security Deposit is not an advance rent deposit or an advance payment of any other kind, nor a measure of Landlord's damages upon Tenant's default. Landlord shall have no obligation to segregate the Security Deposit from its general funds. Landlord shall place the Security Deposit in an interest bearing account (which also may contain Landlord's general funds) and any accrued interest attributable to the Security Deposit shall be a part of the Security Deposit for purposes of this Lease; provided, however, that Landlord shall not be obligated to obtain any particular rate of interest and Landlord does not guaranty that any particular rate of interest will be earned. Landlord may in its sole discretion (but shall not be required to) use the Security Deposit or any portion thereof to cure any failure by Tenant to perform any

of its covenants or obligations hereunder or to compensate Landlord for any damage Landlord incurs as a result of Tenant's failure to perform any of its covenants or obligations hereunder, it being understood that any use of the Security Deposit shall not constitute a bar or defense to any of Landlord's remedies under this Lease or at law. In such event and with five (5) days of written notice from Landlord to Tenant specifying the amount of the Security Deposit so utilized by Landlord and the particular purpose for which such amount was applied, Tenant shall immediately deposit with Landlord an amount sufficient to return the Security Deposit to an amount equal to one hundred ten percent (110%) of the amount specified in the Basic Lease Information Sheet as the same may have been increased by prior applications of this Section 5.14. Tenant's failure to make such payment to Landlord within five (5) days of Landlord's notice shall constitute an Event of Default under this Lease without the necessity of further notice, and Tenant hereby acknowledges that attachment will be a proper remedy by which Landlord may seek to recover the amount which Tenant has then failed to pay. Following the expiration or termination of this Lease, Landlord shall return to Tenant the Security Deposit or the balance thereof then held by Landlord; provided, however, that: (i) Landlord shall not be obligated to return the Security Deposit or any part thereof until all breaches by Tenant of its obligations under this Lease have been cured and all damages which Landlord may suffer in connection with any such breach have been ascertained in amount and paid in full, including both future rents and damages under Section 1951.2 of the California Civil Code; (ii) in no event shall any such return be construed as an admission by Landlord that Tenant has performed all of its covenants and obligations hereunder; and (iii) Tenant hereby waives any rights which it may now or hereafter have under Section 1950.7 of the California Civil Code. If Landlord conveys or transfers its interest in the Leased Premises, and as a part of such conveyance or transfer, assigns its interest in this Lease and Security Deposit, or any portion thereof not previously applied, the Security Deposit shall be transferred to Landlord's successor and Landlord shall be released and discharged from any further liability to Tenant with respect to such Security Deposit. If Tenant has assigned its interest in this Lease, Landlord shall return that portion of the Security Deposit, if any, which would have been returned to Tenant to the assignee instead of to Tenant, and Landlord shall be released of all liability to Tenant in connection with the Security Deposit. In no event shall any mortgagee or beneficiary under a mortgage or deed of trust encumbering all or any portion of the Project, or any purchaser of all or any portion of the Project at a public or private foreclosure sale or exercise of a power of sale under such mortgage or deed of trust, have any liability or obligation whatsoever to Tenant or Tenant's successors or assigns for the return of all or any part of the Security Deposit in the event any such mortgagee, beneficiary or purchaser becomes a mortgagee in possession or succeeds to the interest of Landlord under this Lease unless, and then only to the extent that, such mortgagee, beneficiary or purchaser has received all or any part of the Security Deposit.

5.15. Tenant's Remedies. Tenant shall look solely to Landlord's interest in the Project for recovery of any judgment from Landlord. Landlord, or if Landlord is a partnership, its partners whether general or limited, or if Landlord is a limited liability company, its members, managers or officers, or if Landlord is a corporation, its directors, officers or shareholders, shall never be personally liable for any such judgment. Any lien obtained to enforce any such judgment and any levy of execution thereon shall be subject and subordinate to any lien, mortgage or deed of trust to which Section 5.12 applies or may apply.

5.16. Rules and Regulations. Tenant shall comply with the Rules and Regulations for the Project attached as Exhibit C and such amendments thereto as Landlord may adopt from time to time with prior notice to Tenant. Tenant acknowledges that the rules and regulations applicable to other tenants of the Project may not be the same as those applicable to Tenant, and Landlord shall not be liable to Tenant for or in connection with the failure of any other tenant of the Building to comply with any rules and regulations applicable to such other tenant under its lease.

5.17. Prohibition and Indemnity with Respect to Hazardous Material. Tenant shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Leased Premises by Tenant, its agents, employees, contractors or invitees without the prior written consent of Landlord (which may be granted, conditioned or withheld in the sole discretion of Landlord), save and except only for Permitted Hazardous Materials, which Tenant may bring, store and use in reasonable quantities for their intended use in the Leased Premises, but only in full compliance with all applicable laws, ordinances, orders, rules and regulations. On or before the expiration or earlier termination of this Lease, Tenant shall remove from the Leased Premises all Hazardous Materials (including, without limitation, Permitted Hazardous Materials), regardless of whether such Hazardous Materials are present in concentrations which require removal under applicable laws, except to the extent that such Hazardous Materials were present in the Leased Premises as of the Term Commencement Date and were not brought onto the Leased Premises by Tenant or its agents, employees or contractors. Tenant shall immediately advise Landlord in writing of (a) any and all enforcement, clean-up, remedial, removal, restoration or other governmental or regulatory actions instituted, completed, or threatened pursuant to any Hazardous Materials Laws relating to any Hazardous Material affecting the Leased Premises; and (b) all claims made or threatened by any third party against Tenant, Landlord, the Leased Premises or the Project relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from any Hazardous Material on or about the Leased Premises. Without Landlord's prior written consent, Tenant shall not take any remedial action or enter into any agreements or settlements in response to the presence of any Hazardous Materials in, on, or about the Leased Premises. If Tenant breaches the obligations stated in this Section, or if contamination of the Leased Premises by Hazardous Material occurs for which Tenant is legally liable to Landlord for damage resulting therefrom, or if Tenant's activities or those of its contractors, agents, employees, businesses (or those of its subtenants) result in or cause a Hazardous Materials Claim, then Tenant shall indemnify, defend, protect and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the Leased Premises, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Leased Premises, damages arising from any adverse impact on marketing of space, and sums paid in settlement of claims, attorneys' fees, consultants' fees and experts' fees) which arise during or after the Term of this Lease as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Leased Premises. The foregoing indemnity shall survive the expiration or earlier termination of this Lease.

5.18. Surrender of Premises on Termination. On or before the ninetieth (90th) day preceding the Term Expiration Date, Tenant shall notify Landlord in writing of the precise date upon which Tenant plans to surrender the Leased Premises to Landlord, but neither the lack of such notice nor any failure by Landlord to protest the lack of such notice by Tenant shall be construed as an extension of the Term or as a consent by Landlord to any holding over by Tenant. On expiration of the Term, Tenant shall quit and surrender the Leased Premises to Landlord, broom clean, in good order, condition and repair as required by Section 5.04, with all of Tenant's movable equipment, telecommunications and data equipment and wiring, furniture, trade fixtures and other personal property removed therefrom. Tenant shall reimburse Landlord upon the expiration or earlier termination of the Term of this Lease for the reasonable cost of removing all telecommunications and data cabling installed in the Leased Premises by, or for the use of, Tenant. Unless Tenant has obtained Landlord's agreement in writing that it can remove an Alteration or item of Tenant Improvements, or unless Landlord has elected to require that all or certain Alterations or Tenant Extra Improvements be removed by Tenant, all Alterations and Tenant Improvements shall be surrendered with the Leased Premises in good condition and repair, subject to reasonable wear and tear (but only to an extent consistent with the Leased Premises remaining in good condition and repair) and casualty damage that is not required to be repaired by Tenant hereunder. Any

property of Tenant not removed hereunder shall be deemed, at Landlord's option, to be abandoned by Tenant and Landlord may store such property in Tenant's name at Tenant's expense, and/or dispose of the same in any manner permitted by law. If Landlord desires to have the Leased Premises, or any part or parts thereof, restored to a condition that existed prior to installation of any Tenant Extra Improvements or to their condition prior to making any Alteration thereto, Landlord shall so notify Tenant in writing not later than sixty (60) days prior to the expiration of the Term; and upon receipt of such notice, Tenant shall, at Tenant's sole cost and expense, so restore the Leased Premises, or such part or parts thereof, before the end of the Term; provided, however, that if Tenant had requested in accordance with Section 5.07(b) that Landlord advise Tenant whether Landlord will require the removal of a particular Alteration or item of Tenant Extra Improvement at the expiration or earlier termination of this Lease, and Landlord failed to comply with the provisions of Section 5.07(b) in requiring Tenant to so remove such Alteration or item of Tenant Extra Improvement, then Landlord shall not require that Tenant so remove such Alteration or item of Tenant Extra Improvement; provided, further, that Tenant shall not be required to so remove: (i) any item of Tenant Extra Improvement which exists in the Leased Premises as of the date of this Lease; (ii) any item of Tenant Extra Improvement or any Alteration which is constructed or installed in the Leased Premises on or following the date of this Lease, but only to the extent consisting of standard and customary commercial office improvements which do not (A) identify Tenant or relate specifically to Tenant's particular business or identity and (B) consist or constitute a part of a stairwell, raised floor, vault or safe; or (iii) any item of Building Standard Improvement which exists in the Leased Premises, whether or not as of the date of this Lease or after the date of this Lease. Tenant shall repair at its sole cost and expense, all damage caused to the Leased Premises or the Project by removal of Tenant's movable equipment or furniture and such Tenant Improvements and Alterations as Tenant shall be allowed or required to remove from the Leased Premises by Landlord. If the Leased Premises are not surrendered as of the end of the Term in the manner and condition herein specified, then: (i) Landlord may, after five (5) days written notice to Tenant, perform the obligations which Tenant failed to perform, and Tenant shall reimburse Landlord for all expenses incurred by Landlord in performing such obligations, such reimbursement to be made within ten (10) days of the receipt by Tenant of a written request from Landlord for such reimbursement, accompanied by reasonable evidence of the expenses incurred by Landlord; and, (ii) Tenant shall indemnify, defend, protect and hold Landlord harmless against all loss, liability, claim, cost or expense (including attorneys' fees) resulting from or caused by Tenant's delay or failure in so surrendering the Leased Premises, including, without limitation, any claims made by any succeeding tenant due to such delay or failure. Tenant acknowledges that Landlord will be attempting to lease the Leased Premises with any such lease to be effective upon expiration of the Term, and failure to surrender the Leased Premises could cause Landlord to incur liability to such successor tenant for which Tenant shall be responsible hereunder to the full extent thereof.

5.19. Exterior Signage.

(a) Tenant shall, in accordance with the Building standard exterior signage program, have the right to install, and thereafter to operate and maintain, two (2) exterior signs (collectively, "Tenant's Exterior Sign") displaying Tenant's trade name of a size and in a location to be approved by Landlord and the City of Emeryville. Landlord shall have the right to approve the plans and specifications for installing Tenant's Exterior Sign (which plans and specifications shall depict the appearance of Tenant's Exterior Sign), construction means and methods, the identity of any contractor or subcontractor to be employed on the work of installing Tenant's Exterior Sign, and the time for performance of such work. Without limiting the other grounds upon which Landlord may refuse to approve any contractor or subcontractor, Landlord may take into account the desirability of maintaining harmonious labor relations at the Project. Tenant shall supply to Landlord any documents and information requested by Landlord in connection with the exercise of its rights hereunder. Landlord shall provide a written consent (which consent shall not be unreasonably withheld, conditioned or delayed, although Landlord may take aesthetic considerations into account in such decision), or non-consent stating the reasons for such non-consent, within fifteen (15) days of receiving written request from Tenant

and all documents reasonably required by Landlord in connection with its review. The installation of Tenant's Exterior Sign shall otherwise be performed in accordance with the provisions of Section 5.07.


(b) For the purposes of this Lease, Tenant's Exterior Sign shall include, without limitation: (i) all power connections and lines; (ii) all illumination sources; (iii) all switches and other control equipment for the illumination sources; and (iv) all mountings. Landlord shall have no obligation to Tenant with respect to the adequacy or condition of the Building or the Project for the purposes of Tenant's Exterior Sign, and Landlord has not made any warranty or representation of any kind to Tenant regarding the condition of the Building or the Project for Tenant's Exterior Sign or otherwise.

(c) Tenant shall, in good faith, use its best efforts to obtain all the necessary approvals from the applicable governing authorities in the City of Emeryville required in connection with the installation, operation and maintenance of Tenant's Exterior Sign (collectively, the "Necessary Approvals"). Tenant shall keep Landlord reasonably informed of the progress and status of the obtaining of the Necessary Approvals and Tenant's efforts with respect thereto, including, without limitation, by providing Landlord with copies of any written communications between Tenant and the City of Emeryville with respect thereto. Landlord shall have the right (but not the obligation) to contact appropriate representatives of the City of Emeryville with respect to Tenant's Exterior Sign and the Necessary Approvals and to propose solutions to issues raised by the City of Emeryville. Provided that Tenant complies with and continues to comply with its obligations under this Section 5.19(c), then: (i) within fifteen (15) business days of the date (the "Disapproval Date"), if any, that Tenant or Landlord receives a written notice from the City of Emeryville stating that the City of Emeryville is unwilling to provide the Necessary Approvals with respect to exterior signage in any shape or form, Landlord shall refund to Tenant Base Rent actually paid by Tenant as of the day immediately preceding the Disapproval Date in an amount not to exceed Five Thousand and No/100ths Dollars (\$5,000.00) per month in the aggregate; and (ii) commencing as of the later of (A) the first day of the Sixth Lease Month or (B) the Disapproval Date, and continuing to and including the day immediately preceding the date the City of Emeryville reverses its previous determination by providing the Necessary Approvals with respect to exterior signage that complies with requirements or conditions imposed by the City of Emeryville, Landlord shall provide Tenant a credit against Base Rent due hereunder in an amount not to exceed Five Thousand and No/100ths Dollars (\$5,000.00) per month.

(d) Notwithstanding anything to the contrary contained in this Lease and in addition to the repair obligations of Tenant set forth in Section 5.04 above, any and all maintenance and repair relating to Tenant's Exterior Sign shall be the sole responsibility of Tenant including, without limitation: (i) ensuring all penetrations of the exterior of the Project related to Tenant's Exterior Sign remain "watertight/waterproof" meaning that no portions of Tenant's Exterior Sign cause or permit any water to penetrate or damage any portion of the Project, (ii) cleaning Tenant's Exterior Sign whenever necessary in order to ensure that its appearance complies with the "Class-A" nature of the Project (as determined by Landlord in its reasonable discretion), (iii) maintaining all illumination related to Tenant's Exterior Sign in full operating condition, (iv) promptly repairing any cracks in or other damage to the exterior façade of the Project caused by Tenant's Exterior Sign (as determined by Landlord in its reasonable discretion), (v) any necessary measures to prevent or abate the presence of birds which may congregate on or around Tenant's Exterior Sign (as determined in Landlord's reasonable discretion), and (vi) any other repair or maintenance to Project that Landlord reasonably determines necessary due to the installation, existence, or removal of Tenant's Exterior Sign. Tenant shall promptly perform such maintenance and repair obligations in a good and workmanlike manner, such that Tenant's Exterior Sign appears and operates at all times in the manner intended at the time it was designed and installed.

(e) Notwithstanding anything to the contrary contained in this Lease, Tenant shall, prior to the expiration or earlier termination of this Lease, or prior to the date the tenant under this Lease is no longer NetSol Technologies, Inc., a Nevada corporation ("Named Tenant"), whichever is earlier, and at Tenant's sole cost and expense, remove Tenant's Exterior Sign and restore any portion(s) of the Building or Project impacted by Tenant's Exterior Sign (as determined by Landlord in its reasonable discretion) to the condition of such portion(s) of the Building or Project which existed prior to the

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Landlord


Tenant

installation of Tenant's Exterior Sign. If any patching of holes or other cosmetic blemishes relating to Tenant's Exterior Sign are visible in the reasonable opinion of Landlord (including, without limitation, discoloration of the exterior façade materials of the Building) following such removal by Tenant, Landlord may require that the underlying façade materials be replaced with new materials consistent in color, appearance and texture to the original façade materials.

(f) All costs pertaining to the design, installation, operation, maintenance, repair and removal of Tenant's Exterior Sign or any part thereof shall be paid by Tenant when due. The provisions of this Lease pertaining to mechanic's liens shall apply to Tenant's Exterior Sign. For purposes hereof, the cost of Tenant's Exterior Sign shall include, without limitation, all building permit fees, payments to design consultants for services and disbursements, all preparatory work, premiums for insurance and bonds, general conditions, such inspection fees as Landlord may incur, reimbursement to Landlord for permit, inspection and other fees Landlord may incur that are fairly attributable to Tenant's Exterior Sign, the cost of preparing as-built drawings, and the cost of installing any additional electrical capacity

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Tenant

required by Tenant. Tenant shall insure Tenant's Exterior Sign pursuant to the provisions of Section 7.03(a) in the same manner and to the same extent as the Tenant Extra Improvements.

(g) Notwithstanding anything to the contrary contained in this Lease, Landlord shall have the right, but not the obligation, to perform any of the obligations of Tenant set forth in this Section 5.19 on Tenant's behalf, if, after ten (10) days following the delivery of written notice to Tenant of the necessity of any work or obligation set forth herein, Tenant has not caused the commencement of such work or fulfillment of such obligation (or if the completion of such work or fulfillment of such obligation has commenced but ceases to be diligently pursued by Tenant). Tenant shall promptly pay all of Landlord's costs and expenses related to any such work plus an administration fee of fifteen percent (15%) of such costs and expenses for Landlord's supervision and coordination of such work. Tenant shall pay such costs and expenses to Landlord within fifteen (15) days after the receipt of reasonably detailed invoice therefor from Landlord, together with reasonable evidence of the amounts incurred and paid by Landlord for such purposes. Such costs and fee shall constitute a part of the Rent due under this Lease and shall be in addition to all other Rent, and Landlord shall have the same rights and remedies with respect to any failure to pay them as herein required which Landlord would have with respect to any other failure to pay Rent when due.

(h) Notwithstanding anything to the contrary contained herein, Tenant's rights under this Section 5.19 are personal to Named Tenant, and shall not be assigned or assignable, in whole or in part to, any other party. Any assignment or other transfer of such rights by Named Tenant shall be void and of no force or effect. Without limiting the generality of the foregoing, no sublessee of the Leased Premises shall be permitted to exercise the rights granted to Named Tenant under this Section 5.19.

ARTICLE 6.

Condition And Operation Of The Building

6.01. Exhibit B Controls. Landlord's entire obligation with respect to the condition of the Leased Premises, its suitability for Tenant's uses and the improvement requirements with respect thereto shall be as stated in Exhibit B, provided, however, that Landlord shall deliver possession of the Leased Premises to Tenant with the Building's systems serving the Leased Premises (including, without limitation, the Building's HVAC, electrical, mechanical and plumbing systems) in good working order and condition as of the Term Commencement Date. Landlord shall have no other obligation of any kind or character, express or implied, with respect to the design or condition of the Leased Premises, Building or Project or the suitability thereof for Tenant's purposes, and Tenant acknowledges that it has neither received nor relied upon any representation or warranty made by or on behalf of Landlord with respect to such matters.

6.02. Alteration of Building. Landlord may, at any time and from time to time: (i) make alterations, structural modifications, seismic modifications or additions to the Building (including the addition of lightwells); (ii) change, add to, eliminate or reduce the extent, size, shape or configuration of any aspect of the Building or other part of the Project or its operations; (iii) change the arrangement, character, use or location of corridors, stairs, toilets, mechanical, plumbing, electrical or other operating systems or any other parts of the Building; and (iv) change the name, number or designation by which the Building or the Project is commonly known. None of the foregoing acts shall be deemed an actual or constructive eviction of Tenant, shall entitle Tenant to any reduction of Rent or shall result in any liability of Landlord to Tenant. Landlord shall have the exclusive rights to the airspace above and around, and the subsurface below, the Leased Premises and other portions of the Building, and, subject to the rights of Tenant specified in this Lease as to the non-exclusive use of certain portions of the Common Areas, Landlord shall have the sole and exclusive right to possession and control of all portions of the Building outside of the Leased Premises, including, without limitation, the exclusive right to use, or permit others to use, the exterior walls, roofs and other such areas for signs or notices or for any other purposes.

ARTICLE 7.

Casualty, Eminent Domain And Miscellaneous Matters

7.01. Landlord's Property Insurance. Landlord shall maintain, or cause to be maintained, a policy or policies of insurance with the premiums thereon fully paid in advance, issued by and binding upon an insurance company of good financial standing, insuring the Project against loss or damage by fire and such other hazards as Landlord may elect (that may include earthquake loss if Landlord elects to maintain such coverage) and contingencies for the full insurable value thereof, or, in the alternative, insuring for eighty percent (80%) of the replacement cost thereof (or such minimum amount as shall be required to eliminate operation of coinsurance provisions), exclusive of excavations and foundations; provided, however, that Landlord shall not be obligated to insure any furniture, equipment, machinery, goods or supplies not covered by this Lease that Tenant may keep or maintain in the Leased Premises, or any Tenant Extra Improvements or Alterations that Tenant may make upon the Leased Premises. If the annual premiums charged Landlord for such property insurance exceed the standard premium rates because the nature of Tenant's operations result in extra-hazardous or higher than normal risk exposure, then Tenant shall, upon receipt of appropriate premium invoices, reimburse Landlord for such increases in premium. All insurance proceeds payable under Landlord's insurance carried hereunder shall be payable solely to Landlord, and Tenant shall have no interest therein.

7.02. Liability Insurance. Landlord (with respect to the Project) and Tenant (with respect to the Leased Premises and Project) shall each maintain or cause to be maintained a policy or policies of commercial general liability insurance with the premiums thereon fully paid in advance, issued by and binding upon an insurance company of good financial standing, such insurance to afford minimum protection of not less than Three Million Dollars (\$3,000,000.00) for bodily injury, or death in any one occurrence and of not less than One Million Dollars (\$1,000,000.00) for property damage in any one occurrence. The coverages required to be carried shall be extended to include, but not to be limited to, blanket contractual liability, personal injury liability (libel, slander, false arrest and wrongful eviction), and broad form property damage liability (including, without limitation, fire legal liability and such other risks as Landlord may specify by written notice to Tenant). Tenant's contractual liability insurance shall apply, without limitation, to all of Tenant's indemnity obligations under this Lease. The certificate evidencing Tenant's insurance coverage required hereunder shall state that the insurance includes the liability assumed by Tenant under this Lease and that Tenant's insurance is primary with any other insurance available to Landlord or any other named insured being excess. Upon request of Tenant, Landlord shall provide Tenant reasonable evidence that the insurance required to be maintained hereunder by Landlord is in full force and effect.

7.03. Tenant's Property Insurance and Additional Tenant Insurance Requirements.

(a) Tenant shall provide insurance coverage during the Term against loss or damage by fire and such other risks as are from time to time included in a "Special Form" policy (including, without limitation, sprinkler leakage and water damage), insuring the full insurable value of any Tenant Extra Improvements, any Alterations, Tenant's trade fixtures, furnishings, equipment, and all other items of personal property of Tenant, insuring the full replacement cost thereof.

(b) All policies required to be carried by Tenant under this Article 7 shall be written with financially responsible companies with an AM Best Company rating of "B+" "VIII" or better, and all such insurance (and evidence of insurance provided to Landlord) shall contain an endorsement or endorsements providing that (i) Landlord, Hines Interests Limited Partnership, and any lender with a deed of trust encumbering the Project or any part thereof, of whom Landlord has notified Tenant, are included as additional insureds (by using the ISO Additional Insured Endorsement CG 2037 or CG 2026, or their equivalent), (ii) the insurer agrees not to cancel or alter the policy without at least thirty (30) days' prior written notice to Landlord and all named and additional insureds, and (iii) all such insurance maintained by Tenant is primary, with any other insurance available to Landlord or any other named or additional

insured being excess and non-contributing. Any deductible or self-insurance provisions under any insurance policies maintained by Tenant shall be subject to Landlord's prior written approval which shall not be unreasonably withheld; provided, however, that Landlord hereby approves a deductible equal to or less than Five Hundred and No/100ths Dollars (\$500.00) with respect to Tenant's Special Form policy of property insurance maintained pursuant to this Lease.

(c) Tenant shall provide evidence of each of the policies of insurance which Tenant is required to obtain and maintain pursuant to this Lease on or before the Term Commencement Date and at least fifteen (15) days prior to the expiration of any policy, which evidence shall be binding upon the insurance carrier, shall be accompanied by a copy of the ISO Additional Insured Endorsement CG 2037 or CG 2026 (or their equivalent), as applicable, and, as to property insurance, shall be in the form of an "ACORD 28" evidence of insurance or other form reasonably acceptable to Landlord. If Tenant fails to provide evidence of insurance as and when required hereunder, Landlord shall be authorized (but not required) to procure such coverage in the amounts stated with all costs thereof to be charged to Tenant and paid upon written invoice therefor as Additional Rent.

(d) Landlord shall have the right from time to time, on not less than thirty (30) days' notice, to require Tenant to increase the amount and/or type of coverage required to be maintained under this Lease.

7.04. Indemnity and Exoneration.

(a) Landlord shall not be liable to Tenant or any third party (i) for any loss, damage, death or injury to person or property caused by theft, fire, vandalism, assault, battery, act of God, breaches of security, acts of the public enemy, acts of terrorists or criminals, riot, strike, insurrection, war, court order, requisition or order of governmental body or authority, whether or not the negligence of Landlord or its agents or employees was a cause of, or in any way contributed to, such loss, damage, death or injury, or (ii) that occur by reason of the active negligence or willful misconduct of Tenant, its agents, employees or invitees, or (iii) for any damage or inconvenience which may arise through repair or alteration of any part of the Project or failure to make any such repair except as expressly otherwise provided in Sections 7.08 and 7.09. Any other provision of this Lease to the contrary notwithstanding, in no event shall Landlord have any liability to Tenant or any third party for any consequential damages whatsoever, including, without limitation, loss of revenue or profits.

(b) Tenant shall indemnify, defend and protect Landlord and hold Landlord harmless of and from any and all claims, proceedings, loss, cost, damage, causes of action, liabilities, injury or expense arising out of or related to claims of injury to or death of persons, damage to property occurring or resulting directly or indirectly from the condition, design, use or occupancy of the Leased Premises or activities of Tenant or its agents, employees, licensees, contractors, assignees or invitees in or about the Leased Premises or Project, such indemnity to include, but without limitation, the obligation to provide all costs of defense against any such claims; provided, however, that the foregoing indemnity shall not be applicable to claims to the extent arising by reason of the active negligence or willful misconduct of Landlord, unless covered by insurance required to be carried by Tenant under the terms of this Lease.

(c) Tenant shall indemnify, defend and protect Landlord and hold and save Landlord harmless of and from any and all loss, claims, proceedings, cost, damage, injury, causes of action, liabilities or expense arising out of or in any way related to work or labor performed, materials or supplies furnished to or at the request of Tenant or in connection with performance of any work done for the account of Tenant in the Leased Premises or the Project.

7.05. Parking and Transportation.

(a) During the Term, Tenant shall have the use of up to seventy-two (72) parking privileges (the "Parking Privileges") in the parking lot or lots of the Project designated by Landlord for the use of tenants of the Building, subject to (i) downward adjustment at the rate of three (3) Parking Privileges for every One Thousand (1,000) square feet of Net Rentable Area removed from the Leased Premises following the Term Commencement Date, and (ii) upward adjustment at the rate of three (3)

Parking Privileges for every One Thousand (1,000) square feet of Net Rentable Area added to the Leased Premises following the Term Commencement Date. Tenant shall pay to Landlord or its parking operator the prevailing market rate, as such rate is established by Landlord or such operator from time to time, for the number of Parking Privileges actually utilized by Tenant (and for such purposes Tenant shall be deemed to be utilized a particular Parking Privilege commencing as of the date Tenant or its employee or contractor first parks its vehicle in the Project parking lot). Landlord hereby establishes, and Tenant hereby acknowledges, such prevailing market rate to be, as of the date of this Lease, Seventy-Five and No/100ths Dollars (\$75.00) per Parking Privilege per month. The Parking Privileges shall, at all times, be subject to (i) timely payment of such prevailing market rate; (ii) such terms and conditions and rules and regulations as Landlord or its parking operator may from time to time establish; and, (iii) such other conditions as may be imposed by any applicable laws, ordinances, rules and regulations. Landlord may assign any unreserved and unassigned parking spaces or designate all or a portion of such spaces reserved or institute an attendant-assisted tandem parking program or valet parking program if Landlord determines in its sole discretion that such is necessary for orderly parking.

(b) Tenant may permit its employees and contractors to use the Parking Privileges described in Section 7.05(a). Tenant shall use all reasonable efforts to confine parking by its employees and contractors to the parking lot or lots designated by Landlord for the use of tenants of the Building and to cause them to comply with such rules and regulations as Landlord or its parking operator may establish from time to time and to all applicable laws, ordinances, rules and regulations. Tenant shall not use, or permit its employees or contractors to use, any spaces which have been or are hereafter designated by Landlord for use only by persons or vehicles qualifying to use handicapped, vanpool, carpool or other restricted categories of use (except to the extent that employees or contractors or their vehicles are qualified to use such designated spaces) or assigned to other tenants. Landlord reserves the right at any time to relocate parking spaces and to substitute an equivalent number of parking privileges in a parking structure, subterranean parking facility or surface parking area within a reasonable distance of the Project. Only passenger cars, light trucks and motorcycles may be parked in the parking lots of the Project by Tenant or its employees and contractors, and no vehicle shall be permitted to remain there for a period of more than twenty-four (24) consecutive hours.

(c) Landlord may refuse to permit any person who violates the parking rules and regulations to park at the Project, and any violation of the rules and regulations shall subject the car to removal at the expense of the owner. Any user of the Parking Privileges shall retain all responsibility for damages to cars or other property arising from or in connection with such users use of the Parking Privileges, and Landlord shall have no responsibility for any property damage or personal injury resulting from use of the parking lots at the Project. Tenant shall repair or cause to be repaired at its sole cost and expense any and all damage to the Project or any part thereof caused by Tenant or its employees or contractors or resulting from vehicles of its employees and contractors.

(d) Tenant shall comply with all traffic systems management programs which are hereafter imposed on the Project by any local, state or federal governmental agency or authority.

7.06. Security. The limited security service for the Building to be provided by Landlord shall not be required to consist of more than unarmed personnel ordinarily stationed at the main security desk in the ground floor lobby or on roving patrols, although such personnel may not at all times be present at such desk or in any particular area of the Project. Landlord shall not be required to provide, operate or maintain alarm or surveillance systems for the Leased Premises or the Common Areas. Tenant shall provide such supplemental security services and shall install within the Leased Premises such supplemental security equipment, systems and procedures as may reasonably be required for the protection of its employees and invitees, provided that Tenant shall coordinate such services and equipment with any security provided by Landlord. The determination of the extent to which such supplemental security equipment, systems and procedures are reasonably required shall be made in the sole judgment, and shall be the sole responsibility, of Tenant. The obligations of Landlord with respect to security of the Leased Premises or the Project shall be expressly subject to the provisions of Section

7.04(a). Tenant acknowledges that it has neither received nor relied upon any representation or warranty made by or on behalf of Landlord with respect to the safety or security of the Leased Premises or the Project or any part thereof or the extent or effectiveness of any security measures or procedures now or hereafter provided by Landlord, and further acknowledges that Tenant has made its own independent determinations with respect to all such matters.

7.07. Waiver of Subrogation Rights. Anything in this Lease to the contrary notwithstanding, Landlord and Tenant each waive all rights of recovery, claim, action or cause of action, against the other, its agents (including, without limitation, partners, both general and limited), officers, directors, shareholders or employees, for any loss or damage that may occur to the Leased Premises, or any improvements thereto, or the Project or any personal property of such party therein, by reason of fire, the elements, or any other cause that could be insured against under the terms of an "all risk" insurance policy or other property insurance coverages which are required to be obtained pursuant to this Lease, regardless of cause or origin, including negligence of the other party, its agents, officers or employees; and each party covenants that no insurer shall hold any right of subrogation against such other party. Tenant shall advise its insurers of the foregoing and such waiver shall be a part of each policy maintained by Tenant that applies to the Leased Premises, any part of the Project or Tenant's use and occupancy of any part thereof.

7.08. Condemnation and Loss or Damage.

(a) If the Leased Premises or any portion of the Project shall be taken or condemned for any public purpose to such an extent as to render the Leased Premises untenable as reasonably determined by Landlord, this Lease shall, at the option of either party, forthwith cease and terminate as of the date of taking. All proceeds from any taking or condemnation of the Leased Premises shall belong to and be paid to Landlord (including, without limitation, any amount awarded in respect of the leasehold value of this Lease) subject to the rights of any mortgagee of Landlord's interest in the Project or the beneficiary of any deed of trust that constitutes an encumbrance thereon; provided, however, that Landlord shall cooperate with Tenant if Tenant seeks to recover at its cost and expense, proceeds, damages or awards paid to compensate for damage to or taking of Tenant Extra Improvements for which Tenant has paid hereunder, and any such amounts recovered shall be paid to Tenant.

(b) If a temporary taking of all or a portion of the Leased Premises occurs, there shall be no abatement of Rent and Tenant shall remain fully obligated for performance of all of the covenants and obligations on its part to be performed pursuant to the terms of this Lease. All proceeds awarded or paid with respect thereto shall belong to Tenant. For purposes of this Section 7.08, a taking lasting more than three (3) continuous months shall be deemed to be a taking under Section 7.08(a) above.

7.09. Damage and Destruction. If a fire or other casualty in the Leased Premises occurs, Tenant shall immediately give notice thereof to Landlord. The following provision shall then apply:

(a) If the damage is limited solely to the Leased Premises and the Leased Premises can, in the reasonable opinion of Landlord, be made tenantable with all damage repaired within six (6) months from the date of damage or destruction, then Landlord shall diligently rebuild the same. If Landlord rebuilds the Leased Premises, Tenant shall repair and restore Tenant Extra Improvements or, at Landlord's election, Landlord may repair and rebuild the Tenant Extra Improvements, at Tenant's expense.

(b) If portions of the Project outside the boundaries of the Leased Premises are damaged or destroyed (whether or not the Leased Premises are also damaged or destroyed) and the Leased Premises and the Project can, in the reasonable opinion of Landlord, both be made tenantable with all damage repaired within six (6) months from the date of damage or destruction, and provided that Landlord determines in its sole discretion that such reconstruction is economically feasible within such period if not fully covered by insurance, then Landlord shall be obligated to repair such damage;

provided, however, that Landlord shall have no obligation to repair or restore Tenant Extra Improvements or Alterations unless Landlord elects to do so at Tenant's expense as provided in Section 7.09(a).

(c) If neither Section 7.09(a) nor 7.09(b) above applies, Landlord shall notify Tenant within sixty (60) days after the date of such damage and destruction and either Tenant or Landlord may terminate this Lease within thirty (30) days after the date of such notice; provided, however, that Landlord shall have the right to elect to reconstruct the Project and the Leased Premises, in which event Landlord shall notify Tenant within said sixty (60) day period and Tenant shall thereupon have no right to terminate this Lease.

(d) During any period when Tenant's use of the Leased Premises is significantly affected by damage or destruction, Gross Rent shall abate proportionately until such time as the Leased Premises are made tenantable as reasonably determined by Landlord, and no portion of the Rent so abated shall be subject to subsequent recapture; provided, however, that there shall be no such abatement except to the extent that the amount thereof is compensated for and recoverable from the proceeds of rental loss or business interruption insurance maintained by Landlord with respect to this Lease, the Leased Premises or the Project.

(e) The proceeds from any insurance paid by reason of damage to or destruction of the Building or any part thereof, the Building Standard Improvements or any other element, component or property insured by Landlord shall belong to and be paid to Landlord subject to the rights of any mortgagee of Landlord's interest in the Project or the beneficiary of any deed of trust that constitutes an encumbrance thereon. If this Lease is terminated by either party as a consequence of a casualty in accordance with any of the provisions of this Section 7.09(e), all proceeds of insurance required to be maintained either by Landlord or Tenant shall be paid to Landlord subject to the rights of any mortgagee of Landlord's interest in the Project or the beneficiary of any deed of trust that constitutes an encumbrance thereon; provided, however, that Tenant shall be paid all proceeds of insurance payable in connection with Tenant's trade fixtures, furnishings, equipment and all other items of personal property of Tenant. If Tenant has failed to maintain any policy of insurance required under this Lease, then Tenant shall pay to Landlord on demand an amount equal to proceeds which Landlord reasonably concludes would have been available for the repair and reconstruction from such policies had Tenant maintained all of the required policies of insurance.

(f) If the Leased Premises, or any part thereof, or any portion of the Building necessary for Tenant's use of the Leased Premises, are damaged or destroyed during the last twelve (12) months of the Term, or any extension thereof, Landlord or Tenant may terminate this Lease by giving written notice thereof to the other party within thirty (30) days after the date of the casualty, in which case this Lease shall terminate as of the date of the casualty.

(g) Except to the extent expressly provided in this Lease, nothing contained in this Lease shall relieve Tenant of any liability to Landlord or to its insurance carriers that Tenant may have under law or under the provisions of this Lease in connection with any damage to the Leased Premises or the Building by fire or other casualty.

7.10. Default By Tenant.

(a) Events of Default. The occurrence of any of the following shall constitute an Event of Default on the part of Tenant:

(1) Abandonment. Abandonment of the Leased Premises for a continuous period in excess of five (5) business days. Tenant waives any right to notice Tenant may have under Section 1951.3 of the California Civil Code, the terms of this Section 7.10(a)(1) being deemed such notice to Tenant as required by said Section 1951.3;

(2) Nonpayment of Rent. Failure to pay any installment of Gross Rent or items of Additional Rent, not more than five (5) days following the date when payment is due;

(3) Other Obligations. Failure to perform any obligation, agreement or covenant under this Lease other than those matters specified in Sections 7.10(a)(1) and 7.10(a)(2), such failure continuing for fifteen (15) business days after written notice of such failure (or such longer period

as is reasonably necessary to remedy such default, provided that Tenant shall continuously and diligently pursue such remedy at all times until such default is cured);

(4) **General Assignment.** A general assignment by Tenant for the benefit of creditors;

(5) **Bankruptcy.** The filing of any voluntary petition in bankruptcy by Tenant, or the filing of an involuntary petition by Tenant's creditors, which involuntary petition remains undischarged for a period of thirty (30) days. If under applicable law the trustee in bankruptcy or Tenant has the right to affirm this Lease and continue to perform the obligations of Tenant hereunder, such trustee or Tenant shall, in such time period as may be permitted by the bankruptcy court having jurisdiction, cure all failures to perform the obligations of Tenant hereunder outstanding as of the date of the affirmation of this Lease and provide to Landlord such adequate assurances as may be necessary to ensure Landlord of the continued performance of Tenant's obligations under this Lease;

(6) **Receivership.** The employment of a receiver to take possession of substantially all of Tenant's assets or the Leased Premises, if such receivership remains undissolved for a period of ten (10) business days after creation thereof;

(7) **Attachment.** The attachment, execution or other judicial seizure of all or substantially all of Tenant's assets or the Leased Premises, if such attachment or other seizure remains undismissed or undischarged for a period of ten (10) business days after the levy thereof;

(8) **Insolvency.** The admission by Tenant in writing of its inability to pay its debts as they become due, the filing by Tenant of a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, the filing by Tenant of an answer admitting or failing timely to contest a material allegation of a petition filed against Tenant in any such proceeding or, if within thirty (30) days after the commencement of any proceeding against Tenant seeking any reorganization, or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed;

(9) **Wrongful Assignment or Subletting.** Any assignment or subletting in violation of the provisions of Section 5.06;

(10) **Failure to Take Possession.** Tenant's failure or refusal to move into or take possession of the Leased Premises within thirty (30) days after the Term Commencement Date; or,

(11) **Certain Other Acts or Omissions.** Any other act or omission which is expressly provided in this Lease to be an Event of Default, as to which acts or events the notice provisions of Section 7.10(a)(3) shall not be applicable.

(b) **Remedies Upon Default.**

(1) **Termination.** If an Event of Default occurs, Landlord shall have the right, with or without notice or demand, immediately (after expiration of the applicable grace periods specified herein) to terminate this Lease, and at any time thereafter recover possession of the Leased Premises or any part thereof and expel and remove therefrom Tenant and any other person occupying the same, by any lawful means, and again repossess and enjoy the Leased Premises without prejudice to any of the remedies that Landlord may have under this Lease, or at law or equity by reason of Tenant's default or of such termination.

(2) **Continuation After Default.** Even though Tenant has breached this Lease and/or abandoned the Leased Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession under Section 7.10(b)(1) hereof, and Landlord may enforce all of its rights and remedies under this Lease, including (but without limitation) the right to recover Rent as it becomes due. Landlord has the remedy described in Section 1951.4 of the California Civil Code (Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations). Acts of maintenance, preservation or efforts to lease the Leased Premises or the appointment of receiver upon application of Landlord to protect Landlord's interest under this Lease shall not constitute an election to terminate Tenant's right to possession.

(c) **Damages Upon Termination.** Should Landlord terminate this Lease pursuant to the provisions of Section 7.10(b)(1) hereof, Landlord shall have all the rights and remedies of a landlord provided by Section 1951.2 of the California Civil Code. Upon such termination, in addition to any other rights and remedies to which Landlord may be entitled under applicable law, Landlord shall be entitled to recover from Tenant: (i) the worth at the time of award of the unpaid Rent and other amounts which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that the Tenant proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that the Tenant proves could be reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which, in the ordinary course of things, would be likely to result therefrom. The "worth at the time of award" of the amounts referred to in (i) and (ii) shall be computed with interest at eighteen percent (18%) per annum or the highest lawful rate, whichever is the lower. The "worth at the time of award" of the amount referred to in (iii) shall be computed by discounting such amount at the "discount rate" of the Federal Reserve Bank of San Francisco in effect as of time of award plus one percent (1%) and, where rental value is a material issue, shall be based upon competent appraisal evidence.

(d) **Computation of Rent For Purposes of Default.** For purposes of computing unpaid Rent that would have accrued and become payable under this Lease pursuant to the provisions of Section 7.10(c), unpaid Rent shall consist of the sum of:

- (1) the total Base Rent for the balance of the Term, plus
- (2) a computation of the Basic Operating Cost for the balance of the Term, the assumed Basic Operating Cost for the calendar year of the default and each future calendar year in the Term to be equal to the Basic Operating Cost for the calendar year prior to the year in which the Event of Default occurs compounded at a per annum rate equal to the mean average rate of inflation for the preceding five (5) calendar years as determined by reference to the Consumer Price Index — all items for the San Francisco-Oakland-San Jose Area, All Urban Consumers, published by the Bureau of Labor Statistics of the United States Department of Labor (Base Year 1982-84=100), or such successor index as may be established to provide a measure of the current purchasing power of the dollar.

(e) **Late Charge.** In addition to its other remedies, Landlord shall have the right to add to the amount of any payment required to be made by Tenant hereunder that is not paid on or before the date the same is due, an amount equal to Two Hundred Fifty Dollars (\$250.00) plus five percent (5%) of the delinquency for each month or portion thereof that the delinquency remains outstanding, the parties agreeing that Landlord's damage by virtue of such delinquencies would be difficult to compute and the amount stated herein represents a reasonable estimate thereof. The provision for a late charge set forth in this Section 7.10(e), and any collection of a late charge by Landlord, shall not be deemed a waiver of any breach or Event of Default by Tenant under this Lease or of any other remedy of Landlord hereunder. The late charge shall be due upon demand by Landlord at any time after failure to pay any installment of Rent, and in the case of Gross Rent, without waiting for expiration of the period specified in Section 7.10(a)(2) and without any delivery of notice to Tenant.

(f) **Remedies Cumulative.** All rights, privileges and elections or remedies of the parties are cumulative and not alternative to the extent permitted by law and except as otherwise provided herein.

7.11. Arbitration of Fair Market Rent. If Tenant disputes the amount claimed by Landlord as Fair Market Rent, and such dispute cannot be resolved by mutual agreement, the dispute shall be submitted to arbitration. The judgment or the award rendered in any such arbitration may be entered in any court having jurisdiction and shall be final and binding between the parties. The arbitration shall be conducted and determined in the City of Emeryville in accordance with the then prevailing rules of the

American Arbitration Association or its successor for arbitration of commercial disputes except to the extent that the procedures mandated by said rules shall be modified as follows:

(a) Tenant shall make demand for arbitration in writing within thirty (30) days after service of Landlord's determination of Fair Market Rent given under this Lease, specifying therein the name and address of the person to act as the arbitrator on its behalf. The arbitrator shall be qualified as a real estate appraiser familiar with the Fair Market Rent of first-class commercial office space in the City of Emeryville or downtown Oakland area who would qualify as an expert witness over objection to give testimony addressed to the issue in a court of competent jurisdiction. Failure on the part of Tenant to make a timely and proper demand for such arbitration shall constitute a waiver of the right thereto. Within ten (10) business days after the service of Tenant's demand for arbitration, Landlord shall have the right to give notice in writing to Tenant of Landlord's adjusted determination of Fair Market Rent. Within ten (10) business days following Tenant's receipt of such notice, if Tenant and Landlord have not agreed upon Fair Market Rent, Tenant shall notify Landlord in writing that Tenant desires to renew its demand for arbitration. Failure on the part of Tenant to give such notice shall constitute a waiver of the right to such arbitration, and Tenant shall be deemed to have accepted Landlord's adjusted determination of Fair Market Rent. Within ten (10) business days after the receipt of such notice, Landlord shall give notice to Tenant, specifying the name and address of the person designated by Landlord to act as arbitrator on its behalf who shall be similarly qualified. If Landlord fails to notify Tenant of the appointment of its arbitrator, within or by the time above specified, then the arbitrator appointed by Tenant shall be the arbitrator to determine the issue.

(b) If two (2) arbitrators are chosen pursuant to Section 7.11(a), the arbitrators so chosen shall meet within ten (10) business days after the second arbitrator is appointed and, if within ten (10) business days after such first meeting the two arbitrators shall be unable to agree promptly upon a determination of Fair Market Rent, they shall appoint a third arbitrator, who shall be a competent and impartial person with qualifications similar to those required of the first two arbitrators pursuant to Section 7.11(a). If they are unable to agree upon such appointment within five (5) business days after expiration of said ten (10) day period, the third arbitrator shall be selected by the parties themselves, if they can agree thereon, within a further period of ten (10) business days. If the parties do not so agree, then either party, on behalf of both, may request appointment of such a qualified person by the then Chief Judge of the United States District Court having jurisdiction over the County of Alameda, acting in his private non-judicial capacity. Request for appointment shall be made in writing with a copy given to the other party. Each party agrees that said Judge shall have the power to make the appointment. The three (3) arbitrators shall decide the dispute, if it has not previously been resolved, by following the procedure set forth in Section 7.11(c) below.

(c) Where the issue cannot be resolved by agreement between the two arbitrators selected by Landlord and Tenant or settlement between the parties during the course of arbitration, the issue shall be resolved by the three arbitrators in accordance with the following procedure. The arbitrators selected by each of the parties shall state in writing his determination of the Fair Market Rent, supported by the reasons therefor with counterpart copies to each party. The arbitrators shall arrange for a simultaneous exchange of such proposed resolutions. The role of the third arbitrator shall be to select which of the two proposed resolutions most closely approximates his determination of Fair Market Rent. The third arbitrator shall have no right to propose a middle ground or any modification of either of the two proposed resolutions. The resolution he chooses as most closely approximating his determination shall constitute the decision of the arbitrators and be final and binding upon the parties.

(d) If any arbitrator fails, refuses or is unable to act, his successor shall be appointed by him, but in the case of the third arbitrator, his successor shall be appointed in the same manner as provided for appointment of the third arbitrator. The arbitrators shall attempt to decide the issue within ten (10) business days after the appointment of the third arbitrator. Any decision in which the arbitrator appointed by Landlord and the arbitrator appointed by Tenant concur shall be binding and conclusive upon the parties. Each party shall pay the fees and costs of its own counsel. The losing party shall pay the fees and costs of the arbitrators and of the expert witnesses (if any) of the prevailing party as well as

those of its expert witnesses. For purposes hereof, the losing party shall be that party whose selected arbitrator's statement of Fair Market Rent was not selected by the third arbitrator.

(c) The arbitrators shall have the right to consult experts and competent authorities with factual information or evidence pertaining to a determination of Fair Market Rent, but any such consultation shall be made in the presence of both parties with full right on their part to cross-examine. The arbitrators shall render their decision and award in writing with counterpart copies to each party. The arbitrators shall have no power to modify the provisions of this Lease.

7.12. No Waiver. Failure of Landlord to declare any default immediately upon occurrence thereof, or delay in taking any action in connection therewith, shall not waive such default, but Landlord shall have the right to declare any such default at any time thereafter. No waiver by Landlord of any breach or Event of Default, or any agreement, term, covenant or condition contained in this Lease, shall be effective or binding on Landlord unless made in writing and no such waiver shall be implied from any omission by Landlord to take action with respect to such Event of Default or other such matter. No express written waiver by Landlord of any Event of Default, or other such matter, shall affect or cover any other Event of Default, matter or period of time, other than the Event of Default, matter and/or period of time specified in such express waiver. One or more written waivers by Landlord of any Event of Default, or other matter, shall not be deemed to be a waiver of any subsequent Event of Default, or other matter, in the performance of the same provision of this Lease. Acceptance of any full or partial payment of Rent by Landlord hereunder, or endorsement of any check, shall not constitute a waiver of any breach or Event of Default or of any agreement, term, covenant or condition of this Lease, except as to the amount of the full or partial payment of Rent so accepted, regardless of Landlord's knowledge of any concurrent Event of Default or matter and regardless of any notation on the check so endorsed. Landlord may, at its election, apply any Rent received from Tenant to the oldest obligation outstanding from Tenant to Landlord, any endorsement or other statement of Tenant to the contrary notwithstanding. No course of conduct between Landlord and Tenant, and no acceptance of the keys to or possession of the Leased Premises before the termination of the Term by Landlord or any employee of Landlord shall constitute a waiver of any such breach or of any term, covenant or condition of this Lease or operate as a surrender of this Lease. All of the remedies permitted or available to Landlord under this Lease, or at law or in equity, shall be cumulative and not alternative and invocation of any such right or remedy shall not constitute a waiver or election of remedies with respect to any other permitted or available right or remedy.

7.13. Statutory Waivers. Tenant hereby waives the benefits of: (i) Sections 1932 and 1933(4) of the California Civil Code (pertaining to the termination of a hiring); (ii) Sections 1941 and 1942 of the California Civil Code (pertaining to the obligations of a landlord to maintain premises and the rights of a tenant to make certain repairs or terminate a lease); (iii) Section 1945 of the California Civil Code (pertaining to renewal of a lease by acceptance of rent); (iv) Section 1950.7 of the California Civil Code (pertaining to security for the performance of a rental agreement); (v) Section 1995.310 of the California Civil Code (pertaining to remedies for withholding of consent to transfer of a leasehold); (vi) Section 1263.260 of the California Code of Civil Procedure (pertaining to the removal of improvements upon condemnation); and, (vii) Section 1265.130 of the California Code of Civil Procedure (pertaining to the termination of a lease upon condemnation).

7.14. Holding Over. If Tenant holds over after expiration or termination of this Lease without the written consent of Landlord, Tenant shall pay for each month of hold-over tenancy one hundred fifty percent (150%) of the Gross Rent that Tenant was obligated to pay for the month immediately preceding the end of the Term for each month or any part thereof of any such hold-over period together with such other amounts as may become due hereunder. No holding over by Tenant after the Term shall operate to extend the Term. If Tenant holds over without consent, Tenant shall indemnify, protect and hold Landlord harmless from and against all claims for damages by any other tenant or third person to whom Landlord may have leased or offered to lease all or any part of the Leased Premises covered hereby

effective on or after the termination of this Lease, together with all loss, cost, expense, damages and liabilities in connection with any such reletting, including, without limitation, attorneys' fees and Landlord's lost revenues. Any holding over with the consent of Landlord in writing shall thereafter constitute this Lease a lease from month to month.

7.15. Attorneys' Fees. If either party places the enforcement of this Lease, or any part thereof, or the collection of any Rent due, or to become due hereunder, or recovery of the possession of the Leased Premises in the hands of an attorney or collection agency, or files suit upon the same, or seeks a judicial declaration of rights hereunder, the prevailing party shall recover its reasonable attorneys' fees, court costs and collection agency charges. "Prevailing party" within the meaning of this Section 7.15 shall include a party who dismisses an action for recovery hereunder in exchange for payment of the sums allegedly due, performance of covenants allegedly breached or consideration substantially equal to the relief sought in the action.

7.16. Waiver of Right to Jury Trial. LANDLORD AND TENANT WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CONTRACT OR TORT CLAIM, COUNTERCLAIM, CROSS-COMPLAINT, OR CAUSE OF ACTION IN ANY ACTION, PROCEEDING, OR HEARING BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE LEASED PREMISES, INCLUDING WITHOUT LIMITATION ANY CLAIM OF INJURY OR DAMAGE OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY CURRENT OR FUTURE LAW, STATUTE, REGULATION, CODE, OR ORDINANCE. Landlord and Tenant agree that this paragraph constitutes a written consent to waiver of trial by jury within the meaning of California Code of Civil Procedure Section 631(d)(2), and Tenant does hereby authorize and empower Landlord to file this paragraph and/or this Lease, as required, with the clerk or judge of any court of competent jurisdiction as a written consent to waiver of jury trial. If the waiver set forth in this Section 7.16 is determined by any court to be invalid because it was executed prior to the commencement of any action, then Landlord and Tenant each covenant and agree to execute and deliver to the other, within five (5) days of a written request by the other, a waiver of the right to trial by jury similar in terms and scope to the waiver set forth in this Section 7.16 at such time following the commencement of such action as such waiver, if then made, would be valid.

7.17. Amendments. This Lease may not be altered, changed or amended, except by an instrument in writing signed by both parties.

7.18. Transfers By Landlord. Landlord shall have the right to transfer and assign, in whole or in part, all of its rights and obligations hereunder and in the Project. Upon transfer by Landlord of its interest in the Project, and upon the transferee's assumption of Landlord's obligations hereunder, no further liability or obligations shall thereafter accrue against the transferring or assigning person as Landlord hereunder.

7.19. Severability. If any term or provision of this Lease, or the application thereof to any person or circumstances, shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and shall be enforceable to the extent permitted by law.

7.20. Notices. All notices, demands, consents and approvals that may or are required to be given by either party to the other hereunder shall be in writing and shall be deemed to have been fully given by personal delivery or when deposited in the United States mail, certified or registered, postage

prepaid, and addressed to the party to be notified at the address for such party specified on the Basic Lease Information Sheet, or to such other place as the party to be notified may from time to time designate by at least fifteen (15) days notice to the notifying party. Personal delivery of notices to Tenant may in all events be made by leaving a copy of the notice, addressed to Tenant, at the Leased Premises. Tenant appoints as its agent to receive the service of all default notices and notice of commencement of unlawful detainer proceedings the person in charge of or apparently in charge of or occupying the Leased Premises at the time, and, if there is no such person, then such service may be made by attaching the same on the main entrance of the Leased Premises.

7.21. No Option. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or an option for lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

7.22. Integration and Interpretation. The terms of this Lease are intended by the parties as a final expression of their agreement with respect to such terms as are included in this Lease and may not be contradicted by evidence of any prior or contemporaneous agreement, arrangement, understanding or negotiation (whether oral or written). The parties further intend that this Lease constitutes the complete and exclusive statement of its terms, and no extrinsic evidence whatsoever may be introduced in any judicial proceeding involving this Lease. The language in all parts of this Lease shall in all cases be construed as a whole and in accordance with its fair meaning and not restricted for or against any party, regardless of which party may have drafted the provision in question, it being agreed that this is a negotiated agreement.

7.23. Defined Terms, Marginal Headings and References to Codes. When required by the context of this Lease, the singular includes the plural. If more than one person or entity signs this Lease as Tenant, the obligations hereunder imposed upon Tenant shall be joint and several, and the act of, written notice to or from, refund to, or signature of, any Tenant signatory to this Lease (including without limitation modifications of this Lease made by fewer than all such Tenant signatories) shall bind every other Tenant signatory as though every other Tenant signatory had so acted, or received or given the written notice or refund, or signed. The headings and titles to the paragraphs of this Lease are for convenience only and are not to be used to interpret or construe this Lease. Wherever the term "including" or "includes" or any term of similar meaning is used in this Lease, it shall be construed as if followed by the phrase "without limitation." The term "month," when not specified to be a Lease Month or calendar month, shall mean a period commencing as of a particular date and continuing to and including the day immediately preceding the same day of the next calendar month (whether or not such day is a Saturday, Sunday or holiday). References to sections or provisions of any statutes, codifications of statutes, rules, regulations or ordinances shall be deemed to also refer to any successor sections or provisions pertaining to the same subject matter.

7.24. Quitclaim. Upon expiration or earlier termination of this Lease, Tenant shall, immediately upon request of Landlord, execute, acknowledge and deliver to Landlord a recordable deed quit-claiming to Landlord all interest of Tenant in the Leased Premises, the Project and this Lease.

7.25. No Easement For Light, Air and View. This Lease conveys to Tenant no rights for any light, air or view. No diminution of light, air or view, or any impairment of the visibility of the Leased Premises from inside or outside the Building, by any structure or other object that may hereafter be erected (whether or not by Landlord) shall entitle Tenant to any reduction of Rent under this Lease, constitute an actual or constructive eviction of Tenant, result in any liability of Landlord to Tenant, or in any other way affect this Lease or Tenant's obligations hereunder.

7.26. Disclosure as to Hazardous Materials. Landlord hereby discloses to Tenant that previous occupants or others possessed and used or may have possessed and used office supplies, cleaning products, construction and decorating materials and other substances in or about the Leased Premises or portions thereof and which may contain or may have contained Hazardous Materials. In addition: (i) portions of the Project (including, without limitation, the equipment rooms and emergency generator areas) contain Hazardous Materials of the kind ordinarily employed in such areas; and (ii) automobiles and other vehicles operated or parked in the parking and loading dock areas emit substances which may contain Hazardous Materials. Tenant acknowledges that Tenant has received the asbestos notification letter attached to this Lease as Exhibit D hereto, disclosing the existence of asbestos in the Building. As part of Tenant's obligations under this Lease, Tenant agrees to comply with the California "Connelly Act" and other applicable laws, including providing copies of Landlord's asbestos notification letter to all of Tenant's "employees" and "owners", as those terms are defined in the Connelly Act and other applicable laws.

7.27. No Merger. The voluntary or other surrender or termination of this Lease by Tenant, or a mutual cancellation thereof shall not work a merger, but, at Landlord's sole option, shall either terminate all existing subleases or subtenancies or shall operate as an assignment to Landlord of all such subleases or subtenancies.

7.28. Construction of Certain Terms. The terms "include" and "including" as used in this Lease shall be construed as terms of illustration and not terms of exclusion, and Landlord and Tenant hereby agree that the provisions of Section 3534 of the California Civil Code shall not apply to this Lease, to the extent such provisions are inconsistent with that principle.

7.29. Memorandum of Lease. Tenant shall, upon request of Landlord, execute, acknowledge and deliver a short form memorandum of this Lease (and any amendment hereto or consolidation hereof), in form suitable for recording. In no event shall this Lease or any memorandum thereof be recorded without the prior written consent of Landlord, and any attempt to do so shall constitute an Event of Default by Tenant.

7.30. Survival. All of Tenant's covenants and obligations contained in this Lease shall survive the expiration or earlier termination of this Lease. No provision of this Lease providing for termination in certain events shall be construed as a limitation or restriction of Landlord's rights and remedies at law or in equity available upon a breach by Tenant of this Lease.

7.31. Financial Statements. On or before the first day of November of each calendar year, Tenant shall furnish Landlord with audited financial statements, dated no earlier than one (1) year before such date, certified as accurate by Tenant, reflecting Tenant's then current financial condition, or the financial condition of the individuals comprising Tenant, in such form and detail as Landlord may reasonably request. In addition, if Landlord finances the construction of improvements on and to the Building or Project, or otherwise procures financing secured by the Building or Project, or any portion thereof or interest therein, then the terms and provisions of this Lease may be subject to review and approval by the financial source providing such financing.

7.32. No Joint Venture. This Lease shall not be construed to create a partnership, joint venture or similar relationship or arrangement between Landlord and Tenant hereunder.

7.33. Successors and Assigns. This Lease shall be binding upon and inure to the benefit of Landlord, its successors and assigns (subject to the provisions hereof, including, but without limitation, Section 5.15); and shall be binding upon and inure to the benefit of Tenant, its successors, and to the extent assignment may be approved by Landlord hereunder, Tenant's assigns.

7.34. Nondisclosure of Lease Terms. Tenant agrees that the terms of this Lease are confidential and constitute proprietary information of Landlord, and that disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate with other tenants. Tenant hereby agrees that Tenant and its partners, officers, directors, employees, agents, real estate brokers and sales persons and attorneys shall not disclose the terms of this Lease to any other person without Landlord's prior written consent, except to any accountants of Tenant in connection with the preparation of Tenant's financial statements or tax returns, to an assignee of this Lease or subtenant of the Leased Premises, or to an entity or person to whom disclosure is required by applicable law or in connection with any action brought to enforce this Lease.

7.35. Brokerage Commissions.

(a) Landlord hereby warrants and represents to Tenant that Landlord has not voluntarily incurred, on its behalf or on behalf of Tenant or on behalf of both Landlord and Tenant, any obligation to pay a commission or finder's fee to any real estate broker or other person or entity in connection with this Lease, other than Tenant's Broker, with which Landlord has a separate agreement with respect to the payment of a commission in connection with this transaction. Landlord hereby agrees to indemnify, defend and hold Tenant harmless from claims for any commission or finder's fee charges by any real estate broker or other person or entity (including, without limitation, Tenant's Broker specified in the Basic Lease Information Sheet, but only to the extent that the claim of Tenant's Broker is based upon the separate agreement between Landlord and Tenant's Broker) arising from an agreement, whether express or implied, between Landlord and such broker or other person or entity or otherwise arising from the conduct of Landlord.

(b) Tenant hereby warrants and represents to Landlord that Tenant has not voluntarily incurred, on its behalf or on behalf of Landlord or on behalf of both Landlord and Tenant, any obligation to pay a commission or finder's fee to any real estate broker or other person or entity in connection with this Lease, other than Tenant's Broker. Tenant is not aware of any obligation of Landlord to Tenant's Broker other than those set forth in the separate agreement between Landlord and such broker. Tenant hereby agrees to indemnify, defend and hold Landlord harmless from claims for any commission or finder's fee charges by any real estate broker or other person or entity arising from an agreement, whether express or implied, between Tenant and such broker or other person or entity or otherwise arising from the conduct of Tenant.

7.36. Authority. If Tenant is a corporation, partnership, trust, association or other entity, Tenant and each person executing this Lease on behalf of Tenant, hereby covenants and warrants that (a) Tenant is duly incorporated or otherwise established or formed and validly existing under the laws of its state of incorporation, establishment or formation, (b) Tenant has and is duly qualified to do business in the state in which the Project is located, (c) Tenant has full corporate, partnership, trust, association or other appropriate power and authority to enter into this Lease and to perform all Tenant's obligations hereunder, and (d) each person (and all of the persons if more than one signs) signing this Lease on behalf of Tenant is duly and validly authorized to do so.

7.37. OFAC Certification. Tenant represents and warrants that Tenant is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, group, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control and that it is not engaged in this transaction, directly or indirectly, on behalf of, or instigating or facilitating this transaction, directly or indirectly, on behalf of any such person, group, entity, or nation.

7.38. Applicable Law. All rights and remedies of Landlord and Tenant under this Lease shall be construed and enforced according to the laws of the State of California. Any actions or proceedings

brought under this Lease, or with respect to any matter arising under or out of this Lease, shall be brought and tried only in courts located in Alameda County, California (excepting appellate courts).

7.39. Time of the Essence. Time is of the essence of each and every covenant herein contained.

7.40. Exhibits. The Basic Lease Information Sheet and all exhibits attached hereto are hereby incorporated herein and made an integral part hereof.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

"Landlord"

NOP WATERGATE LLC,
a Delaware limited liability company

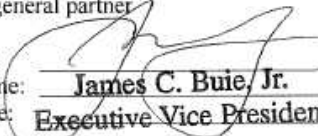
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a Delaware limited partnership,
its sole member

By: Hines National Office Partners
Limited Partnership, a Texas
limited partnership, its general partner

By: Hines Fund Management, L.L.C.,
a Delaware limited liability company,
its general partner

By: Hines Interests Limited Partnership,
a Delaware limited partnership,
its sole member

By: Hines Holdings, Inc.,
a Texas corporation,
its general partner

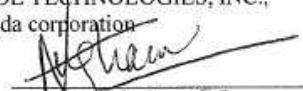
By: 
Name: James C. Buie, Jr.
Title: Executive Vice President

W
GC

DSP

"Tenant"

NETSOL TECHNOLOGIES, INC.,
a Nevada corporation

By: 
Name: NAJEEB U-G GAUR
Title: CEO

NETSOL TECHNOLOGIES NORTH AMERICA, INC.
a California corporation

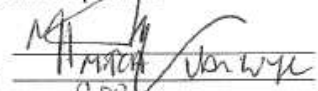
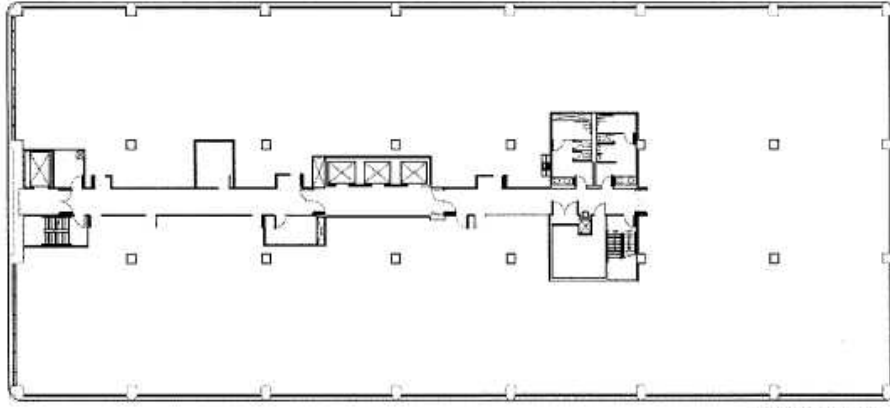
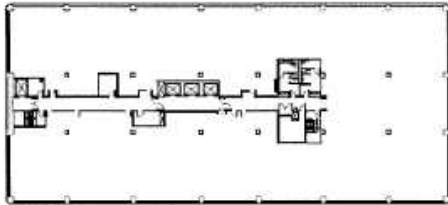
By: 
Name: Michael Van Wyk
Title: COO

EXHIBIT A

“Leased Premises Depiction”



Leased Premises



KEY PLAN

EXHIBIT A



EXHIBIT B

INITIAL IMPROVEMENT OF THE LEASED PREMISES

1. Tenant Improvements. All Tenant Improvements shall be furnished and installed within the Leased Premises substantially in accordance with plans and specifications to be prepared by Tenant and approved by Landlord in accordance with this Exhibit B and shall be furnished and installed at the expense of Tenant, except for the amount of the Landlord's Contribution ("Landlord's Contribution") described in Paragraph 12 of this Exhibit B. For purposes hereof, the cost of the Tenant Improvements shall include, without limitation, all building permit fees, payments to design consultants for services and disbursements, all demolition and other preparatory work, premiums for insurance and bonds, general conditions, such inspection fees as Landlord may incur, reimbursement to Landlord for permit and other fees Landlord may incur that are fairly attributable to the Tenant Improvement work, the cost of preparing as-built drawings, and the cost of all floor pedestal and floor panel systems, the cost of installing any additional electrical capacity or telecommunications capacity required by Tenant.

2. Condition of the Leased Premises. Except as provided in this Exhibit B, Landlord shall have no obligation to Tenant with respect to the condition of the Leased Premises as of the Term Commencement Date. Tenant acknowledges and agrees that the work required to be performed pursuant to this Exhibit B includes any demolition or other preparatory work required as a result of the condition of the Leased Premises as of the date of the Lease. In the event that any improvements existing in the Leased Premises as of the date of the Lease are damaged or destroyed by fire or other casualty prior to the commencement of the construction of the Tenant Improvements, Landlord shall not be required to replace such existing improvements, but shall only be required to remove the portion of such existing improvements which was so damaged or destroyed. The other provisions of this Paragraph 2 notwithstanding, the cost of removing any portion of the existing improvements which is so damaged or destroyed by fire or other casualty shall not be deemed a part of the cost of constructing the Tenant Improvements. Tenant further acknowledges that Landlord has not made any warranty or representation of any kind to Tenant regarding the condition of the Leased Premises as of the date of the Lease or as to the suitability of the Leased Premises for Tenant's intended use.

3. Tenant's Architect, Engineers and Contractors. Tenant shall select architects, engineers and contractors from a list of approved architects, engineers and contractors to be provided to Tenant by Landlord. In the event that Tenant desires to use an architect, engineer or contractor not on the list provided by Landlord, Tenant may request the consent of Landlord to the use of such architect, engineer or contractor. The cost of preparing all plans and specifications for the Tenant Improvements (including without limitation the Conceptual Plans referred to in Paragraph 4 of this Exhibit B and the Working Drawings referred to in Paragraph 5 of this Exhibit B), and the cost of preparing any change thereto shall be paid by Tenant, although Tenant may apply the Landlord's Contribution to the payment of such costs in accordance with the provisions of Paragraph 12 of this Exhibit B.

4. Submittal of Conceptual Plans. Tenant shall submit to Landlord conceptual plans for the Tenant Improvements (the "Conceptual Plans"), including architectural, electrical and reflected ceiling drawings. Such Conceptual Plans shall be for the general information of Landlord, and to assist in the coordination of the design and construction of the Tenant Improvements, but receipt of such Conceptual Plans by Landlord shall not constitute an approval by Landlord of the design or specifications shown thereon. Landlord shall, within a reasonable time following receipt by Landlord of such plans from Tenant, review, comment on and return the Conceptual Plans to Tenant, marked "Approved," "Approved as Noted" or "Disapproved as Noted, Revise and Resubmit." If the Conceptual Plans are returned to Tenant marked "Disapproved as Noted, Revise and Resubmit," Tenant shall cause such plans to be revised, taking into account the reasons for Landlord's disapproval, and shall resubmit revised plans to

Landlord for review. The same procedure shall be repeated until Landlord fully approves the Conceptual Plans.

5. Submittal of Working Drawings. Following the approval by Landlord of the Conceptual Plans, Tenant shall deliver to Landlord one (1) set of reproducible sepia and three (3) sets of blue-lined prints of working drawings and specifications (hereinafter referred to collectively as the "Working Drawings") for the Tenant Improvements prepared at Tenant's sole cost and expense (although Tenant may apply the Landlord's Contribution to the payment of such cost in accordance with the provisions of Paragraph 12 of this Exhibit B) by an architect ("Tenant's Architect") licensed in the State of California and selected by Tenant from the list provided by Landlord in accordance with Paragraph 3 of this Exhibit B or specifically approved in writing by Landlord. If the draft of the Working Drawings was prepared on a computer-assisted design ("CAD") system, Tenant shall also deliver to Landlord an electronic copy of the Working Drawings in the AutoCAD format. Within five (5) business days of the receipt by Landlord of a draft of Working Drawings from Tenant, Landlord shall return to Tenant one (1) sepia set of the Working Drawings marked "Approved," "Approved as Noted" or "Disapproved as Noted, Revise and Resubmit." If the Working Drawings are returned to Tenant marked "Disapproved as Noted, Revise and Resubmit," Tenant shall cause such Working Drawings to be revised, taking into account the reasons for Landlord's disapproval and shall resubmit revised plans to Landlord for review. The same procedure shall be repeated until Landlord fully approves the Working Drawings. The Working Drawings shall be consistent with, and a logical extension of, the Conceptual Plans approved by Landlord in accordance with Paragraph 4 of this Exhibit B. Tenant shall be solely responsible for: (i) the completeness of the Working Drawings; (ii) the conformity of the Working Drawings with the existing conditions in the Building and the Leased Premises; (iii) the compatibility of the Working Drawings with the shell or the core or the mechanical, plumbing, life safety or electrical systems of the Building; and, (iv) the compliance of the Working Drawings with all applicable regulations, laws, ordinances, codes and rules, including, without limitation, the Americans With Disabilities Act. When the Working Drawings are approved by Landlord and Tenant, they shall be acknowledged as such by Landlord and Tenant signing each sheet of the Working Drawings. If the Working Drawings were prepared on a CAD system, Tenant shall also deliver to Landlord an electronic copy of the approved Working Drawings in the AutoCAD format. Tenant shall cause the Conceptual Plans and Working Drawings to be prepared, submitted to Landlord and, where required, revised so as to obtain the approval of the Working Drawings by Landlord on or before Tenant's Plan Delivery Date.

6. Landlord's Review Responsibilities. Tenant acknowledges and agrees that the review of all Conceptual Plans and Working Drawings by Landlord is solely to protect the interests of Landlord in the Building and the Leased Premises, and Landlord shall not be the guarantor of, nor in any way or to any extent responsible for, the correctness or accuracy of any Conceptual Plans or Working Drawings or of the compliance of the Conceptual Plans or Working Drawings with applicable regulations, laws, ordinances, codes and rules or of the conformance of Conceptual Plans or Working Drawings with existing conditions in the Building. Tenant shall require that its architects, engineers and contractors verify all existing conditions in the Building, insofar as they are relevant to, or may affect, the design and construction of the Tenant Improvements, and Landlord shall have no liability to Tenant for any inaccuracy or incorrectness in any of the information supplied by Landlord with regard to existing conditions. Approval by Landlord of the Conceptual Plans or Working Drawings prepared by Tenant shall not: (a) imply approval by Landlord as to compliance of such plans or Working Drawings with applicable regulations, laws, ordinances, codes and rules; (b) imply the compatibility of the Conceptual Plans or Working Drawings with the shell or the core or the mechanical, plumbing, life safety or electrical systems of the Building; or (c) limit Landlord's right to require change in portions of the Conceptual Plans or Working Drawings which are incompatible with or which, in the reasonable opinion of Landlord, adversely affect the Building structure or the electrical, plumbing, life safety or mechanical systems of the Building or which affect the availability to Landlord of third party warranties. Tenant acknowledges that all changes in the Working Drawings necessary to obtain any permit or to comply with all applicable

regulations, laws, ordinances, codes and rules or to achieve the compatibility of the Conceptual Plans and Working Drawings with the shell and the core and the mechanical, plumbing, life safety and electrical systems of the Building shall be the responsibility of Tenant.

7. Pricing the Work.

(a) Upon completion of the Working Drawings for the Tenant Improvements, Tenant shall cause its architect to deliver to Landlord the number of copies of the Working Drawings which Landlord may reasonably request for use in obtaining bids for the work and in the course of construction. Upon receipt of such copies, Landlord shall solicit bids from more than one general contractor for the work shown on the Working Drawings.

(b) In Tenant may, within five (5) days of the receipt by Tenant of the notice from Landlord of the general contractors from whom Landlord intends to solicit bids, notify Landlord in writing of the names of not more than three (3) general contractors from which Tenant would also like bids solicited. Landlord shall solicit bids from any such general contractors named in the notice from Tenant and from any other contractors from which Landlord desires to solicit bids, unless Landlord notifies Tenant in writing that Landlord does not approve of the use of one or more of the contractors named by Tenant, in which event Landlord shall not be required to solicit bids from the contractors of which Landlord does not approve. Landlord shall be entitled to receive a fee for the supervision of the general contractor in an amount equal to five percent (5%) of the cost of constructing the Tenant Improvements in the Leased Premises, including amounts attributable to any general conditions. Upon receipt of bids from the contractors from which bids were solicited, excluding any which do not submit a bid within any reasonable time limitation for the submission of bids specified by Landlord in the request for bids, Landlord shall notify Tenant of the amount of each of the bids, and shall select the general contractor whose bid for the work, taken as a whole, is the lowest.

8. Administration of Work.

(a) After acceptance of bids, Landlord shall administer the construction of Tenant Improvements in accordance with the Working Drawings; provided, however, that Landlord shall not be required to install any Tenant Improvements that do not conform to the plans and specifications for the Project, or conflict with elements of the Project, or do not conform to any applicable regulations, laws, ordinances, codes and rules; such conformity being the obligation of Tenant.

(b) All Tenant Improvements shall be constructed by the general contractor selected for the work, with the exception of office equipment work stations, telephone equipment and wiring, and office equipment and wiring, all of which shall be constructed, installed or provided by Tenant subject to the limitations hereinafter set forth. Tenant may elect by written notice to Landlord prior to the solicitation of bids by Landlord from the general contractors pursuant to Paragraph 7 of this Exhibit B, that Tenant shall construct, install or provide any of the following work subject to the limitations hereinafter set forth: floor coverings, wall finishes, mill work, or security systems (which shall not be connected to the life safety systems of the Building).

(c) All Tenant Extra Improvements and other materials or equipment furnished and installed by Tenant shall be installed in a manner that conforms with Landlord's contractor's schedule, and the work of installation shall be handled in such a manner as to maintain harmonious labor relations and as not to interfere with or delay the work of Landlord's contractors. No portion of the work to be performed by Landlord's contractor or any subcontractor shall be dependent upon completion of any work of construction or installation to be performed by Tenant, and the work to be performed by Landlord shall have priority over any work to be performed by Tenant. Tenant's contractors, subcontractors and labor shall be subject to approval by Landlord and shall be subject to the administrative supervision of Landlord or Landlord's general contractor and rules of the site. Contractors and subcontractors engaged by Tenant shall take the necessary steps to insure, so far as may be possible, the progress of the work without

interruption on account of strikes, work stoppage or similar causes for delay. In the event that Tenant's contractors or subcontractors do not promptly cause any pickets to be withdrawn and all other disruptions to the operations of the Building promptly to cease, or in the event that Landlord notifies Tenant that Landlord has concluded that picketing or other disruptive activities are an imminent threat, Tenant shall immediately withdraw from the job all of its contractors or subcontractors involved in the dispute. Any delay caused to Landlord's contractor attributable to performance on the part of Tenant of any work of installing or furnishing Tenant Extra Improvements or office equipment work stations, telephone equipment and wiring, office equipment and wiring, floor coverings (if applicable), wall finishes (if applicable), mill work (if applicable), or security systems (if applicable), shall constitute Tenant's Delay, and in addition to the obligations set forth in Paragraph 14 below, Tenant shall be obligated to pay all cost and expense incurred by Landlord in connection therewith. No portion of any work to be performed by Tenant shall be taken into account in determining whether or not the Leased Premises are Substantially Complete.

(d) Tenant shall require that each of its contractors and subcontractors maintain commercial general liability insurance in an amount of not less than Three Million Dollars (\$3,000,000.00) on a combined single limit basis and all worker's compensation insurance required by law.

(e) Upon and following any entry into the Leased Premises by Tenant prior to the commencement of its Term (whether authorized or unauthorized), Tenant shall perform all of the obligations of Tenant applicable under the Lease during the Term (except the obligation to pay Base Rent and Tenant's Proportionate Share of Basic Operating Cost, but only if such entry is authorized by Landlord in writing), including, without limitation, obligations pertaining to insurance, indemnity, compliance with laws and Hazardous Materials. In addition to the indemnity obligations of Tenant under the Lease, Tenant shall indemnify, defend and protect Landlord and hold Landlord harmless of and from any and all claims, proceedings, loss, cost, damage, causes of action, liabilities, injury or expense arising out of or related to claims of injury to or death of persons or damage to property occurring or resulting directly or indirectly from the presence in the Leased Premises or the Project of Tenant's contractors or representatives or the activities of Tenant or its contractors or representatives in or about the Leased Premises or Project during the construction period, such indemnity to include, but without limitation, the obligation to provide all costs of defense against any such claims.

9. Obligation of Tenant to Provide As-Built Plans. Within thirty (30) days of Substantial Completion, Tenant shall cause Tenant's Architect to provide Landlord with a complete set of plans on mylar and specifications reflecting the actual conditions of the Tenant Improvements as constructed in the Leased Premises, together with an electronic copy of such plans in the AutoCAD format or such other format as may be reasonably requested by Landlord.

10. Reimbursement and Compensation. Tenant shall reimburse Landlord for all actual costs incurred by Landlord in connection with the design and review of Conceptual Plans and Working Drawings for the Tenant Improvements, and Landlord shall be entitled to receive the fee provided in Paragraph 7 of this Exhibit B. Landlord may obtain any reimbursement or compensation required hereunder by deducting the amount of such reimbursement or compensation from Landlord's Contribution.

11. Tenant Payments. Tenant shall pay to Landlord within fifteen (15) days after billing by Landlord all amounts, if any, payable by Tenant pursuant to this Exhibit B. Statements or invoices may be rendered by Landlord during the progress of the work so as to enable Landlord to pay its general contractor, subcontractors, architect or engineers without advancing Landlord's funds to pay the cost of Tenant Extra Improvements, until the cost of the Tenant Improvements remaining to be paid does not exceed the amount of Landlord's Contribution.

12. Landlord's Contribution. Landlord shall provide a total of One Million Five Hundred Fifty-Four Thousand Twenty and No/100ths Dollars (\$1,554,020.00; based on \$65.00 per square foot on

23,908 square feet of Net Rentable Area in the Leased Premises; "Landlord's Contribution"), as provided in this Paragraph 12 in partial payment for the design and construction of the Tenant Improvements in the Leased Premises. Landlord shall apply Landlord's Contribution to the cost of designing and constructing the Tenant Improvements and for the other purposes specifically provided in this Exhibit B. The obligation of Landlord to make any one or more payments pursuant to the provisions of this Paragraph 12 or to proceed with the construction of the Tenant Improvements shall be suspended without further act of the parties during any such time as there exists an Event of Default under the Lease or any event or condition which, with the passage of time or the giving of notice or both would constitute such an Event of Default. The obligation of Landlord to pay Landlord's Contribution shall terminate as of the first anniversary of the Term Commencement Date as to any portion thereof which has not been applied and paid and which is not required to pay expense which has then been incurred (but not paid). Nothing in this Paragraph 12 shall affect the obligations of Tenant under the Lease with respect to any alterations, additions and improvements within the Leased Premises, including, without limitation, any obligation to obtain the prior written consent of Landlord hereto.

13. Designation of Tenant's Representative. Tenant hereby designates Prab Brinton as its representative in connection with the design and construction of the Tenant Improvements, and Landlord shall be entitled to rely upon the decisions and agreements made by such representative as binding upon Tenant.

14. Tenant's Delay. If Landlord shall be delayed in Substantial Completion as a result of:

(a) Tenant's failure to obtain approval of the Working Drawings by Landlord on or before Tenant's Plan Delivery Date; or,

(b) Tenant's change(s) in Working Drawings after approval of the Working Drawings by Landlord, provided that Tenant shall not change the Working Drawings without the consent of Landlord, which consent shall not be unreasonably withheld unless such change could reasonably be expected to delay Substantial Completion; or,

(c) Tenant's request for materials, finishes or installations other than Building Standard Improvements which require a longer time than Building Standard Improvements to complete; or,

(d) Tenant's failure to comply with Landlord's contractor's or subcontractor's schedule; or,

(e) An Event of Default by Tenant under the Lease or the existence of any event or condition which, with the passage of time or the giving of notice or both would constitute such an Event of Default; or,

(f) Delays caused by Tenant in construction; or,

(g) Any other act or omission of Tenant (all of the foregoing being referred to herein collectively as "Tenant's Delay"), then Tenant shall pay to Landlord, as Additional Rent, one day's Gross Rent for each day of Tenant's Delay. In addition, and notwithstanding any provision to the contrary contained in the Lease, if Substantial Completion is delayed due to Tenant's Delay, the Term Commencement Date shall be the earlier of the date of Substantial Completion or the date when Substantial Completion would have occurred if there had been no Tenant's Delay. Tenant acknowledges that the length of any Tenant's Delay is to be measured by the duration of the delay in Substantial Completion caused by the event or conduct constituting Tenant's Delay, which may exceed the duration of such event or conduct due to the necessity of rescheduling work or other causes.

EXHIBIT B-1

DEFINITION OF BUILDING STANDARD IMPROVEMENTS

For the purposes of the definition set forth in Section 1.13 of the Lease, Building Standard Improvements would consist of:

A. Partitions.

One (1) linear foot of ceiling height partition per twelve (12) square feet of Net Rentable Area less Common Areas. All required partitions will be 5/8" gypsum board, painted with two coats of latex on 2-1/2" metal studs at 24" on center, with 2-1/2" base.

B. Doors and Hardware.

One (1) full height, solid core, teak veneer door with an aluminum frame and lever handle latch set hardware per three hundred (300) square feet of Net Rentable Area less Common Areas.

C. Ceiling.

A 24"x24"x5/8" thick fissured-type mineral fiber grid acoustical ceiling throughout the Leased Premises.

D. Lighting.

One (1) 2'x4' recessed fluorescent lighting fixture with anodized aluminum parabolic shaped louvers, including initial lamping, per seventy-five (75) square feet of Net Rentable Area less Common Areas. Common Areas on all office floors shall have lighting selected by Landlord.

E. Electrical Outlets.

One (1) duplex wall-mounted convenience outlet mounted at standard locations with white plastic cover plate for each one hundred twenty (120) square feet of Net Rentable Area less Common Areas.

F. Telephone Outlets.

One (1) telephone wall outlet mounted at standard locations for each two hundred ten (210) square feet of Net Rentable Area less Common Areas with pull wire through the partition.

G. Floor Covering.

Building standard carpet.

H. Switch.

One (1) dual light switch, rocker type, mounted at standard locations with white plastic cover plate for each three hundred (300) square feet of Net Rentable Area less Common Areas.

I. Window Covering.

Horizontal aluminum one-inch-slat blinds for exterior windows.

J. Life Safety Systems.

Fire sprinkler heads to conform with typical Tenant partition layout, utilizing the Building standard partition and lighting, for light hazard occupancy design criteria. Manual fire alarm pull stations, exit lights, and audible fire alarm speakers shall be provided at the Building stair doors and elevator lobbies.

K. Heating, ventilation and air conditioning.

The heating, ventilation and air conditioning system for the Leased Premises to suit normal general office space utilizing the Building standard lighting fixtures.

EXHIBIT C

BUILDING RULES AND REGULATIONS

1. Sidewalks, doorways, halls, stairways, vestibules and other similar areas shall not be obstructed by any Tenant or used by them for purpose other than ingress to and egress from their respective Leased Premises, and for going from one part of the Building to another part.
2. Plumbing fixtures shall be used only for their designated purpose, and no foreign substances of any kind shall be deposited therein. Damage to any such fixture resulting from misuse by Tenant or any employee or invitee of Tenant shall be repaired at the expense of Tenant.
3. Nails, screws and other attachments to the Building require prior written consent from Landlord.
4. All contractors and technicians rendering any installation service to Tenant shall be subject to Landlord's approval and supervision prior to performing services. This applies to all work performed in the Building, including, but not limited to, installation of telephone, telegraph equipment, and electrical devices, as well as all installation affecting floors, walls, woodwork, windows, ceilings, and any other physical portion of the Building.
5. Movement in or out of the Building of furniture, office equipment, or other bulky material which requires the use of elevators, stairways, or Building entrance and lobby shall be restricted to hours established by Landlord. All such movement shall be under Landlord's supervision, and the use of an elevator for such movements may, at Landlord's election, be restricted to the Building's freight elevators. Prearrangements with Landlord shall be made regarding the time, method, and routing of such movement, and Tenant shall assume all risks of damage and pay the cost of repairing or providing compensation for damage to the Building, to articles moved and injury to persons or public resulting from such moves. Landlord shall not be liable for any acts or damages resulting from any such activity.
6. Corridor doors, when not in use, shall be kept closed.
7. Tenant shall cooperate with Landlord in maintaining the Leased Premises. Tenant shall not employ any person for the purpose of cleaning the Leased Premises other than the Building's cleaning and maintenance personnel.
8. Deliveries of water, soft drinks, newspapers, or other such items to any Leased Premises shall be restricted to hours established by Landlord and made by use of the freight elevators if Landlord so directs.
9. Nothing shall be swept or thrown into the corridors, halls, elevator shafts, or stairways. No birds, fish, or animals of any kind shall be brought into or kept in, on or about the Leased Premises.
10. No cooking shall be done in the Leased Premises except in connection with convenience lunch room or beverage service for employees and guests (on a non-commercial basis) in a manner which complies with all of the provisions of the Lease and which does not produce fumes or odors.
11. Food, soft drink or other vending machines shall not be placed within the Leased Premises without Landlord's prior written consent.
12. Tenant shall not use or keep on its Leased Premises any kerosene, gasoline, or inflammable or combustible fluid or material other than limited quantities reasonably necessary for the operation and maintenance of office equipment.
13. Tenant shall not tamper with or attempt to adjust temperature control thermostats in the Leased Premises. Landlord shall make adjustments in thermostats on call from Tenant.
14. Tenant shall comply with all requirements necessary for the security of the Leased Premises, including the use of service passes issued by Landlord for after hours movement of office equipment/packages, and signing security register in Building lobby after hours.

15. Landlord will furnish Tenant with a reasonable number of initial keys for entrance doors into the Leased Premises and may charge Tenant for additional keys, thereafter. All such keys shall remain the property of Landlord. No additional locks are allowed on any door of the Leased Premises without Landlord's prior written consent and Tenant shall not make any duplicate keys, except those provided by Landlord. Upon termination of this Lease, Tenant shall surrender to Landlord all keys to the Leased Premises, and give to Landlord the combination of all locks for safes and vault doors, if any, in the Leased Premises.

16. Landlord retains the right, without notice or liability to any tenant, to change the name and street address of the Building.

17. Canvassing, peddling, soliciting, and distribution of handbills in the Building are prohibited and each tenant will cooperate to prevent these activities.

18. Landlord reserves the right to rescind any of these rules and regulations and to make future rules and regulations required for the safety, protection, and maintenance of the Building, the operation and preservation of good order thereof, and the protection and comfort of the tenants and their employees and visitors. Such rules and regulations, when made and written notice given the Tenant, shall be binding as if originally included herein.

EXHIBIT D

ASBESTOS NOTIFICATION

This Exhibit D is attached to and made a part of the Lease

As you may know, asbestos-containing materials ("ACMs") were historically commonly used in the construction of commercial buildings across the country. ACMs were commonly used because of their beneficial qualities; ACMs are fire-resistant and provide good noise and temperature insulation.

Some common types of ACMs include surfacing materials (such as spray-on fireproofing, stucco, plaster and textured paint), flooring materials (such as vinyl floor tile and vinyl floor sheeting) and their associated mastics, carpet mastic, thermal system insulation (such as pipe or duct wrap, boiler wrap and cooling tower insulation), roofing materials, drywall, drywall joint tape and drywall joint compound, acoustic ceiling tiles, transite board, base cove and associated mastic, caulking, window glazing and fire doors. These materials are not required under law to be removed from any building (except prior to demolition and certain renovation projects). Moreover, ACMs generally are not thought to present a threat to human health unless they cause a release of asbestos fibers into the air, which does not typically occur unless (1) the ACMs are in a deteriorated condition, or (2) the ACMs have been significantly disturbed (such as through abrasive cleaning, or maintenance or renovation activities).

It is possible that some of the various types of ACMs noted above (or other types) are present at various locations in the Building. If you find any such materials in the Building, you should assume them to contain asbestos unless those materials are properly tested and determined to be otherwise. In addition, Landlord has identified the presence of certain ACMs in the Building. For information about the specific types and locations of these identified ACMs, please contact the Property Manager at (510) 594-3100. The Property Manager maintains records of the Building's asbestos information including any Building asbestos surveys, sampling and abatement reports. This information is maintained as part of Landlord's asbestos Operations and Maintenance Plan ("O&M Plan").

The O&M Plan is designed to minimize the potential of any harmful asbestos exposure to any person in the Building. Because we are not physicians, scientists or industrial hygienists, we have no special knowledge of the health impact of exposure to asbestos. Therefore, we hired an independent environmental consulting firm to prepare the Building's O&M Plan. The O&M Plan includes a schedule of actions to be taken in order to (1) maintain any Building ACMs in good condition, and (2) to prevent any significant disturbance of such ACMs. Appropriate Landlord personnel receive regular periodic training on how to properly administer the O&M Plan.

The O&M Plan describes the risks associated with asbestos exposure and how to prevent such exposure. The O&M Plan describes those risks, in general, as follows: asbestos is not a significant health concern unless asbestos fibers are released and inhaled. If inhaled, asbestos fibers can accumulate in the lungs and, as exposure increases, the risk of disease (such as asbestosis and cancer) increases. However, measures to minimize exposure and consequently minimize the accumulation of fibers, reduces the risk of adverse health effects.

The O&M Plan also describes a number of activities which should be avoided in order to prevent a release of asbestos fibers. In particular, you should be aware that some of the activities which may present a health risk (because those activities may cause an airborne release of asbestos fibers) include moving, drilling, boring or otherwise disturbing ACMs. Consequently, such activities should not be attempted by any person not qualified to handle ACMs. In other words, you must obtain the approval of the Property Manager prior to engaging in any such activities. Please contact the Property Manager at (510) 594-3100 for more information in this regard. If you would like to review a copy of the written

O&M Plan, a copy is located in our Property Management Office and, upon your request, will be made available for you to review and copy during regular business hours.

Because of the presence of ACMs in the Building, we are also providing you with the following warning, which is commonly known as a California Proposition 65 warning:

WARNING: This building contains asbestos, a chemical known to the State of California to cause cancer.

Please contact the Property Manager at (510) 594-3100 if you have any questions regarding the contents of this Exhibit D.

ORIGINAL

LEASE AMENDMENT NUMBER THREE

This Lease Amendment Number Three is dated December 12, 2007 for reference purposes only, and is made by and between Century National Properties, Inc., a California Corporation ("Landlord" herein) Netsol Technologies, Inc, a Nevada corporation ("Tenant" herein) with respect to that certain lease by and between the parties dated December 3, 2003, (referred to as the "Lease" herein), for the leased premises known as Suite 2072, ("Premises" herein) located in the Calabasas Business Park II Building at 23901 Calabasas Road, Calabasas, California ("Building" herein), with respect to the following recitals, terms and conditions. To the extent possible, the provisions set forth below have been numbered to coincide with the number sections of the Lease to which they relate. Except as many otherwise be specifically provided below, any terms used below which are defined in the Lease shall have their respective meanings as set forth in the Lease.

- A. The Lease is scheduled to expire December 31, 2007, and there is no valid option to extend the term or renew the Lease.
- B. The current Monthly Installment of Base Rent payable under the Lease is Four Thousand Four Hundred Forty Seven and 28/100 (\$4,447.28) Dollars, excluding Tenant's percentage share of Direct Costs.
- C. The current Security Deposit under the Lease is Four Thousand Four Hundred Forty Seven and 28/100 (\$4,447.28) Dollars.
- D. Tenant is currently in good standing under the terms and conditions of the Lease.
- E. Landlord and Tenant would like to extend the term for an additional period of Two (2) years upon the same terms and conditions, except as set forth below.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, Landlord and Tenant hereby amend the Lease by the specific provisions, as set forth here in below.

1. **LEASE TERM:** **(SECTION 1.1.2)**

The term of the Lease shall be extended from January 1, 2008 to expire December 31, 2009.

2. **BASE RENT:** **(SECTION 1.1.3)**

Commencing January 1, 2008 through December 31, 2008 the new Base Rent will be Four Thousand Six Hundred Five and 60/100 (\$4,605.60) Dollars and continuing annually thereafter during the term of the Lease, the Base Rent then in effect shall be automatically increased by four percent (4%) as follows:

1/1/08 - 12/31/08 = \$4,605.60 (\$2.40/ RSF)
1/1/09 - 12/31/09 = \$4,789.82 (\$4,605.60 x 4%)

3. **SECURITY DEPOSIT:** **(SECTION 5)**

Security Deposit shall be increased to Four Thousand Seven Hundred Eighty Nine and 82/100 (\$4,789.82) Dollars. An additional amount of \$342.54 shall be deposited with Landlord upon signing of this Lease Amendment Number Three.

4. **IMPROVEMENTS AND ALTERATIONS:** **(SECTION 7)**

Tenant is accepting the Premises "AS IS" with the exception that Landlord will have the carpet cleaned.

Unless otherwise specifically amended, modified, or deleted as set forth hereinabove, the Lease shall remain unchanged and in full force and effect. The parties hereto acknowledge their consent and approval by their respective signatures appearing below. "Tenant acknowledges and admits that it has not defenses, offsets or claims against the landlord."

THIS DOCUMENT HAS BEEN PREPARED FOR LANDLORD'S AND TENANT'S REVIEW AND SUBMISSION TO THEIR RESPECTIVE LEGAL AND/OR TAX CONSULTANTS. NO REPRESENTATION OR RECOMMENDATION IS MADE BY LANDLORD, TENANT, OR BROKERS, OF THEIR AGENTS OR EMPLOYEES, AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT OR TAX CONSEQUENCES OF THIS DOCUMENT OR THE TRANSACTIONS RELATING HERETO.

CENTURY NATIONAL PROPERTIES,
INC., Landlord

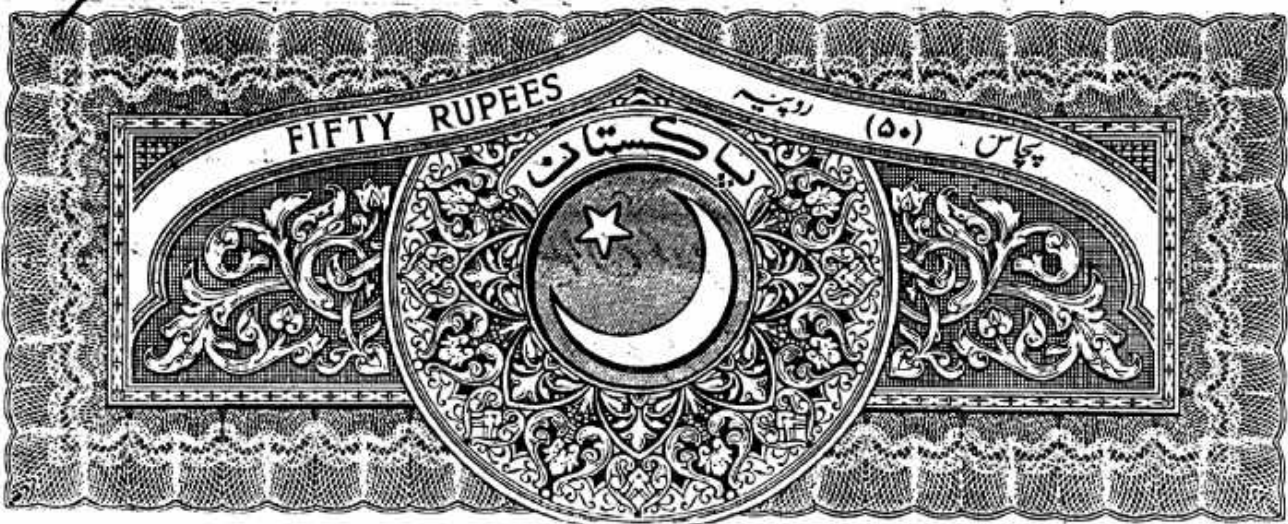
BY: 

Gary A. Podrat
Chief Operating Officer

NETSOL TECHNOLOGIES, INC.
Tenant

BY: 

Najeeb M. Ghauri
Chairman & CEO



Rent Agreement

THIS RENT AGREEMENT is made at RAWALPINDI on 21st day of January 2008

BETWEEN

Mr Tahir Mehmood Khan S/o Muhammad Asghar Khan R/o Villa No.1, Street No 3, Gulrez Housing Scheme, Phase -VI, Rawalpindi NIC No 37405-1694493-3, (hereinafter called the lessor) of the **ONE PART**.

AND

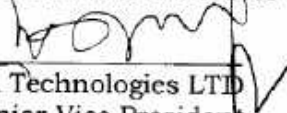
M/S. Netsol Technologies LTD, Netsol Avenue, Ghazi Road, Lahore Cantt, through Senior President Brig (Retd) **Muhammad Ashraf** S/o Muhammad Akbar R/o Kalar Syedan, P/o Khas, Tehsil Kahuta, District Rawalpindi, NIC # 37402-5802431-5, hereinafter called the Lessee of the **OTHER PART** (Expression lessor and lessee where ever the context so permits shall always mean and include their respective heirs succession legal representative and agencies).

WHEREAS the lessor is Attorney and in possession of VILLA No 26, Street No 5, DESIGN SV-05a, 05 Bedrooms, Drawing Dinning, Study room, three lounges, Car porch and two servant rooms etc. SAFARI VILLAS, Rawalpindi, and has agreed to rent out it to the lessee and the lessee has agreed to take on rent the same on the following terms and condition.

1. That rate of rent of the said premises is hereby agreed at Rs 65,000/- (Rupees sixty five thousands only) per month.
2. That 06 (Six) month Advance rent amounting to Rs 3,90,000/- (Rupees three lac and ninety thousand only) has been paid by the lessee and has been received by the lessor and there after rent on six monthly basis will be payable in advance on or before "5th" of concern month to the lessor.
3. That a further sum of Rs. 1,00,000/- (Rupees one lac only) equal to two months rent has also been deposited by the lessee with the lessor as security money. The amount of the security will be refundable in lump sum after deducting any damages caused to the said premises or to its fittings and fixtures etc. by the occupants i.e. lessee and his family and clearance of outstanding bills, if any if cost to repair the damaged property is more than security amount lessee shall be responsible for the balance sum.
4. That the contract is only made for a period of one year commencing from /01/01/2008, On expiry of lease period the lessee shall hand over peaceful vacant possession of the premises the lessor without any failure and contract will not be renewed/ extended in any case.
5. That the lessee shall not sublet damage it in any way
6. That the lessee shall pay all the Utility bills (Electricity, Gas, water, Telephone, Cable, etc) of the said premises regularly without any failure to the concerned departments and will hand over the receipts of paid bills to the lessor on demand.

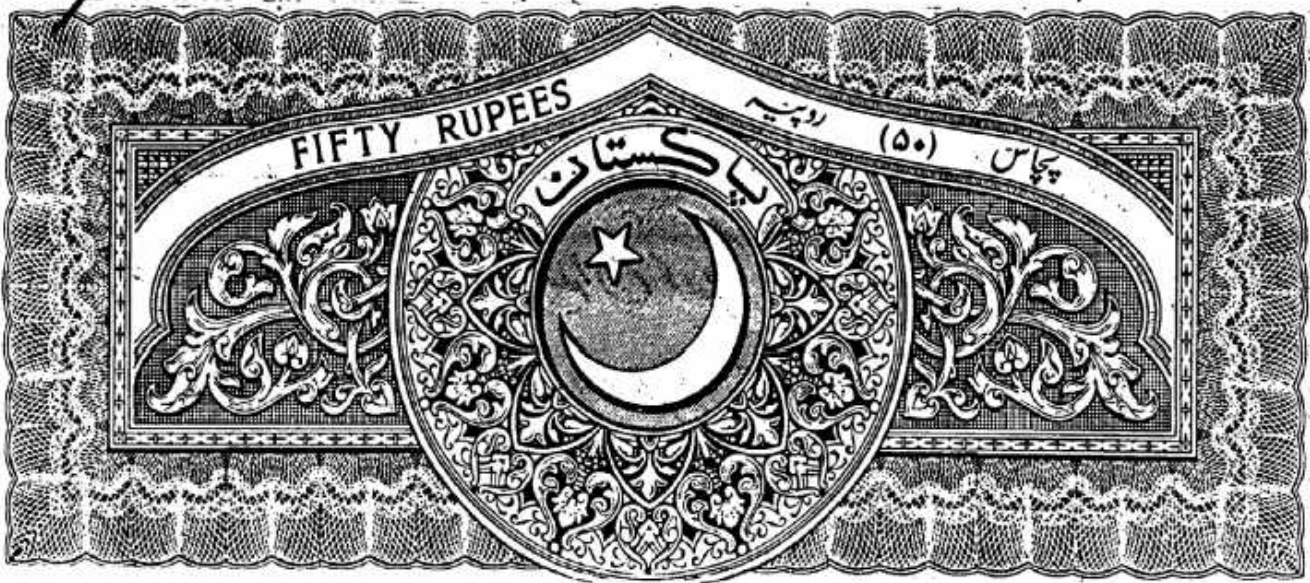
Lessor

 Mr. Tahir Mehmood Khan
 NIC No: 37405-169449303

Lessee

 M/S Netsol Technologies LTD
 through Senior Vice President
 Brig (R) Muhammad Ashraf

NIC NO: 37402-5802431-5

Continued page #2



7. That the lessee shall indemnify lessor for any of lessee's negligence and in case any damages caused to the said premises or its fittings and fixtures etc due to the negligence of the lessee or by his/her servants. The lessee will get the same replaced/ repaired at his/her own cost to the entire satisfaction of the lessor, failing which the amount of repair will be deducted from the security deposit.
8. That incase the lessor want to disposed off/ sell to the said premises the lessee will have no objection to this deal with any party as selected by the lessor and that the lessee will have no objection to execute fresh lease agreement with the new lessor on the same terms and conditions for the remaining period of the lease or as the case may be to vacate the premises so desired for the purpose the lessor will serve two months prior notice to lessee..
9. That the lessor or his agent shall be entitled to visit the premises within reasonable advance notice and prior coordination.
10. That the lessee cannot arrange any alteration or additional construction in the said premises without obtaining prior permission in writing form the lessor
11. That the current electricity meter reading is _____ and Sui gas meter reading is _____ as on ___/___/2008, lessee shall pay all Utility charges including Safari charges if any and shall not leave payments delinquent.
12. That the security money will not be adjusted in the amount of rent.
13. That **two months** advance notice is necessary for vacation of the premises by either party before the completion of lease period.
14. That both the parties shall abide by all the terms and conditions of this agreement.
15. That the lessee will use the said premises for residential purposes only.

In witnesses whereof the both parties above named have put their respective hands to this rent agreement on the day, month and year first above-mentioned.

Lessor: 
 Mr. Tahir Mehmood Khan
 NIC No: 37405-169449303

Lessee: 
 M/S NetSol/Technologies LTD
 Through Senior Vice President
 Brig (R) Muhammad Ashraf
 NIC NO: 37402-5802431-5

WITNESS NO. 1: _____

NIC # _____

WITNESS NO. 2: _____

NIC # _____

Certification Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Najeeb Ghauri, certify that:

- (1) I have reviewed this annual report on Form 10-KSB for the fiscal year ended June 30, 2008 of NetSol Technologies, Inc., ("Registrant").
 - (2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
 - (3) Based on my knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 - (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;
 - (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
-

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: September 19, 2008

/s/Najeeb Ghauri

Najeeb Ghauri

Chief Executive Officer

Certification Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Tina Gilger, certify that:

- (1) I have reviewed this annual report on Form 10-KSB for the fiscal year ended June 30, 2008 of NetSol Technologies, Inc., ("Registrant").
 - (2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
 - (3) Based on my knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 - (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedure, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and;
 - (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
-

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses

Date: September 19, 2008

/s/ Tina Gilger

Tina Gilger

Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of NetSol Technologies, Inc. on Form 10-KSB for the period ending June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Najeeb Ghauri, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and,
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: September 19, 2008

/s/ Najeeb Ghauri

Najeeb Ghauri, Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of NetSol Technologies, Inc. on Form 10-KSB for the period ending June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Tina Gilger, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and,
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: September 19, 2008

/s/ Tina Gilger

Tina Gilger, Chief Financial Officer
