

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 19, 2005

Digicorp
(Exact name of registrant as specified in its charter)

Utah	000-33067	87-0398271
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

100 Wilshire Blvd., Ste. 1500, Santa Monica, CA 90401
(Address of principal executive offices) (zip code)

(310) 752-1477
(Registrant's telephone number, including area code)

Copies to:
Marc J. Ross, Esq.
Sichenzia Ross Friedman Ference LLP
1065 Avenue of the Americas
New York, New York 10018
Phone: (212) 930-9700
Fax: (212) 930-9725

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On September 19, 2005, Digicorp (the "Company") entered into an asset purchase agreement with Philip Gatch, the Company's Chief Technology Officer, and thereby completed the purchase of certain assets from Mr. Gatch consisting of the iCodemedia suite of websites and internet properties and all related intellectual property (the "iCodemedia Assets"). The iCodemedia suite of websites consists of the websites www.icodemedia.com, www.iplaylist.com, www.tunecast.com, www.tunebucks.com, www.podpresskit.com and www.tunespromo.com. The Company plans to use these websites to provide a suite of applications and services to enable content creators to publish and deliver content to existing and next generation devices such as the Apple iPod and the Sony PSP. The iCodemedia Assets are presently under development and constitute nominal assets of the Company. As consideration for the iCodemedia Assets, the Company issued Mr. Gatch 1,000,000 shares of the Company's common stock. The number of shares issued for the iCodemedia Assets was negotiated between the Company and Mr. Gatch and approved by the Company's Board of Directors. In determining the number of shares issued for the iCodemedia Assets, the Company's Board considered the percentage of outstanding shares that the number represents and the potential significance of the iCodemedia Assets to the Company's future operations. The issuance of shares of common stock to Mr. Gatch was exempt from registration requirements pursuant to Section 4(2) of the Securities Act of

1933, as amended.

On September 20, 2005, the Company entered into an employment agreement with Mr. Gatch documenting the terms of his employment as the Company's Chief Technology Officer. The term of the employment continues for 36 months from September 20, 2005 and automatically renews for successive one-year terms unless either party delivers to the other party written notice of termination at least 30 days before the end of the then current term. Mr. Gatch's base compensation under the agreement is \$95,000 in cash per year and \$45,000 in a restricted stock grants each year. Prior to signing the employment agreement, the Company granted Mr. Gatch options entitling him to purchase 250,000 shares of the Company's common stock vesting annually over three years with a strike price of \$0.25 per share, which stock options are reflected in the employment agreement. Mr. Gatch is also eligible to receive an annual bonus determined by the Company's chief executive officer based on the performance of the Company. In addition, Mr. Gatch was granted rights for three years to (a) veto a chief executive officer candidate as a replacement to Milton "Todd" Ault, III, and (b) veto a decision to sell the Company or any of its core assets or technologies related to the iCodemedia Assets in the event the Company sells for less than \$50,000,000. If Mr. Gatch's employment is terminated for any reason, the veto rights will be forfeited. The agreement also contains customary provisions for disability, death, confidentiality, indemnification and non-competition. If Mr. Gatch voluntarily terminates the agreement or if the Company terminates the agreement for cause, Mr. Gatch will not be entitled to any compensation for the period between the effective termination date and the end of the employment term and all unvested restricted stock and stock options will be forfeited. If the Company voluntarily terminates the agreement without cause, the Company must pay Mr. Gatch a cash sum equal to (a) all accrued base salary through the date of termination plus all accrued vacation pay and cash bonuses, if any, plus (b) as severance compensation, 500,000 unrestricted shares of common stock and \$250,000 cash. In the event of a merger, consolidation, sale, or change of control, the surviving or resulting company is required to honor the terms of the agreement with Mr. Gatch.

Item 2.01 Completion of Acquisition or Disposition of Assets.

See Item 1.01

Item 3.02 Unregistered Sales of Equity Securities.

See Item 1.01.

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Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

Exhibit Number

Description

- | Exhibit Number | Description |
|----------------|--|
| 10.1 | Asset Purchase Agreement made as of September 19, 2005 by and among Digicorp and Philip Gatch |
| 10.2 | Employment Agreement effective as of September 20, 2005 by and between Digicorp and Philip Gatch |

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Digicorp

Dated: September 22, 2005

By: /s/ Milton Ault

Name: Milton "Todd" Ault, III
Title: Chief Executive Officer

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is made as of September 19, 2005, by and among DIGICORP, a Utah corporation ("Buyer"), and PHILIP GATCH, individually ("Seller").

WHEREAS, Seller owns the iCodemedia suite of websites and Internet properties, which includes the following domain names: www.icodemedia.com; www.iplaylist.com; www.tunescast.com; www.tunebucks.com; www.podpresskit.com; and www.tunespromo.com (the "websites"); and

WHEREAS, Buyer desires to purchase and Seller desires to sell to Buyer the iCodemedia suite of websites as described in "Exhibit A" as well as all Intellectual Property (defined below) and all ideas of Seller related to the websites.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

SECTION 1. PURCHASE AND SALE OF ASSETS.

1.1 Sale of Assets. Seller agrees to sell, assign, transfer and deliver to Buyer, and Buyer agrees to purchase from Seller, all of Seller's right, title and interest in and to all of the websites as described in Exhibit A as well as all Intellectual Property and all ideas of Seller of every kind and description related to these websites, tangible and intangible, real, personal or mixed, and wherever located, including, without limitation, the following:

(a) Intellectual Property. All of Seller's Intellectual Property relating to the websites;

(b) Goodwill. All of the goodwill of Seller in, and the going concern value of, the websites, and all of the ideas and Intellectual Property, proprietary information, marketing materials and trade secrets related to the websites; and

(c) Records. All of Seller's files and records, and other files and records relating to the websites and all files and records relating to all Intellectual Property and all ideas of Seller in connection with websites.

The assets, properties, ideas, Intellectual Property, goodwill, records and websites of Seller being sold to and purchased by Buyer under this Section 1.1 are referred to herein collectively as the "Assets."

1.2 Excluded Liabilities. It is expressly understood that Buyer shall not assume, pay or be liable for any liability or obligation of Seller of any kind or nature at any time existing or asserted, whether known, unknown, fixed, contingent or otherwise, not specifically assumed herein by Buyer, including, without limitation, any liability or obligation relating to, resulting from or arising out of any fact existing or event occurring prior to, or relating to the Assets prior to, the date hereof.

1.3 Purchase Price; Payment. In consideration of the sale by Seller to Buyer of the Assets, and subject to satisfaction of the conditions contained herein, Buyer shall issue to Seller One Million (1,000,000) shares of Buyer's common stock at \$.001 par value per share (the "Purchase Price").

1.4 Closing Date. Subject to satisfaction of the conditions contained herein, the closing of the sale and purchase of the Assets provided for in Section 1.1 hereof (the "Closing") shall take place at the offices of Sichenzia Ross Friedman Ference LLP located at 1065 Avenue of the Americas, New York, New York 10018 (or at such other place as the parties may designate) on the date of this Agreement, or on such other date as Seller and Buyer may agree. The date on which the Closing shall be held is referred to in this Agreement as the "Closing Date."

1.5 Further Assurances. Seller shall, from time to time after the consummation of the transactions contemplated herein, at the request of Buyer and without further consideration, execute and deliver further instruments of

transfer and assignment and take such other action as Buyer may reasonably require to more effectively transfer and assign to, and vest in, Buyer the Assets free and clear of all Liens (defined below).

1.6 Sales and Transfer Taxes. All sales, transfer, use, recordation, documentary, stamp, excise taxes, personal property taxes, fees and duties under applicable law incurred in connection with this Agreement or the transactions contemplated hereby will be borne and paid by Buyer.

1.7 Transfer of Subject Assets. Seller shall deliver or cause to be delivered to Buyer a Bill of Sale and such other good and sufficient instruments of transfer required in transferring to Buyer title to all of the Assets, including any required consents. Such instruments of transfer (a) shall contain appropriate warranties and covenants that are usual and customary for transferring the type of property involved under the laws of the jurisdictions applicable to such transfers, (b) shall be in form and substance reasonably satisfactory to Buyer and its counsel, (c) shall effectively vest in Buyer good and marketable title to all of the Assets free and clear of all Liens, and (d) where applicable, shall be accompanied by evidence of the discharge of all Liens against the Assets.

SECTION 2. REPRESENTATIONS AND WARRANTIES OF SELLER. In order to induce Buyer to enter into this Agreement, Seller hereby represents and warrants to Buyer as follows:

2.1 Required Action. All actions and proceedings necessary to be taken by or on the part of Seller in connection with the transactions contemplated by this Agreement have been duly and validly taken, and this Agreement and each other agreement, document and instrument to be executed and delivered by or on behalf of Seller pursuant to, or as contemplated by, this Agreement (collectively, the "Seller Documents") has been duly and validly authorized, executed and delivered by Seller and no other action on the part of Seller is required in connection therewith. Seller has full right, authority, power and capacity to execute and deliver this Agreement and each other Seller Document and to carry out the transactions contemplated hereby and thereby. This Agreement and each other Seller Document constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of Seller, enforceable in accordance with its respective terms.

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2.2 No Conflicts. The execution, delivery and performance by Seller of this Agreement and each other Seller Document does not and will not (a) constitute a violation of, or conflict with or result in any breach of, acceleration of any obligation under, right of termination under, or default under, any agreement or instrument to which Seller is a party or by which Seller or the Assets is bound, (b) violate any judgment, decree, order, statute, rule or regulation applicable to Seller or the Assets, or (c) require Seller to obtain any approval, consent or waiver of, or to make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made.

2.3 Title. Seller has good and marketable title to all of the Assets free and clear of all mortgages, pledges, security interests, charges, liens, restrictions and encumbrances of any kind (collectively, "Liens") whatsoever. Upon the sale, assignment, transfer and delivery of the Assets to Buyer hereunder and under the Seller Documents, there will be vested in Buyer good, marketable and indefeasible title to the Assets, free and clear of all Liens. The Assets include all of the assets and properties (a) held for use by Seller in connection with the Assets and (b) necessary for Buyer to use the Assets in the same manner as such Assets are currently used by Seller. All of the tangible Assets are in good repair, have been well maintained and are in good operating condition, do not require any material modifications or repairs, and comply in all material respects with applicable laws, ordinances and regulations, ordinary wear and tear excepted.

2.4 No Litigation. Seller is not now involved in nor, to the knowledge of Seller, is Seller threatened to be involved in any litigation or legal or other proceedings related to or affecting the Assets or which would prevent or hinder the consummation of the transactions contemplated by this Agreement. Nor is Seller in default with respect to or subject to any Court Order, and there are no unsatisfied judgments against Seller or the Assets.

2.5 Brokers. Seller has not retained any broker or finder or other person

who would have any valid claim against any of the parties to this Agreement for a commission or brokerage fee in connection with this Agreement or the transactions contemplated hereby.

2.6 Intellectual Property

(a) For purposes hereof, the term "Intellectual Property" includes: (i) all drawings, marketing plans, potential business concepts or similar documents related to the Assets; (ii) all patents, patent applications, patent rights, and inventions and discoveries and invention disclosures related to the Assets (whether or not patented); (iii) Seller's rights to the name "iCodemedia" and all trade names, trade dress, logos, packaging design, slogans, any and all Internet domain names used specifically in connection with the Assets as outlined in Exhibit A, registered and unregistered trademarks and service marks and applications related to the Assets; (iv) all copyrights in both published and unpublished works related to the Assets, including, without limitation, all compilations, databases and computer programs, and all copyright registrations and applications, and all derivatives, translations, adaptations and combinations of the above; (v) all know-how, trade secrets, confidential or proprietary information, customer lists, IP addresses, research in progress, algorithms, data, designs, processes, formulae, drawings, schematics, blueprints, flow charts, models, prototypes, techniques, Beta testing procedures and Beta testing results related to the Assets; and (vi) all goodwill, franchises, licenses, permits, consents, approvals, technical information, telephone numbers, ASN numbers, and claims of infringement against third parties related to the websites, as well as any ideas related to the Assets.

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(b) Seller has exclusive ownership of, and has good, valid and marketable title to, all of the Intellectual Property, free and clear of any Liens, and has the right to use all of the Intellectual Property without payment to any third party.

2.7 Accreditation. Seller is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Seller understands that the Purchase Price is being offered to him in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that Buyer is relying upon the truth and accuracy of, and Seller's compliance with, the representations, warranties, agreements, acknowledgments and understandings of Seller set forth herein in order to determine the availability of such exemptions and the eligibility of Seller to receive the Purchase Price.

2.8 Investment Experience; Suitability. Seller is familiar with the type of risks inherent in the acquisition of securities such as the shares of common stock of Buyer and Seller's financial position is such that he can afford to retain the Purchase Price for an indefinite period of time without realizing any direct or indirect cash return on his investment.

2.9 Investment Purpose. Seller represents that the shares of Buyer's common stock included in the Purchase Price are being issued to him for his own account, for investment purposes only and not for distribution or resale to others in contravention of the registration requirements of the Securities Act. Seller agrees that he will not sell or otherwise transfer the shares of Buyer's common stock included in the Purchase Price unless such shares are registered under the Securities Act or unless an exemption from such registration is available.

2.10 Information. Seller and his advisors, if any, have been furnished with all materials relating to the business, finances and operations of Buyer and materials relating to the offer and sale of the shares of Buyer's common stock included in the Purchase Price which have been requested by Seller or his advisors. Seller and his advisors, if any, have been afforded the opportunity to ask questions of the Buyer. Notwithstanding the foregoing, Buyer has not disclosed to Seller any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to Seller. Neither such inquiries nor any other due diligence investigation conducted by Seller or any of his advisors or representatives shall modify, amend or affect Seller's right to rely on Buyer's representations and warranties contained in Section 3 below. Seller understands that his investment in the shares of Buyer's common stock included in the Purchase Price involves a significant degree of risk.

2.11 Disclosure. The representations, warranties and statements contained in this Agreement and in the certificates, exhibits and schedules delivered by Seller to Buyer pursuant to this Agreement do not contain any untrue statement of a material fact, and, when taken together, do not omit to state a material fact required to be stated therein or necessary in order to make such representations, warranties or statements not misleading in light of the circumstances under which they were made. There are no facts known to Seller which presently or may in the future have a material adverse effect (financial or otherwise) on the Assets which have not been specifically disclosed herein or in a schedule furnished herewith, other than general economic conditions affecting the Assets generally.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF BUYER. As a material inducement to Seller's entering into this Agreement, Buyer hereby represents and warrants to Seller as follows:

3.1 Organization. Buyer is duly organized, validly existing and in good standing under the laws of the State of Utah, with full corporate power and authority to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased or such business is currently conducted or proposed to be conducted. Buyer is not in violation of any term of its articles of incorporation, or bylaws.

3.2 Required Action. All actions and proceedings necessary to be taken by or on the part of Buyer in connection with the transactions contemplated by this Agreement have been duly and validly taken, and this Agreement and each other agreement, document and instrument to be executed and delivered by or on behalf of Buyer pursuant to, or as contemplated by, this Agreement (the "Buyer Documents") has been duly and validly authorized, executed and delivered by Buyer and no other action on the part of Buyer is required in connection therewith. Buyer has full right, authority, power and capacity to execute and deliver this Agreement and each other Buyer Document and to carry out the transactions contemplated hereby and thereby. This Agreement and each Buyer Document constitutes, or when executed and delivered will constitute, the legal, valid and binding obligation of Buyer, enforceable in accordance with its respective terms.

3.3 No Conflicts. The execution, delivery and performance by Buyer of this Agreement and each Buyer Document does not and will not (a) constitute a violation of, or conflict with or result in any breach of, acceleration of any obligation under, right of termination under, or default under, any agreement or instrument to which Buyer is a party or by which it is bound, (b) violate any judgment, decree, order, statute, rule or regulation applicable to Buyer, or (c) require Buyer to obtain any approval, consent or waiver of, or to make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made.

3.4 Brokers. Buyer has not retained any broker or finder or other person who would have any valid claim against any of the parties to this Agreement for a commission or brokerage fee in connection with this Agreement or the transactions contemplated hereby.

3.5 Disclosure. The representations, warranties and statements contained in this Agreement and in the certificates, exhibits and schedules delivered by Buyer to Seller pursuant to this Agreement do not contain any untrue statement of a material fact, and, when taken together, do not omit to state a material fact required to be stated therein or necessary in order to make such representations, warranties or statements not misleading in light of the circumstances under which they were made.

SECTION 4. CONDITION PRECEDENT TO CLOSING. Buyer shall have executed and delivered to Seller an employment agreement, in substantially the form of Exhibit B hereto, pursuant to which Seller shall be employed by Buyer as Buyer's Chief Technology Officer and shall agree to not compete with Buyer, in particular to this asset purchase, while so employed or for a 3-year period upon any termination of such employment, within Los Angeles County.

SECTION 5. POST-CLOSING COVENANTS; SURVIVAL. All representations, warranties,

covenants, agreements and indemnities contained in this Agreement, or in any schedule, exhibit, certificate, agreement, document or statement delivered pursuant hereto, are material, shall be deemed to have been relied upon by the parties, and shall survive the consummation of the transactions contemplated herein for a period of two (2) years regardless of any investigation conducted by or knowledge of any party hereto.

SECTION 6. INDEMNIFICATION. Seller and Buyer (respectively an "Indemnifying Party") each hereby agrees to indemnify and hold harmless the other party, its affiliates and the other party's and its affiliates' respective directors, officers, partners, members, managers, employees, agents, heirs, executors, administrators, successors and assigns (each an "Indemnified Party", as applicable), against and in respect of all losses, liabilities, obligations, damages, deficiencies, actions, suits, proceedings, demands, assessments, orders, judgments, costs and expenses (including the reasonable fees, disbursements and expenses of attorneys and consultants) of any kind or nature whatsoever, but net of the proceeds from any insurance policies or other third party reimbursement for such loss, to the extent sustained, suffered or incurred by or made against any Indemnified Party, to the extent based upon, arising out of or in connection with: (a) any breach of any representation or warranty made by the Indemnifying Party in this Agreement or in any schedule, exhibit, certificate, agreement or other instrument delivered pursuant to this Agreement; (b) any breach of any covenant or agreement made by the Indemnifying Party in this Agreement or in any schedule, exhibit, certificate, agreement or other instrument delivered pursuant to this Agreement; (c) in the case where Seller is the Indemnifying Party, any claim made by any person or entity which relates to the Assets which arises in connection with or on the basis of events, acts, omissions, conditions or any other state of facts occurring on or existing before the date hereof; (d) in the case where Buyer is the Indemnifying Party, any claim made by any person or entity which relates to the Assets which arises solely in connection with or on the basis of events, acts, omissions, conditions or any other state of facts occurring on or existing after the date hereof; and (e) any claim which arises in connection with any liability or obligation of Seller; provided, however, that Buyer shall have no obligation to indemnify any Indemnified Party for any claim based in any part on alleged obligations of Seller committed to prior to the date hereof that were not communicated in writing to Buyer as of the date hereof.

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SECTION 7. NOTICES. All notices and other communications required to be given hereunder, or which may be given pursuant to or relative to the provisions hereof, shall be in writing and shall be deemed to have been given when delivered in hand or mailed, postage prepaid, by first class United States mail, certified return receipt requested as follows:

If to Buyer: DIGICORP

Attn: Milton "Todd" Ault III
100 Wilshire Boulevard, Suite 1500
Santa Monica, CA 90401
Telephone: (310) 752-1416
Facsimile: (310) 752-1481

If to Seller: PHILIP GATCH

1650 Federal Avenue
Los Angeles, CA 90025
Telephone: (310) 210-1669

or to such other address of which any party may notify the other parties as provided above. Notices shall be effective as of the date of such delivery or mailing.

SECTION 8. MISCELLANEOUS.

8.1 Assignability; Binding Effect. This Agreement shall not be assignable by Seller except with the written ----- consent of Buyer. This Agreement shall be binding upon and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

8.2 Headings. The subject headings used in this Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions.

8.3 Amendments; Waivers. This Agreement may not be amended or modified, nor may compliance with any condition or covenant set forth herein be waived, except by a writing duly and validly executed by Buyer and Seller or, in the case of a waiver, the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, or any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

8.4 Bulk Sales Law. Buyer hereby waives compliance by Seller of any applicable bulk sales law and Seller agrees to make full and timely payment when due of all amounts owed by such Seller to its creditors. Seller agrees to indemnify and hold Buyer harmless from, and reimburse Buyer for any loss, cost, expense, and liability or damage (including reasonable counsel fees and disbursements and expenses) that Buyer may suffer or incur by virtue of the non-compliance by Seller with such laws.

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8.5 Entire Agreement. This Agreement, together with the exhibits hereto, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes and cancels any and all prior or contemporaneous arrangements, understandings and agreements between them relating to the subject matter hereof.

8.6 Severability. In the event that any provision or any portion of any provision of this Agreement shall be held to be void or unenforceable, then the remaining provisions of this Agreement (and the remaining portion of any provision held to be void or unenforceable in part only) shall continue in full force and effect.

8.7 Governing Law. This Agreement and the transactions contemplated hereby shall be governed and construed by and enforced in accordance with the laws of the State of California without regard to conflict of laws principles.

8.8 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which shall constitute the same instrument.

8.9 Expenses. Each party shall pay its own expenses incident to the negotiation, preparation and performance of this Agreement and the transactions contemplated hereby, including all fees and expenses of its counsel and accountants for all activities of such counsel and accountants undertaken pursuant to this Agreement, whether or not the transactions contemplated hereby are consummated.

8.10 Remedies. It is specifically understood and agreed that certain breaches of this Agreement will result in irreparable injury to the parties hereto, that the remedies available to the parties at law alone will be an inadequate remedy for such breach, and that, in addition to any other legal or equitable remedies that the parties may have, a party may enforce its rights by an action for specific performance and the parties expressly waive the defense that a remedy in damages will be adequate.

8.11 Dispute Resolution. Except as provided below, the parties agree to submit disputes between them relating to this Agreement and its formation, breach, performance, interpretation and application to arbitration as follows: Each party will provide written notice to the other party of any dispute within one year of the date when the dispute first arises or occurs. If a party fails to provide such notice, recovery on the dispute will be barred. Arbitration will be conducted in Los Angeles County, California pursuant to the Rules of the American Arbitration Association ("AAA"), as modified herein. The arbitration shall be conducted by one (1) arbitrator chosen in accordance with the rules of the AAA. Unless the arbitrator finds that exceptional circumstances require otherwise, the arbitrator will grant the prevailing party in arbitration its costs of arbitration and reasonable attorneys' fees as part of the arbitration award. Neither party will be required to arbitrate any dispute relating to actual or threatened violation of Intellectual Property rights. Either party will be entitled to receive in any court of competent jurisdiction injunctive, preliminary or other equitable relief, in addition to damages, including court costs and fees of attorneys and other professionals, to remedy any actual or

threatened violation of its rights with respect to which arbitration is not required hereunder.

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8.12 Third Party Rights. Except as regards to the indemnification rights and obligations herein, this Agreement is for the benefit of the parties hereto and is not entered into for the benefit of, and shall not be construed to confer any benefit upon, any other party or entity.

IN WITNESS WHEREOF, Seller and Buyer have caused this Asset Purchase Agreement to be executed as of the date first above written.

BUYER:

DIGICORP, a Utah corporation

By: /s/ Milton Ault

Name: Milton "Todd" Ault III

Title: Chief Executive Officer

SELLER:

/s/ Philip Gatch

PHILIP GATCH

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EXHIBIT A
WEBSITES

1. www.icodemedia.com;
2. www.iplaylist.com;
3. www.tunescast.com;
4. www.tunebucks.com;
5. www.podpresskit.com; and
6. www.tunespromo.com

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of September 20, 2005 and shall be effective as of September 20, 2005 (the "Effective Date") by and between Digicorp, a Utah corporation, with an office located at 100 Wilshire Boulevard, Suite 1750, Santa Monica, California 90401 (the "Company"), and Philip Gatch, an individual, with an address 1650 Federal Avenue, Los Angeles, California 90025 ("Individual").

WHEREAS, the Company is in the business of internet and digital media holdings company and incubator; and

WHEREAS, Individual has had experience in the operations of businesses doing digital video production and pre-production and internet and new media turn-key, technology sourcing and development; and

WHEREAS, the Company desires to retain the services of Individual; and

WHEREAS, Individual is willing to be employed by the Company.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Employment. Individual is hereby employed and engaged to serve the Company as the Chief Technology Officer of the Company, or such additional titles as the Company shall specify from time to time, and Individual does hereby accept, and Individual hereby agrees to such engagement and employment.

2. Duties. Individual shall be responsible for the overall development and operations of the Company's in-house technology, business technology operations and internet platforms. In addition, Individual's duties shall be such duties and responsibilities as the Company shall specify from time to time, and shall entail those duties customarily performed by the Chief Technology Officer of a company with a sales volume and number of employees commensurate with those of the Company. Individual shall have such authority, discretion, power and responsibility, and shall be entitled to office, secretarial and other facilities and conditions of employment, as are customary or appropriate to his position. Individual shall diligently and faithfully execute and perform such duties and responsibilities, subject to the general supervision and control of the Company's chief executive officer. Individual shall be responsible and report only to the Company's chief executive officer. The Company's chief executive officer, in its sole and absolute discretion, shall determine Individual's duties and responsibilities and may assign or reassign Individual to such duties and responsibilities as it deems in the Company's best interest. Individual shall devote his full-time attention, energy, and skill during normal business hours to the business and affairs of the Company and shall not, during the Employment Term, as that term is defined below, be actively engaged in any other business activity, except with the prior written consent of the Company's board of directors.

Nothing in this Agreement shall preclude Individual from devoting reasonable periods required for:

- (a) serving as a director or member of a committee of any organization or corporation involving no conflict of interest with the interests of the Company;
- (b) serving as a consultant in his area of expertise (in areas other than in connection with the business of the Company), to government, industrial, and academic panels where it does not conflict with the interests of the Company; and
- (c) managing his personal investments or engaging in any other non-competing business; provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement as determined by the Company.

3. Best Efforts of Individual. During his employment hereunder, Individual shall, subject to the direction and supervision of the Company's chief executive

officer, devote his full business time, best efforts, business judgment, skill, and knowledge to the advancement of the Company's interests and to the discharge of his duties and responsibilities hereunder. Notwithstanding the foregoing, nothing herein shall be construed as preventing Individual from investing his assets in any business.

4. **Employment Term.** Unless terminated pursuant to Section 13 of this Agreement, the term of this Agreement shall commence as of the Effective Date of this Agreement and shall continue for a term of thirty-six (36) months (the "Initial Term"), and shall be automatically renewed for successive one (1) year terms (the "Renewal Term") unless a party hereto delivers to the other party written notice of such party's intention not to renew at least thirty (30) days prior to the end of the Initial Term or the applicable Renewal Term, as the case may be (the terms "Initial Term" and "Renewal Term" will collectively hereinafter be referred to as the "Employment Term").

5. **Compensation of Individual.**

(a) **Base Compensation.** As compensation for the services provided by Individual under this Agreement, the Company shall pay Individual an annual salary of Ninety-five Thousand Dollars (\$95,000) plus Forty-five Thousand Dollars (\$45,000) in a restricted stock grant during each year of the Employment Term, all grants vesting quarterly each year. The compensation of Individual under this Section shall be paid in accordance with the Company's usual payroll procedures.

(b) **Bonus.** In addition to the above base compensation, Individual shall be eligible to receive an annual bonus determined by the chief executive officer based on the performance of the Company.

(c) **Stock and Stock Options.** Individual shall also be eligible to receive shares of the Company's authorized stock and options to purchase shares of the Company's authorized stock from time to time as determined by the chief executive officer, but specifically contained hereto as two hundred fifty thousand (250,000) options, vesting annually over 3 years (i.e., 83,334 vesting on September 20, 2005, 83,333 vesting on September 20, 2006, and 83,333 vesting on September 20, 2007), at a strike price of twenty-five cents (\$0.25).

(d) **Buy-back.** In the first year of the employment term, if Individual cannot sell stock in the open market, the Company will purchase fifty thousand (\$50,000) in stock back from Individual.

6. **Voting/Veto Rights.** Individual shall have and obtain the veto rights for three (3) years to (i) veto a chief executive officer candidate as replacement to Milton "Todd" Ault, III and (ii) veto a decision to sell the Company, or any of its core assets or technologies related to iCode as outlined in the Asset Purchase Agreement being executed concurrently herewith, in the event the Company sells for less than fifty million dollars (\$50,000,000). If termination occurs for any reason, Individual will forfeit the right to this veto power.

7. **Benefits.** Individual shall also be entitled to participate in any and all Company benefit plans, from time to time, in effect for employees of the Company. Such participation shall be subject to the terms of the applicable plan documents and generally applicable Company policies.

8. **Vacation, Sick Leave and Holidays.** Individual shall be entitled to three (3) weeks of paid vacation, with such vacation to be scheduled and taken in accordance with the Company's standard vacation policies. In addition, Individual shall be entitled to such sick leave and holidays at full pay in accordance with the Company's policies established and in effect from time to time.

9. **Business Expenses.** The Company shall promptly reimburse Individual for all reasonable out-of-pocket business expenses incurred in performing Individual's duties and responsibilities hereunder in accordance with the Company's policies, provided Individual promptly furnishes to the Company adequate records of each such business expense.

10. **Location of Individual's Activities.** Individual's principal place of business in the performance of his duties and obligations under this Agreement

shall be at a place to be mutually determined by the chief executive officer and Individual. Notwithstanding the preceding sentence, Individual will engage in such travel and spend such time in other places as may be necessary or appropriate in furtherance of his duties hereunder.

11. Confidentiality. Individual recognizes that the Company has and will have business affairs, products, future plans, trade secrets, customer lists, and other vital information (collectively "Confidential Information") that are valuable assets of the Company. Individual agrees that he shall not at any time or in any manner, either directly or indirectly, divulge, disclose, or communicate in any manner any Confidential Information to any third party without the prior written consent of the Company's board of directors. Individual will protect the Confidential Information and treat it as strictly confidential.

12. Non-Competition. Individual acknowledges that he has gained, and will gain extensive knowledge in the business conducted by the Company and has had, and will have, extensive contacts with customers of the Company. Accordingly, Individual agrees that he shall not compete directly or indirectly with the Company, anywhere in Los Angeles County, either during the Employment Term or during the three (3) year period immediately after the termination of Individual's employment under Section 13 and shall not, during such period, make public statements in derogation of the Company. For the purposes of this Section 12, competing directly or indirectly with the Company shall mean engaging, directly or indirectly, as principal owner, officer, partner, consultant, advisor, or otherwise, either alone or in association with others, in the operation of any entity engaged in a business similar to that of the Company's which uses the iCodemedia or similar suite of websites and Internet properties to be sold to Company by Individual.

13. Termination. Notwithstanding any other provisions hereof to the contrary, Individual's employment hereunder shall terminate under the following circumstances:

(a) Voluntary Termination by Individual. Individual shall have the right to voluntarily terminate this Agreement and his employment hereunder at any time during the Employment Term.

(b) Voluntary Termination by the Company. The Company shall have the right to voluntarily terminate this Agreement and Individual's employment hereunder at any time after the Employment Term.

(c) Termination for Cause. The Company shall have the right to terminate this Agreement and Individual's employment hereunder at any time for cause. As used in this Agreement, "cause" shall mean refusal by Individual to implement or adhere to lawful policies or directives of the Company's board of directors, breach of this Agreement, Individual's conviction of a felony, other conduct of a criminal nature that may have a material adverse impact on the Company's reputation, breach of fiduciary duty or the criminal misappropriation by Individual of funds from or resources of the Company. Cause shall not be deemed to exist unless the Company shall have first given Individual a written notice thereof specifying in reasonable detail the facts and circumstances alleged to constitute "cause" and ten (10) days after such notice such conduct has, or such circumstances have, as the case may be, not entirely ceased and not been entirely remedied.

(d) Termination Upon Death or for Disability. This Agreement and Individual's employment hereunder shall automatically terminate upon Individual's death or upon written notice to Individual and certification of Individual's disability by a qualified physician or a panel of qualified physicians if Individual becomes disabled beyond a period of twelve (12) months and is unable to perform the duties contain in this Agreement.

(e) Effect of Termination. In the event that this Agreement and Individual's employment is voluntarily terminated by Individual pursuant to Section 13(a), or in the event the Company voluntarily terminates this Agreement pursuant to Section 13(b) or for cause pursuant to Section 13(c), all obligations of the Company and all duties, responsibilities and obligations of Individual under this Agreement shall cease. Upon such termination pursuant to Section 13(b) (which would include a change in control caused by any of the events enumerated in the last sentence of

this Section 13(e)), the Company shall (i) pay Individual a stock and cash lump sum equal to (x) all accrued base salary through the date of termination plus all accrued vacation pay and bonuses, if any, plus (y) five hundred thousand (500,000) shares of the Company's stock, unrestricted, plus (z) Two Hundred Fifty Thousand Dollars (\$250,000) as severance compensation. In the event this Agreement is terminated pursuant to Section 13(a) or 13(c), Individual shall not be entitled to any compensation pursuant to Section 5 for the period between the effective termination date to the end of the Employment Term pursuant to Section 4, nor will Individual receive any unvested options, milestone options or bonuses. In the event of a merger, consolidation, sale, or change of control, the Company's rights hereunder shall be assigned to the surviving or resulting company, which company shall then honor this Agreement with Individual.

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The obligations set forth in Sections 11, 12 and 18 of this Agreement are intended to survive the termination of Individual's employment with Company.

14. **Resignation as Officer.** In the event that Individual's employment with the Company is terminated for any reason whatsoever, Individual agrees to immediately resign as an Officer and/or Director of the Company, if applicable, and any related entities. For the purposes of this Section 14, the term "Company" shall be deemed to include subsidiaries, parents, and affiliates of the Company.

15. **Governing Law, Jurisdiction and Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of California without giving effect to any applicable conflicts of law provisions.

16. **Business Opportunities.** During the Employment Term, Individual agrees to bring to the attention of the Company's chief executive officer all written business proposals that come to Individual's attention and all business or investment opportunities of whatever nature that are created or devised by Individual and that relate to areas in which the Company conducts business and might reasonably be expected to be of interest to the Company or any of its subsidiaries.

17. **Employee's Representations and Warranties.** Individual hereby represents and warrants that he is not under any contractual obligation to any other company, entity or individual that would prohibit or impede Individual from performing his duties and responsibilities under this Agreement and that he is free to enter into and perform the duties and responsibilities required by this Agreement. Individual hereby agrees to indemnify and hold the Company and its officers, directors, employees, shareholders and agents harmless in connection with the representations and warranties made by Individual in this Section 17.

18. **Indemnification.**

(a) The Company agrees that if Individual is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is Individual's alleged action in an official capacity while serving as a director, officer, member, employee or agent, Individual shall be indemnified and held harmless by the Company to the fullest extent permitted or authorized by the Company's certificate of incorporation or bylaws or, if greater, by the laws of the State of California, against all cost, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Individual in connection therewith, and such indemnification shall continue as to Individual even if he has ceased to be a director, member, employee or agent of the Company or other entity and shall inure to the benefit of Individual's heirs, executors and administrators. The Company shall advance to Individual to the extent permitted by law all reasonable costs and expenses incurred by him in connection with a Proceeding within 20 days after receipt by the Company

of a written request, with appropriate documentation, for such advance. Such request shall include an undertaking by Individual to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses.

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(b) Neither the failure of the Company (including its board of directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by Individual that indemnification of Individual is proper because he has met the applicable standard of conduct, nor a determination by the Company (including its board of directors, independent legal counsel or stockholders) that Individual has not met such applicable standard of conduct, shall create a presumption that Individual has not met the applicable standard of conduct.

(c) The Company agrees to continue and maintain a directors' and officers' liability insurance policy covering Individual to the extent the Company provides such coverage for its other executive officers.

(d) Promptly after receipt by Individual of notice of any claim or the commencement of any action or proceeding with respect to which Individual is entitled to indemnity hereunder, Individual shall notify the Company in writing of such claim or the commencement of such action or proceeding, and the Company shall (i) assume the defense of such action or proceeding, (ii) employ counsel reasonably satisfactory to Individual, and (iii) pay the reasonable fees and expenses of such counsel. Notwithstanding the preceding sentence, Individual shall be entitled to employ counsel separate from counsel for the Company and from any other party in such action if Individual reasonably determines that a conflict of interest exists which makes representation by counsel chosen by the Company not advisable. In such event, the reasonable fees and disbursements of such separate counsel for Individual shall be paid by the Company to the extent permitted by law.

(e) After the termination of this Agreement and upon the request of Individual, the Company agrees to reimburse Individual for all reasonable travel, legal and other out-of-pocket expenses related to assisting the Company to prepare for or defend against any action, suit, proceeding or claim brought or threatened to be brought against the Company or to prepare for or institute any action, suit, proceeding or claim to be brought or threatened to be brought against a third party arising out of or based upon the transactions contemplated herein and in providing evidence, producing documents or otherwise participating in any such action, suit, proceeding or claim. In the event Individual is required to appear after termination of this Agreement at a judicial or regulatory hearing in connection with Individual's employment hereunder, or Individual's role in connection therewith, the Company agrees to pay Individual a sum, to be mutually agreed upon by Individual and the Company, per diem for each day of his appearance and each day of preparation therefor.

19. Notices. All demands, notices, and other communications to be given hereunder, if any, shall be in writing and shall be sufficient for all purposes if personally delivered, sent by facsimile or sent by United States mail to the address below or such other address or addresses as such party may hereafter designate in writing to the other party as herein provided.

Company: Digicorp
100 Wilshire Blvd., Suite 1500
Santa Monica, CA 90401
Fax: (310) 752-1486
Phone: (310) 752-1416

Individual: Philip Gatch
1650 Federal Avenue
Los Angeles, CA 90025
Cell: (310) 210-1669

20. Assignment; Ratification of Agreement. No right or obligation under this Agreement may be assigned or delegated by either party without the prior written consent of the other party, and any purported assignment or delegation of any such right or obligation without such consent shall be null and void.

21. Inventions. Individual hereby sells, transfers and assigns to the Company, or to any person or entity designated by the Company, all of the entire right, title and interest of Individual in and to all inventions, ideas, disclosures and

improvements, whether patented or unpatented, and copyrightable material, made or conceived by Individual, solely or jointly, or in whole or in part, during the terms hereof, which (i) relate to methods, apparatus, designs, products, processes or devices sold, leased, used or under construction or development by the Company or any subsidiary or affiliate, or (ii) otherwise relate to or pertain to the business, functions, or operations of the Company or any subsidiary or affiliate, or (iii) arise (wholly or partly, directly or indirectly) from the efforts of Individual during the term hereof. Individual shall communicate promptly and disclose to the Company, in such form as the Company requests, all information, details, and data pertaining to the aforementioned requests, all information, details and data pertaining to the aforementioned inventions, ideas, disclosures, and improvements; and, whether during the term hereof or thereafter, Individual shall execute and deliver to the Company such formal transfers and assignments and such other papers and documents as may reasonably be required of him to permit the Company or any person or entity designated by the Company to file and prosecute the patent applications and, as to copyrightable material, to obtain copyright thereon. Any invention by Individual within one (1) year following the termination of this Agreement shall be deemed to fall within the provisions of this paragraph unless proved by Individual to have been first conceived and made by him following such termination.

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22. Entire Agreement. This Agreement contains the entire agreement of the parties and there are no other promises or conditions in any other agreement, whether oral or written. This Agreement supersedes any prior written or oral agreements between the parties. This Agreement may be modified or amended, if the amendment is made in writing and is signed by both parties. This Agreement is for the unique personal services of Individual and is not assignable or delegable, in whole or in part, by Individual. This Agreement may be assigned or delegated, in whole or in part, by the Company and, in such case, shall be assumed by and become binding upon the person, firm, company, corporation or business organization or entity to which this Agreement is assigned. The headings contained in this Agreement are for reference only and shall not in any way affect the meaning or interpretation of this Agreement. If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument and, in pleading or proving any provision of this Agreement, it shall not be necessary to produce more than one of such counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Company: Digicorp, a Utah corporation

INDIVIDUAL:

By: /s/ Milton Ault _____

/s/ Philip Gatch _____

Name: Milton "Todd" Ault, III

Philip Gatch

Title: Chairman and Chief Executive Officer