SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURUTIES EXCHANGE ACT OF 1934**

For the fiscal quarterly period ended June 30, 2011

Commission file number 000-53851

CommerceTel Corporation

(Exact Name of Registrant as Specified in Its Charter)

Nevada	26-3439095
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

8929 Aero Drive, Suite E
San Diego, CA 92123
(Address of Principal Executive Offices & Zip Code)

(866) 622-4261
(Telephone Number)

Dennis Becker
CommerceTel Corporation.
8929 Aero Drive, Suite E
San Diego, CA 92123

Telephone & Facsimile (866) 622-4261

(Name, Address and Telephone Number of Agent for Service)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to section 12(g) of the Act:
Common Stock, $.001 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

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

As of August 15, 2011, the registrant had 22,314,150 shares of common stock issued and outstanding.

COMMERCETEL CORPORATION
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Part I Financial Information

Item 1. Financial Statements.

CommerceTel Corporation
Condensed Consolidated Balance Sheets

	June 30, 2011 (unaudited)	December 31, 2010 (audited)
Current assets		
Cash	$ 23,195	$ 373,439
Accounts receivable	154,978	49,215
Other current assets	43,852	68,030
Total current assets	222,025	490,684
Equipment, net	31,865	1,609
Goodwill	1,996,763	-
Intangible assets, net	2,319,240	-
Other assets	67,750	46,317
TOTAL ASSETS	**$ 4,637,643**	**$ 538,610**
Current liabilities		
Accounts payable	$ 304,088	$ 151,943
Accrued interest	91,628	37,901
Accrued and deferred personnel compensation	127,802	119,641
Deferred revenue and customer deposits	343,639	233,318
Notes payable, net of discount	1,448,006	803,156
Cash payment obligation, net of discount	219,424	-
Derivative liabilities	188,910	334,478
Other current liabilities	98,488	69,142
Total current liabilities	2,821,985	1,749,579
Non-current liabilities		
Notes payable	31,807	-
Derivative liabilities	140,569	-
Total non-current liabilities	172,376	-
Total liabilities	2,994,361	1,749,579
Stockholders' equity (deficit)		
Common stock, $0.001 par value; 150,000,000 shares authorized; 21,509,620 and 17,700,000 shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	21,509	17,700
Additional paid-in capital	10,990,429	6,945,584
Accumulated deficit	(9,368,656)	(8,174,253)
Total stockholders' equity (deficit)	1,643,282	(1,210,969)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)	**$ 4,637,643**	**$ 538,610**

See accompanying notes to condensed consolidated financial statements.

CommerceTel Corporation
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
Revenues				
Revenues	$ 553,108	$ 205,099	$ 693,745	$ 428,822
Cost of revenues	179,051	103,439	258,888	227,492
Gross margin	374,057	101,660	434,857	201,330
Operating expenses				
General & administrative	374,448	214,521	920,443	388,678
Sales & marketing	200,822	101,447	255,679	159,760
Engineering, research, & development	161,291	97,543	289,862	189,065
Depreciation & amortization	124,741	1,669	126,778	3,338
Total operating expenses	861,302	415,180	1,592,762	740,841
Loss from operations	**(487,245)**	**(313,520)**	**(1,157,905)**	**(539,511)**
Other income/(expense)				
Interest income	16	-	174	-
Interest expense	(138,258)	(16,851)	(243,666)	(33,504)
Change in fair market value of derivative liabilities	159,263	-	206,956	-
Gain on debt extinguishment	-	-	-	114,551
Total other income/(expense)	**21,021**	**(16,851)**	**(36,536)**	**81,047**
Loss before income taxes	**(466,224)**	**(330,371)**	**(1,194,441)**	**(458,464)**
Income tax benefit/(expense)	38	-	38	-
Net loss	**$ (466,186)**	**$ (330,371)**	**$ (1,194,403)**	**$ (458,464)**
Net loss per share - basic and diluted	$ (0.02)	$ (0.05)	$ (0.06)	$ (0.06)
Weighted average number of shares during the period - basic and diluted	21,336,579	7,267,972	19,534,081	7,267,972

See accompanying notes to condensed consolidated financial statements.

CommerceTel Corporation
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(Unaudited)

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity (Deficit)
Balance, December 31, 2010	**17,700,000**	**$ 17,700**	**$ 6,945,584**	**$ (8,174,253)**	**$ (1,210,969)**
Issuance of common stock and warrants for cash	370,334	370	354,529	-	354,899
Issuance of common stock for acquisitions	3,425,000	3,425	3,421,575	-	3,425,000
Issuance of common stock for patent rights	14,286	14	17,843	-	17,857
Stock-based compensation	-	-	272,698	-	272,698
Equity offering costs	-	-	(21,800)	-	(21,800)
Net loss	-	-	-	(1,194,403)	(1,194,403)
Balance, June 30, 2011	**21,509,620**	**$ 21,509**	**$ 10,990,429**	**$ (9,368,656)**	**$ 1,643,282**

CommerceTel Corporation
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six months ended June 30,	
	2011	**2010**
OPERATING ACTIVITIES		
Net loss	$ (1,194,403)	$ (458,464)
Adjustments to reconcile net loss to net cash used for operating activities:		
Gain on debt extinguishment	-	(114,551)
Bad debt expense	6,203	-
Stock-based compensation	272,698	68,651
Depreciation and amortization expense	126,778	3,338
Change in fair market value of derivative liabilities	(206,956)	-
Amortization of deferred financing costs	20,000	-
Amortization of note discounts	161,565	-
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(111,966)	(365)
Other current assets	34,362	3,005
Other assets	(41,433)	-
Accounts payable	152,145	172,525
Accrued interest	53,727	33,505
Accrued and deferred personnel compensation	8,161	88,400
Deferred revenue and customer deposits	90,321	(40,432)
Other liabilities	29,346	390
Net cash used for operating activities	**(599,452)**	**(243,998)**
INVESTING ACTIVITIES		
Purchases of equipment	(6,186)	-
Acquisition of intangible assets	(75,001)	-
Cash paid for acquisitions	(91,153)	-
Acquisition of other assets	-	(1,605)
Net cash used by investing activities	**(172,340)**	**(1,605)**
FINANCING ACTIVITIES		
Proceeds from capital contributions by former parent	-	249,897
Proceeds from issuance of notes payable	10,000	-
Payments on notes payable	(97,153)	-
Payments on cash payment obligation	(25,000)	-
Proceeds from issuance of common stock and warrants	555,501	-
Equity offering costs	(21,800)	-
Net cash provided by financing activities	**421,548**	**249,897**
Net change in cash	**(350,244)**	**4,294**
Cash at beginning of period	**373,439**	**11,003**
Cash at end of period	**$ 23,195**	**$ 15,297**
Supplemental disclosures:		
Cash paid during period for :		
Interest	$ 3,113	$ -
Income Taxes	$ -	$ -
Non cash investing and financing activities:		
Common stock issued for patents and trademarks	$ 17,857	$ -
Fair value of assets acquired in acquisitions	$ 41,414	$ -
Customer contracts	1,026,000	-
Customer relationships	814,000	-
Trade name	101,000	-
Technology / IP	399,000	-
Non-compete	6,000	-
Goodwill	1,996,763	-
Assumed liabilities - deferred revenue	(20,000)	-
Subordinated secured note payable	(606,064)	-
Cash payment obligation	(241,960)	-

Common stock issued for acquisitions	(3,425,000)	-
Cash paid for acquisitions	$ 91,153	$ -

See accompanying notes to condensed consolidated financial statements.

CommerceTel Corporation
Notes to Condensed Consolidated Financial Statements

1. Reverse Merger Transaction and Accounting

Reverse Merger Transaction

On November 2, 2010, CommerceTel Corporation (the "Company") acquired CommerceTel, Inc., which was wholly-owned by CommerceTel Canada Corporation ("CTel Canada" or "our former parent"), in a reverse merger, or the "Merger". Pursuant to the Merger, all of the issued and outstanding shares of CommerceTel, Inc. common stock were converted, at an exchange ratio of 0.7268-for-1, into an aggregate of 10,000,000 shares of the Company's common stock, and CommerceTel, Inc. became a wholly owned subsidiary of the Company. The holders of the Company's common stock as of immediately prior to the Merger held an aggregate of 10,000,000 shares of the Company's common stock. The accompanying condensed consolidated financial statements, common share and weighted average common share basic and diluted information has been retroactively adjusted to reflect the exchange ratio in the Merger.

CommerceTel, Inc. was originally incorporated in Nevada in 2005. The Company was originally incorporated as Ares Ventures Corporation in Nevada in 2008, and was renamed CommerceTel Corporation in 2010.

Reverse Merger Accounting

Immediately following the consummation of the Merger, the: (i) former security holders of CommerceTel, Inc. common stock had an approximate 56% voting interest in the Company and the Company stockholders retained an approximate 44% voting interest, (ii) former executive management team of CommerceTel, Inc. remained as the only continuing executive management team for the Company, and (iii) Company's ongoing operations consist solely of the ongoing operations of CommerceTel, Inc. Based primarily on these factors, the Merger was accounted for as a reverse merger and a recapitalization in accordance with generally accepted accounting principles in the United States of America, or "GAAP". As a result, these condensed financial statements reflect the (i) historical results of CommerceTel, Inc. prior to the Merger, (ii) combined results of the Company following the Merger, and (iii) acquired assets and liabilities at their historical cost. In connection with the Merger, the Company received net assets of $16,496.

On December 7, 2010, the Board of Directors of the Company resolved to change the Company's fiscal year end from September 30 to December 31, effective immediately, to coincide with the fiscal year end of its wholly owned subsidiary CommerceTel, Inc.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Basis of Presentation

The Company is a provider of mobile marketing technology that enables major brands and enterprises to engage consumers via their mobile phones and other smart devices. Interactive electronic communications with consumers is a complex process involving communication networks and software. The Company removes this complexity through its suite of services and technologies thereby enabling brands, marketers, and content owners to communicate with their customers and consumers in general.

Principles of Accounting and Consolidation

The accompanying unaudited interim condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial statements and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments that are necessary, which are of a normal and recurring nature, for a fair presentation for the periods presented of the financial position, results of operations and cash flows of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2010. The accompanying condensed balance sheet as of December 31, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. The results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results to be anticipated for the entire year ending December 31, 2011, or any other period.

Going Concern

Our financial statements have been prepared assuming that we will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, we have incurred continued losses, have a net working capital deficiency, and have an accumulated deficit of approximately $9.4 million as of June 30, 2011. These factors among others create a substantial doubt about our ability to continue as a going concern. We are dependent upon sufficient future revenues, additional sales of our securities or obtaining debt financing in order to meet our operating cash requirements. Barring our generation of revenues in excess of our costs and expenses or our obtaining additional funds from equity or debt financing, or receipt of significant licensing prepayments, we will not have sufficient cash to continue to fund the operations of the Company through December 31, 2011. These condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In response to our Company's cash needs, we received additional equity investments pursuant to a private placement totaling $982,968 as of August 15, 2011 ($555,501 as of June 30, 2011). Longer term, we anticipate that we will continue to raise additional equity financing through the sale of shares of the Company's common stock in order to finance our future investing and operating cash flow needs. However, there can be no assurance that such financings will be available on acceptable terms, or at all.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 expenses during the reporting period. Significant estimates used are those related to stock-based compensation, the valuation of the derivative liabilities, asset impairments, the valuation and useful lives of depreciable tangible and certain intangible assets, the fair value of common stock used in acquisitions of businesses, the fair value of assets and liabilities acquired in acquisitions of businesses, and the valuation allowance of deferred tax assets. Management believes that these estimates are reasonable; however, actual results may differ from these estimates.

Purchase Accounting

The Company accounts for acquisitions pursuant to ASC No. 805, *Business Combinations*. The Company records all acquired tangible and intangible assets and all assumed liabilities based upon their estimated fair values.

Cash

The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Company has not experienced any losses on such accounts.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, other assets, accounts payable, accrued expenses, notes payable, cash payment obligation, derivative liabilities, and other current liabilities. Fair value estimates of these instruments are made at a specific point in time, based on relevant market information. These estimates may be subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. As of June 30, 2011 and December 31, 2010, the carrying amounts of the Company's financial instruments are generally considered to be representative of their respective fair values because of the short-term nature of those instruments or because they have been adjusted to fair value on the reporting date.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. The Company grants unsecured credit to substantially all of its customers. Ongoing credit evaluations are performed and potential credit losses are charged to operations at the time the account receivable is estimated to be uncollectible. Since the Company cannot necessarily predict future changes in the financial stability of our customers, the Company cannot guarantee that its reserves will continue to be adequate.

From time to time, the Company may have a limited number of customers with individually large amounts due. Any unanticipated change in one of the customer's credit worthiness could have a material effect on our results of operations in the period in which such changes or events occurred. The Company had an allowance for doubtful accounts of $6,203 and $0 at June 30, 2011 and December 31, 2010, respectively.

Equipment

Equipment is recorded at cost, consists primarily of computer equipment and is depreciated using the straight-line method over the estimated useful lives of the related assets (generally five years or less). Costs incurred for maintenance and repairs are expensed as incurred and expenditures for major replacements and improvements are capitalized and depreciated over their estimated remaining useful lives. Depreciation expense for the three months ended June 30, 2011 and 2010 was $5,876 and $1,669, respectively. Depreciation expense for the six months ended June 30, 2011 and 2010 was $7,160 and $3,338, respectively.

Intangible Assets

During the six months ended June 30, 2011, the Company acquired U.S. Patent Number 6,788,769 from eMediacy, Inc. for cash and 14,286 shares of common stock, and incurred costs to prosecute other patent applications. The Company capitalized $92,858 during this period, and is amortizing the costs on a straight-line basis over an estimated useful life of ten years. Also see Note 3.

Impairment of Long-Lived Assets

Purchased intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets, which range from five to ten years. The Company evaluates long-lived assets, including intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. The Company's management currently believes there is no impairment of its long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products under development will continue. Either of these could result in future impairment of long-lived assets.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks.

The Company reviews the terms of the common stock, warrants and convertible debt it issues to determine whether there are embedded derivative instruments, including embedded conversion options, which are required to be bifurcated and accounted for separately as derivative financial instruments. In circumstances where the host instrument contains more than one embedded derivative instrument, including the conversion option, that is required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

Bifurcated embedded derivatives are initially recorded at fair value and are then revalued at each reporting date with changes in the fair value reported as non-operating income or expense. When the equity or convertible debt instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds received are first allocated to the fair value of all the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the host instruments themselves, usually resulting in those instruments being recorded at a discount from their face value.

The discount from the face value of the convertible debt, together with the stated interest on the instrument, is amortized over the life of the instrument through periodic charges to interest expense, using the effective interest method.

Revenue Recognition

The Company's "C4" Mobile Marketing and Customer Relationship Management (CRM) platform is a hosted solution, as is the newly acquired Txtstation Control Center platform. The Company generates revenue from licensing its software to clients in its software as a service (Saas) model, per-message and per-minute transactional fees, and customized professional services. The Company recognizes license fees over the period of the contract, service fees as the services are performed, and per-message or per-minute transaction revenue when the transaction takes place. The Company recognizes revenue at the time that the services are rendered, the selling price is fixed, and collection is reasonably assured, provided no significant obligations remain. The Company considers authoritative guidance on multiple deliverables in determining whether each deliverable represents a separate unit of accounting. As for the newly acquired Mobivity platform, which is also a hosted solution, revenue is principally derived from subscription fees from our customers. The subscription fee is billed on a month to month basis with no contractual term and is collected by credit card. Revenue is recognized at the time that the services are rendered and the selling price is fixed with a set range of plans. Cash received in advance of the performance of services is recorded as deferred revenue.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 718 Stock Compensation, which establishes accounting for equity instruments exchanged for employee services. Under such provisions, stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense, under the straight-line method, over the employee's requisite service period (generally the vesting period of the equity grant). In accordance with Accounting Standards Codification ("ASC") 718, the Company estimates forfeitures at the time of grant and revises the estimates if necessary, if actual forfeiture rates differ from those estimates. Stock options issued to employees are accounted for at their estimated fair value determined using the Black-Scholes option-pricing model.

The Company accounts for equity instruments, including restricted stock or stock options, issued to non-employees in accordance with authoritative guidance for equity based payments to non-employees. Stock options issued to non-employees are accounted for at their estimated fair value determined using the Black-Scholes option-pricing model. The fair value of options granted to non-employees is re-measured as they vest, and the resulting increase in value, if any, is recognized as expense during the period the related services are rendered. Restricted stock issued to non-employees is accounted for at its estimated fair value as it vests.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. The Company is required to record all components of comprehensive income (loss) in the financial statements in the period in which they are recognized. Net income (loss) and other comprehensive income (loss), including foreign currency translation adjustments and unrealized gains and losses on investments, are reported, net of their related tax effect, to arrive at comprehensive income (loss). For the three and six months ended June 30, 2011 and 2010, the comprehensive loss was equal to the net loss.

Net Loss Per Common Share

Net loss per share is presented as both basic and diluted net loss per share. Basic net loss per share excludes any dilutive effects of options, shares subject to repurchase and warrants. Diluted net loss per share includes the impact of potentially dilutive securities. During 2011 and 2010, the Company had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive. These outstanding securities consist of 2,383,750 outstanding options and 370,344 outstanding warrants. In addition, see potential issuances associated with warrants and convertible debt in Notes 4 and 5.

Reclassifications

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This update clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This update is effective on a prospective basis for annual and interim reporting periods beginning on or after December 15, 2011, which for the Company is January 1, 2012. The Company does not expect that adopting this update will have a material impact on its condensed consolidated financial statements.

3. Acquisitions

Txtstation Acquisition

On April 1, 2011, the Company acquired substantially all of the assets of the Txtstation interactive mobile marketing platform and services business from Adsparq Limited ("Adsparq"). The purchase price for the acquisition was 2,125,000 shares of the Company's common stock, $26,184 in cash at closing and $250,000 of scheduled cash payments. The $250,000 of scheduled cash payments are due as follows: $25,000 payable on the 60th day following closing and the balance is payable in $25,000 installments at the end of each of the next nine 30-day periods thereafter. The Company assumed none of Adsparq's liabilities in the transaction, except for the performance obligation of unearned revenue. For a period of one year following the closing of the transaction, half of the shares of common stock issued to Adsparq will be held in escrow as security for Adsparq's obligations under the agreement.

In connection with the transaction, the Company also issued 300,000 shares of its common stock to the controlling stockholder of Adsparq in consideration of certain indemnification obligations and other agreements. For one year following the closing of the transaction, the shareholder has agreed not to, directly or indirectly, transfer, donate, sell, assign, pledge, hypothecate, grant a security interest in or otherwise dispose or attempt to dispose of all or any portion of shares issued to it (or any interest therein).

The Company completed the acquisition in furtherance of its strategy to acquire small, privately owned enterprises in the mobile marketing sector through an asset purchase structure. This acquisition was consistent with the Company's purchase price model in which equity will represent most of the purchase price plus a small cash component and, in some cases, the assumption of specific liabilities.

The acquisition has been accounted for as a business combination and the Company valued all assets and liabilities acquired at their fair values on the date of acquisition. An independent valuation expert (Vantage Point Advisors) was hired to assist the Company in determining these fair values. Accordingly, the assets and liabilities of the acquired entity were recorded at their estimated fair values at the date of the acquisition.

Actual results of operations of Txtstation are included in the Company's condensed consolidated financial statements from the date of acquisition. The allocation of the purchase price to assets and liabilities based upon fair value determinations was as follows:

Current assets	$	10,184
Equipment		31,230
Customer contracts		1,026,000
Trade name		36,000
Technology / IP		182,000
Non-compete		1,000
Goodwill		1,426,730
Assumed liabilities - deferred revenue		(20,000)
Total purchase price	$	2,693,144

The purchase price consists of the following:

Cash	$	26,184
Present value of scheduled cash payments		241,960
Common stock		2,425,000
Total purchase price	$	2,693,144

The $241,960 obligation recorded at closing, represented the present value of the $250,000 payments over the subsequent periods. The Company used a discount rate of 6.25% in calculating the net present value of the scheduled cash payments. The discount rate was based on the Company's estimated cost of capital. Under the effective interest method, the Company accretes the scheduled cash payment liability to the stated amount payable ($250,000). Accretion of the scheduled cash payment obligation totaled $2,464 for the three and six months ended June 30, 2011. Accretion of the cash payment obligation was charged to interest expense in accordance with FASB ASC 480.

Mobivity Acquisition

On April 8, 2011, the Company entered into an acquisition agreement with Mobivity, LLC and Mobile Visions, Inc. to acquire the assets of their Mobivity interactive mobile marketing platform and services business. The Company concurrently completed the acquisition effective as of April 1, 2011.

The purchase price for the acquisition was 1,000,000 shares of the Company's common stock, $64,969 in cash paid at closing and a secured subordinated promissory note of CommerceTel, Inc. in the principal amount of $606,064. The promissory note earns interest at 6.25% per annum; is payable in six quarterly installments of $105,526 (inclusive of interest) starting May 1, 2011; matures on August 1, 2012; is secured by the acquired assets of the Mobivity business; and is subordinated to the Company's obligations under its outstanding 10% Senior Secured Convertible Bridge Notes Due November 3, 2011 (see Note 5). Mobivity, LLC was granted a security interest in the acquired assets, subordinated only to the Company's senior debt (Bridge Loan), and a majority of the Bridge Lenders consented to the junior security interest. There were no liabilities assumed in the acquisition.

The Company completed the acquisition in furtherance of its strategy to acquire small, privately owned enterprises in the mobile marketing sector through an asset purchase structure. This acquisition was consistent with the Company's purchase price model in which equity will represent most of the purchase price plus a small cash component and, in some cases, the assumption of specific liabilities.

The acquisition has been accounted for as a business combination and the Company valued all assets and liabilities acquired at their fair values on the date of acquisition. An independent valuation expert (Vantage Point Advisors) was hired to assist the Company in determining these fair values. Accordingly, the assets and liabilities of the acquired entity were recorded at their estimated fair values at the date of the acquisition.

Actual results of operations of Mobivity are included in the Company's condensed consolidated financial statements from the date of acquisition. The allocation of the purchase price to assets and liabilities based upon fair value determinations was as follows:

Customer relationships	$	814,000
Trade name		65,000
Technology / IP		217,000
Non-compete		5,000
Goodwill		570,033
Total purchase price	$	1,671,033

The purchase price consists of the following:

Cash	$	64,969
Subordinated secured note payable		606,064
Common stock		1,000,000
Total purchase price	$	1,671,033

The useful lives of the acquired intangibles are as follows:

	Useful Lives (Years)	
	Txtstation	**Mobivity**
Customer contracts	5	n/a
Customer relationships	n/a	5
Trade name	5	5
Technology / IP	5	5
Non-compete	2	2.5
Goodwill	n/a	n/a

In determining the value of common stock issued as consideration in the acquisition of Txtstation and Mobivity, the Company engaged a third party valuation expert (Vantage Point Advisors). The Company determined that the trading price of the Company's common stock was not an accurate indicator of fair value. The Company determined that the fair market value of the Company's common stock was $1.00 per share as of March 31, 2011. This valuation was based on the private placement transaction that occurred in late March 2011 where 140,000 units were sold. The price of the unit sold in the private placement was $1.50. The unit price of $1.50 was bifurcated for the value of common stock, the warrant, an embedded derivative related to down round protection on common stock, and an embedded derivative related to down round protection on the warrant. The Company used a Monte-Carlo simulation to calculate the prices of the common stock and warrants with and without down round protection. The difference of with and without yields the value of each embedded option. Key assumptions used in the valuation model included a volatility factor of 65%, risk-free interest rate of 0.17%, and probability of future private placement financings of 80%. The valuation analysis resulted in an estimated fair market value of $1.00 per share.

The Company recorded $24,000 in acquisition-related costs for accounting, legal and other costs in connection with the two acquisitions within the general and administrative expenses in its condensed consolidated statement of operations for the three and six months ended June 30, 2011.

The following summary presents unaudited pro forma consolidated results of operations for the three and six months ended June 30, 2011 as if the Txtstation and Mobivity acquisitions described above had occurred on January 1, 2011 and the results of operations for the three and six months ended June 30, 2010 as if the Txtstation and Mobivity acquisitions described above had occurred on January 1, 2010. The following unaudited pro forma financial information gives effect to certain adjustments, including the reduction in compensation expense related to non-recurring executive salary expense and non-recurring acquisition related costs incurred by the Company, the amortization of acquired intangible assets and interest expense on acquisition related debt. The pro forma financial information is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated as of the date indicated, nor are they necessarily indicative of future operating results.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Proforma revenue	$ 553,108	$ 512,113	$ 1,122,516	$ 1,142,207
Proforma net loss	$ (466,186)	$ (488,108)	$ (1,274,881)	$ (701,895)

4. Derivative Liabilities

As discussed in Note 5, the Company issued convertible notes payable that provide for the issuance of warrants to purchase its common stock at a future date. The conversion term for the convertible notes is variable based on certain factors. The number of warrants to be issued is based on the future price of the Company's common stock. As of June 30, 2011, the number of warrants to be issued remains indeterminate. Pursuant to ASC 815-15 Embedded Derivatives, the fair values of the variable conversion option and warrants / shares to be issued were recorded as derivative liabilities on the issuance date.

As discussed in Note 6, the Company commenced a private placement in late March 2011. The private placement structure consists of a series of identical subscription agreements for the sale of units comprised of shares of the Company's common stock at a price of $1.50 per share and an equivalent number of warrants at an exercise price of $2.00. Both the common shares and the warrants contain anti-dilutive, or down round, price protection. The down round protection for the common shares terminates on the earlier of the date on which an effective registration statement is filed with the SEC covering the shares, or the shares become freely tradable pursuant to Rule 144 promulgated under the Securities Act of 1933. The down round protection for the warrant terminates when the warrant expires or is exercised. Pursuant to ASC 815-15 Embedded Derivatives and ASC 815-40 Contracts in Entity's Own Equity, the Company determined that the down round price protection on the common stock represents a derivative liability. Additionally, the Company recorded a derivative liability for the warrant.

The fair values of the Company's derivative liabilities were estimated at the issuance date and are revalued at each subsequent reporting date, using a Monte Carlo simulation. At June 30, 2011, the Company recorded derivative liabilities of $329,479. The change in fair value of the derivative liabilities for the three and six months ended June 30, 2011 of $159,263 and $206,956 was reported as other income in the condensed consolidated statements of operations.

During the process of closing the second quarter, management of the Company discovered an error when recording the private placement transaction which took place in March 2011. The Company previously incorrectly determined that the down round price protection on the common stock represented a future obligation requiring liability classification in the condensed consolidated balance sheet. This was based on the incorrect interpretation of ASC 480 Distinguishing Liabilities from Equity.

Pursuant to ASC 815-15 Embedded Derivatives and ASC 815-40 Contracts in Entity's Own Equity, the Company determined that the down round price protection on the common stock represents a derivative liability. As discussed in Note 3, the value ascribed to the down round price protection on the common stock, impacted the estimated fair market value of the Company's common stock. The estimated fair market value of the Company's common stock changed from $1.25 to $1.00 as of March 31, 2011, and accordingly, the Company re-valued the stock based compensation and derivative valuations as of March 31, 2011.

With these corrections, it was determined that the March 31, 2011 financial statements had the following misstatements: Current liabilities were overstated by $266,812 while stockholders' equity was understated by $266,812. The net loss was overstated by $202,759 with $61,766 being overstated in stock based compensation within operating expenses and $140,993 being overstated in change in fair value for derivative liabilities. There were no changes to reported cashflows for any periods reported. The Company concluded that the effects of the changes are immaterial to the consolidated financial statements for the three months ended March 31, 2011 and June 30, 2011. The condensed consolidated balance sheet as of June 30, 2011 and the condensed consolidated statements of operations for the six months ended June 30, 2011 are properly stated.

5. Bridge Financing, Notes Payable and Accrued Interest

Bridge Financing

From November 2, 2010 through March 31, 2011, the Company issued to a number of accredited investors a series of its 10% Senior Secured Convertible Bridge Note (the "Notes") in the aggregate principal amount of $1,010,000 (the "Financing"). The Notes accrue interest at the rate of 10% per annum. The entire principal amount evidenced by the Notes (the "Principal Amount") plus all accrued and unpaid interest is due on the earlier of (i) the date the Company completes a financing transaction for the offer and sale of shares of common stock (including securities convertible into or exercisable for its common stock), in an aggregate amount of no less than 125% of the principal amounts evidenced by the Notes (a "Qualifying Financing"), and (ii) November 3, 2011. If the Notes are held to maturity, the Company pays, at the option of the holder: i) cash or ii) in securities to be issued by the Company in the Qualifying Financing at the same price paid by other investors.

On the maturity date of the Notes, in addition to the repayment of the Principal Amount and all accrued and unpaid interest, the Company will issue to each holder of the Notes, at each such holder's option, (i) three year warrants to purchase that number of shares of its common stock equal to the Principal Amount plus all accrued and unpaid interest divided by the per share purchase price of the common stock offered and sold in the Qualifying Financing (the "Offering Price") which warrants shall be exercisable at the Offering Price, or (ii) that number of shares of common stock equal to the product arrived at by multiplying (x) the Principal Amount plus all accrued and unpaid interest divided by the Offering Price and (y) 0.33.

The Company's obligations under the Notes are secured by all of the assets of the Company, including all shares of CommerceTel, Inc., its wholly owned subsidiary.

WFG Investments, Inc., a registered broker dealer, was paid a placement agent fee in the amount of $40,000 which was capitalized as deferred financing costs, and is being amortized over the term of the Notes using the effective interest method. The Company recorded $10,000 and $20,000 of expense for the amortization of the deferred financing costs during the three and six months ended June 30, 2011, respectively.

The following table summarizes information relative to all of the outstanding Notes at June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Bridge notes payable	$ 1,010,000	$ 1,000,000
Less unamortized discounts:		
Variable maturity discount	(650)	(1,569)
Warrant discount	(110,432)	(267,259)
Bridge notes payable, net of discounts	$ 898,918	$ 731,172

In accordance with ASC 470-20 Debt with Conversion and Other Options, the Company recorded a discount of $1,876 for the variable conversion feature and a discount of $320,424 for the warrants / shares to be issued. The discounts will be amortized to interest expense over the term of the Notes using the effective interest method. The Company recorded $80,291 and $159,101 of interest expense for the amortization of the note discounts during the three and six months ended June 30, 2011.

In accordance with ASC 815-15, the Company determined that the variable conversion feature and the warrants / shares to be issued represented embedded derivative features, and these are shown as derivative liabilities on the balance sheet. See Note 4.

The Company calculated the fair value of the compound embedded derivatives associated with the convertible notes payable utilizing a complex, customized Monte Carlo simulation model suitable to value path dependant American options. The model uses the risk neutral methodology adapted to value corporate securities. This model utilized subjective and theoretical assumptions that can materially affect fair values from period to period.

Mobivity Note

As partial consideration for the acquisition of Mobivity, the Company issued a secured subordinated promissory note in the principal amount of $606,064. The promissory note earns interest at 6.25% per annum; is payable in six quarterly installments of $105,526 (inclusive of interest) starting May 1, 2011; matures on August 1, 2012; is secured by the acquired assets of the Mobivity business; and is subordinated to the Company's obligations under its outstanding 10% Senior Secured Convertible Bridge Notes Due November 3, 2011. Mobivity, LLC was granted a security interest in the acquired assets, subordinated only to the Company's senior debt (Bridge Loan), and a majority of the Bridge Lenders consented to the junior security interest.

The following table summarizes the Company's notes payable as of June 30, 2011 and December 31, 2010:

	Notes Payable		Accrued Interest	
	6/30/2011	12/31/2010	6/30/2011	12/31/2010
Bridge notes, net, as discussed above	$ 898,918	$ 731,172	$ 65,658	$ 15,792
Mobivity note, as discussed above	508,911	-		-
Unsecured (as amended) note payable due to our Company's former Chief Executive Officer, interest accrues at the rate of 9% compounded annually, all amounts due and payable December 31, 2008	20,000	20,000	9,506	8,223
Note payable due to a trust, interest accrues at the rate of 10% per annum, all amounts due and payable December 31, 2006. The Company is negotiating the terms of this note.	51,984	51,984	16,464	13,886
	$ 1,479,813	$ 803,156	$ 91,628	$ 37,901

Interest expense, including amortization of note discounts, totaled $138,258 and $16,851 for the three months ended June 30, 2011 and 2010. Interest expense, including amortization of note discounts, totaled $243,666 and $33,504 for the six months ended June 30, 2011 and 2010.

6. Stockholders' Equity (Deficit)

Common Stock

The Company commenced a private placement in late March 2011. The private placement structure consists of a series of identical subscription agreements for the sale of units comprised of shares of the Company's common stock at a price of $1.50 per share and an equivalent number of warrants at an exercise price of $2.00. From March 2011 to June 30, 2011, the Company issued 370,334 shares of common stock at $1.50 per share for cash and issued a four-year warrant to purchase 370,334 shares of common stock at $2.00 per share to several accredited investors raising gross proceeds of $555,501. Both the common shares and the warrants contain anti-dilutive, or down round, price protection. The down round protection for the common shares terminates on the earlier of the date on which an effective registration statement is filed with the SEC covering the shares, or the shares become freely tradable pursuant to Rule 144 promulgated under the Securities Act of 1933. The down round protection for the warrant terminates when the warrant expires or is exercised. The Company determined that the down round price protection on the common stock represents a derivative. See Note 4 for further discussion. Additionally, the Company recorded a derivative liability for the warrant as discussed in Note 4.

The Company recorded the par value of the common stock in equity ($370), recorded the fair market value of the down round price protection on the common stock as a derivative liability ($56,333), recorded the fair market value of the warrant as a derivative liability ($144,272), and recorded the remainder of the proceeds as additional paid-in capital. See Note 4.

As of June 30, 2011, the Company has 21,509,620 common shares outstanding.

Stock-based Compensation

CTel Canada Plan

Certain employees, directors and consultants of the Company (the "Optionees") received stock options exercisable for the common stock of (and issued by) our former parent company, CTel Canada. Effective with the Merger, all of the unvested options became fully vested and the related stock-based compensation was recognized in 2010. The Company recorded stock-based compensation of $37,360 and $68,651 in operating expenses for the three and six months ended June 30, 2010, respectively, related to stock option grants made to the Optionees.

For purposes of accounting for stock-based compensation, the fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing formula, and the expense is recognized on a straight-line basis over the vesting period. The Company granted one option during the six months ended June 30, 2010 and used the following valuation assumptions to determine the fair value of the option at the grant date: expected volatility of 152.96%; risk free interest rate of 0.94%; forfeiture rate of 0.0%; expected dividend rate of 0.0%; and expected term of three years.

2010 Incentive Stock Option Plan

On December 24, 2010, the Company adopted the 2010 Incentive Stock Option Plan ("the 2010 Plan"), subject to shareholder approval within one year. If shareholder approval is not obtained within one year, incentive stock options granted under the 2010 Plan convert to non-qualified stock options. The 2010 Plan permits the Company to grant up to 3,124,000 shares of common stock and options to purchase shares of common stock. The 2010 Plan is designed to retain directors, executives and selected employees and consultants and reward them for making major contributions to the success of the Company. These objectives are accomplished by making long-term incentive awards under the 2010 Plan thereby providing participants with a proprietary interest in the growth and performance of the Company.

The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards are generally granted with an exercise price that equals the fair market value of the Company's stock at the date of grant. These option awards generally vest based on four years of continuous service and have five-year or 10-year contractual terms.

A summary of option activity under the 2010 Plan as of June 30, 2011 and changes during the six months then ended is presented below:

	Number Outstanding	Weighted - Average Exercise Price Per Share	Weighted - Average Remaining Contractual Life (Years)
Outstanding at January 1, 2011	1,808,750	$ 0.32	4.73
Granted	575,000	1.45	7.38
Exercised	-	-	-
Canceled/forfeited/expired	-	-	-
Outstanding at June 30, 2011	2,383,750	$ 0.59	5.19
Options vested and exercisable at June 30, 2011	309,372	$ 0.32	4.49

The aggregate intrinsic value of employee and non-employee stock options outstanding and stock options exercisable at June 30, 2011 was $1,466,388 and $225,842, respectively.

As of June 30, 2011, total estimated compensation cost related to non-vested employee and non-employee stock options not yet recognized was $779,911, which is expected to be recognized over the next 1.56 years on a weighted-average basis.

Expense Information

The Company measures and recognizes compensation expense for all stock-based payment awards made to employees, directors and non-employees based upon estimated fair values. The Company recorded stock-based compensation in operating expenses for employees and non-employees of $33,295 and $272,698, for the three months and six months ended June 30, 2011, respectively. The Company recorded stock-based compensation in operating expenses for employees and non-employees of $37,360 and $68,651, for the three months and six months ended June 30, 2010, respectively.

Valuation Assumptions

The Company uses the Black-Scholes option pricing model in determining its option expense. The weighted-average estimated fair value of employee stock options and non-employee stock options granted during the six months ended June 30, 2011 was $0.46 per share. There were no options granted during the three months ended June 30, 2011. The Company periodically revalues non-employee stock options as they vest. The ranges of assumptions used during the six months ended June 30, 2011 are as follows:

	June 30, 2011	
	Employee Options	Non-Employee Options
Expected volatility	60 %	60 %
Risk-free interest rate	1.47% to 2.31 %	1.76% to 2.24 %
Forfeiture rate	0 %	0 %
Expected dividend rate	0 %	0 %
Expected life (yrs)	3.00 to 6.00	4.00 to 5.00

The expected volatility is based on the weighted average of the historical volatility of publicly traded surrogates in the Company's peer group.

The risk-free interest rate assumption is based upon published interest rates appropriate for the expected life of the Company's employee stock options.

The dividend yield assumption is based on the Company's history of not paying dividends and no future expectations of dividend payouts.

The expected life of the stock options represents the weighted-average period that the stock options are expected to remain outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its stock-based awards.

Warrants

As discussed in Note 5, the Company is obligated to issue warrants or shares pursuant to its Bridge Financing. The number of warrants / shares issuable pursuant to the agreements is not known at this time.

During the six months ended June 30, 2011, the Company issued warrants for the purchase of 370,344 shares of common stock at $2.00 per share. The warrants are exercisable for four years from the date of issuance, and contains anti-dilution, or down round, price protection as long as the warrant remains outstanding.

No other warrants are issued or outstanding as of June 30, 2011.

7. Income Taxes

The Company maintains deferred tax assets that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. These deferred tax assets include net operating loss carryforwards, deferred revenue and stock-based compensation. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. The Company considers projected future taxable income and planning strategies in making this assessment. Based on the level of historical operating results and projections for the taxable income for the future, the Company has determined that it is more likely than not that the deferred tax assets will not be realized. Accordingly, the Company has recorded a valuation allowance to reduce deferred tax assets to zero. There can be no assurance that the Company will ever be able to realize the benefit of some or all of the federal and state loss carryforwards, either due to ongoing operating losses or due to ownership changes, which limit the usefulness of the loss carryforwards.

As of June 30, 2011, the Company has available net operating loss carryforwards of approximately $7,600,000 for federal income tax purposes, which will start to expire in 2026. The net operating loss carryforwards for state purposes are approximately $7,600,000 and will start to expire in 2016.

The Company has determined that during 2010 it experienced a “change of ownership” as defined by Section 382 of the Internal Revenue Code. As such, utilization of net operating loss carryforwards and credits generated before the 2010 change in ownership will be limited to approximately $207,000 per year until such carryforwards are fully utilized. The pre-change net operating loss carryforward was approximately $7,000,000.

8. Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the authoritative guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs other than the quoted prices in active markets that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions. This hierarchy requires companies to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, the Company measures certain financial assets and liabilities at fair value, including its derivative liabilities.

At June 30, 2011, the Company recorded a liability related to the variable maturity feature and the future issuance of warrants / shares in connection with its Bridge Notes (See Note 5), and the common stock and warrants issued in the current year (See Notes 4 and 6) at the aggregate fair market value of $329,479 utilizing unobservable inputs. The change in fair market value of these liabilities is included in other income (expense) in the condensed consolidated statements of operations. The assumptions used in the Monte-Carlo simulation used to value the derivative liabilities involve expected volatility in the Company's common stock, estimated probabilities related to the occurrence of a future financing, and interest rates. As all the assumptions employed to measure this liability are based on management's judgment using internal and external data, this fair value determination is classified in Level 3 of the valuation hierarchy.

The following table provides a reconciliation of the beginning and ending balances of the derivative liabilities as of June 30, 2011:

	Variable maturity conversion liability	Additional security issuance derivative	Down round liability - shares	Down round liability - warrants	Total
Beginning balance January 1, 2011	$ 1,208	$ 333,270	$ -	$ -	$ 334,478
Issuances	11	1,341	$ 56,333	144,272	201,957
Change in fair market value of derivative liabilities	(321)	(181,061)	(21,871)	(3,703)	(206,956)
Ending balance June 30, 2011	$ 898	$ 153,550	$ 34,462	$ 140,569	$ 329,479

9. Intangible assets

Intangible assets consist of the following:

	Balance at December 31, 2010	Additions	Amortization	Balance at June 30, 2011
Patents and trademarks	$ -	$ 92,858	$ (1,993)	$ 90,865
Customer contracts	-	1,026,000	(51,300)	974,700
Customer relationships	-	814,000	(40,700)	773,300
Trade name	-	101,000	(5,050)	95,950
Technology / IP	-	399,000	(19,950)	379,050
Non-compete	-	6,000	(625)	5,375
	$ -	$ 2,438,858	$ (119,618)	$ 2,319,240

Amortization expense totaled $118,865 and $0 for the three months ended June 30, 2011 and 2010, respectively. Amortization expense totaled $119,618 and $0 for the six months ended June 30, 2011 and 2010, respectively.

Estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows:

	2011	2012	2013	2014	2015
Amortization expense	$ 238,208	$ 476,415	$ 475,540	$ 473,915	$ 473,915

10. Gain on Extinguishment of Debt

During the six months ended June 30, 2010, the Company negotiated settlement agreements with regards to previously recorded liabilities of $134,602. The Company paid $20,051 to settle these liabilities, and recorded a gain on extinguishment of debt of $114,551 in the condensed consolidated statements of operations.

11. Concentrations

During the six months ended June 30, 2011 and 2010, one customer accounted for 12% and 38%, respectively, of our revenues. At June 30, 2011, the accounts receivable balances for this customer totaled $3,496. The loss of this customer could have a material adverse impact on the Company's business.

12. Commitments and Contingencies

Litigation

In August 2008, the Company and certain employees, shareholders and directors (the "Plaintiffs") initiated litigation against its former Chief Executive Officer (the "Defendant") alleging criminal conduct against the financial interests and reputation of the Company. The Defendant countersued the Company. In December 2009, a judgment was entered in the Plaintiffs' favor awarding damages and enjoining the Defendant from certain behavior prejudicial to the Company. The Company has not recognized any gains from the damages that may be paid to the Company in the future due to the uncertainty of their ultimate realization. Additionally, in a separate court action the Company has been enjoined against the payment of any amounts owed to the Defendant, including amounts due under a note payable noted above.

Other

At June 30, 2011, the Company was delinquent with respect to the payment of wages earned by current employees due to an insufficient balance of cash on hand at the time the payrolls were due to be paid to the employees. Ahead of the Merger, employees agreed to convert the majority of the delinquent payments to equity in CommerceTel, Inc. The employees have agreed to continue their employment in the expectation of eventual payment of the remaining amounts due. It is the Company's full intention to satisfy or reach a settlement with all past due balances outstanding, which total approximately $71,000 at June 30, 2011. This is included in accrued and deferred personnel compensation on the condensed consolidated balance sheet as of June 30, 2011.

13. Subsequent Events

2011 Private Placement

The Company commenced a private placement in late March 2011, and believes the process will continue until late September 2011. During July and August, 2011, the Company has raised gross proceeds of $427,467. The private placement structure consists of a series of identical subscription agreements for the sale of units comprised of shares of our common stock at a price of $1.50 per share and an equivalent number of warrants at an exercise price of $2.00. Both the shares and the warrants are price protected by the Company. The price protection obligates the Company to issue to the investors an additional number of shares in the event that common shares are issued at a price below $1.50 until the shares become freely trading. See Note 6.

BoomText Acquisition

On August 9, 2011, the Company completed the transactions contemplated under an asset purchase agreement dated June 9, 2011 (the "Agreement") with Digimark, LLC ("Digimark") to acquire substantially all of the assets of its BoomText interactive mobile marketing services business. The effective date of the transaction was August 1, 2011. In accordance with the terms of the Agreement, as amended, the purchase price for the acquisition consists of the following components:

- 519,540 shares of the Company's common stock issued at closing;
- $119,392 in cash paid at closing;
- A secured subordinated promissory note in the principal amount of $175,000 issued by the Company's wholly owned subsidiary, CommerceTel, Inc. This note earns interest at 6.25% per annum; is payable in full on March 31, 2012; is secured by all of the assets of CommerceTel, Inc.; and is subordinated to the Company's obligations under its outstanding 10% Senior Secured Convertible Bridge Notes Due November 3, 2011;
- An unsecured subordinated promissory note in the principal amount of $194,658 issued by CommerceTel, Inc. This note does not bear interest; is payable in installments (varying in amount) from August 2011 through October 2012; and is subordinated to the Company's obligations under its outstanding 10% Senior Secured Convertible Bridge Notes Due November 3, 2011; and
- An earn-out payment (payable 20 months after closing of the transaction) of a number of shares of common stock of the Company equal to (a) 1.5, multiplied by the Company's net revenue from acquired customers and customer prospects for the twelve-month period beginning six months after the closing date, divided by (b) the average of the volume-weighted average trading prices of the Company's common stock for the 25 trading days immediately preceding the earn-out payment (subject to a collar of $1.49 and $2.01 per share).

The purchase price is subject to adjustment based on the amount of realizable net working capital (cash and collected accounts receivable, minus assumed liabilities) the Company acquired in the transaction.

The Company also assumed an office lease obligation and certain of Digimark's accounts payable.

For one year following the closing of the transaction, 50% of the shares of common stock issued to Digimark at closing will be held in escrow as security for its indemnification obligations in the transaction.

The Company completed the acquisition in furtherance of its strategy to acquire small, privately owned enterprises in the mobile marketing sector through an asset purchase structure. This acquisition was consistent with the Company's purchase price model in which equity will represent most of the purchase price plus a small cash component and, in some cases, the assumption of specific liabilities.

The valuation analysis for the acquired tangible and intangible assets, and the equity component of the purchase price, is not complete at this time. It is anticipated that this analysis will be completed before September 30, 2011 and the final purchase accounting will be reflected in the Company's condensed consolidated financial statements contained in Form 10-Q for the period ending September 30, 2011. The Company does not have the required quarterly revenue and net income/loss information at this time and therefore will disclose such information in future filings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, in connection with the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially and adversely from those expressed or implied by such forward-looking statements Such forward-looking statements include statements about our expectations, beliefs or intentions regarding our potential product offerings, business, financial condition, results of operations, strategies or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date they are made and are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," or "will," and similar expressions or variations. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those described under the caption "Risk Factors" included elsewhere in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission, or the SEC. Furthermore, such forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Overview

We are a provider of technology that enables major brands and enterprises to engage consumers via their mobile phone. Interactive electronic communications with consumers is a complex process involving communication networks and software. We remove this complexity through our suite of services and technologies thereby enabling brands, marketers, and content owners to communicate with their customers and consumers in general. From Presidential elections to major broadcast events, we are pioneers in the deployment of the mobile channel as the ultimate direct connection to the consumer.

Mobile phone users represent a large and captive audience. While televisions, radios, and even PCs are often shared by multiple consumers, mobile phones are personal devices representing a truly unique and individual address to the end user. The future of digital media will be driven by mobile phones where a direct, personal conversation can be had with the world's largest audience. The future of mobile includes banking, commerce, advertising, video, games and just about every other aspect of both on and offline life. Over 4 million consumers have been engaged via their mobile device thanks to our technology.

We believe that our mobile marketing and advertising campaign platform is among the most advanced in the industry as it allows real time interactive communications with consumers. We generate revenue from licensing our software to clients in our software as a service (Saas) model, per-message and per-minute transactional fees, and customized professional services.

Our "C4" Mobile Marketing and Customer Relationship Management (CRM) platform is a hosted solution enabling our clients to develop, execute, and manage a variety of engagements to a consumer's mobile phone. Short Messaging Service (SMS), Multi-Media Messaging (MMS), and Interactive Voice Response (IVR) interactions can all be facilitated via a set of Graphical User Interfaces (GUIs). Reporting and analytics capabilities are also available to our users through the C4 solution.

Mobile devices are emerging as the principal interactive channel for brands to reach consumers since it is the only media platform that has access to the consumer virtually anytime and anywhere. Brands and advertising agencies are recognizing the unique benefits of the mobile channel and they are increasingly integrating mobile media within their overall advertising and marketing campaigns. Our objective is to become the industry leader in connecting brands and enterprises to consumers' mobile phones.

Recent Events

Share Exchange Agreement

On November 2, 2010, we completed the Share Exchange Agreement and acquired CommerceTel, Inc., in exchange for 10,000,000 shares of our common stock. Please refer to Note 1 in the accompanying condensed consolidated financial statements.

Bridge Note Financing

From November 2010 through March 2011, we issued to a number of accredited investors our 10% Senior Secured Convertible Bridge Notes in the aggregate principal amount of $1,010,000.

Txtstation Acquisition

On April 1, 2011, we acquired substantially all of the assets of the Txtstation interactive mobile marketing platform and services business from Adsparq. The purchase price for the acquisition was 2,125,000 shares of our common stock, $26,184 in cash at closing and $250,000 of scheduled cash payments. The $250,000 of scheduled cash payments are due as follows: $25,000 payable on the 60th day following closing and the balance is payable in $25,000 installments at the end of each of the next nine 30-day periods thereafter. We assumed none of Adsparq's liabilities in the transaction, except for the performance obligation of unearned revenue.

In connection with the transaction, we also issued 300,000 shares of our common stock to the controlling stockholder of Adsparq in consideration of certain indemnification obligations and other agreements. As a result of the transaction, our headcount increased by seven full time individuals and one part time individual on April 1, 2011.

We completed the acquisition in furtherance of its strategy to acquire small, privately owned enterprises in the mobile marketing sector through an asset purchase structure. This acquisition was consistent with our purchase price model in which equity will represent most of the purchase price plus a small cash component and, in some cases, the assumption of specific liabilities.

The acquisition has been accounted for as a business combination and we valued all assets and liabilities acquired at their fair values on the date of acquisition. Actual results of operations of Txtstation are included in our condensed consolidated financial statements from the date of acquisition.

Mobivity Acquisition

On April 8, 2011, we entered into an acquisition agreement with Mobivity, LLC and Mobile Visions, Inc. to acquire the assets of their Mobivity interactive mobile marketing platform and services business. We concurrently completed the acquisition effective as of April 1, 2011.

The purchase price for the acquisition was 1,000,000 shares of our common stock, $64,969 in cash paid at closing and a secured subordinated promissory note of CommerceTel, Inc. (our wholly owned subsidiary) in the principal amount of $606,064. The promissory note earns interest at 6.25% per annum; is payable in six quarterly installments of $105,526 (inclusive of interest) starting May 1, 2011; matures on August 1, 2012; is secured by the acquired assets of the Mobivity business; and is subordinated to our obligations under our outstanding 10% Senior Secured Convertible Bridge Notes Due November 3, 2011. Mobivity, LLC was granted a security interest in the acquired assets, subordinated only to the company's senior debt (Bridge Loan), and a majority of the Bridge Lenders consented to the junior security interest. The Company made the first promissory note payment on schedule.

The Company completed the acquisition in furtherance of its strategy to acquire small, privately owned enterprises in the mobile marketing sector through an asset purchase structure. This acquisition was consistent with the Company's purchase price model in which equity will represent most of the purchase price plus a small cash component and, in some cases, the assumption of specific liabilities.

The acquisition has been accounted for as a business combination and we valued all assets and liabilities acquired at their fair values on the date of acquisition. Actual results of operations of Mobivity are included in the Company's condensed consolidated financial statements from the date of acquisition.

2011 Private Placement

We commenced a private placement in late March 2011, and believe the process will continue until late September 2011. As of June 30, 2011, we have raised gross proceeds of $555,501. In July and August 2011, we have raised an additional $427,467. The private placement structure consists of a series of identical subscription agreements for the sale of units comprised of shares of our common stock at a price of $1.50 per share and an equivalent number of warrants at an exercise price of $2.00. Both the shares and the warrants are price protected by us. The price protection obligates us to issue to the investors an additional number of shares in the event that common shares are issued at a price below $1.50 until the shares become freely trading.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based upon our financial statements which are prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, related 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. We continually evaluate our estimates and judgments, the most critical of which are those related to stock-based compensation, derivative liabilities, asset impairments, valuation and useful lives of depreciable tangible and certain intangible assets, the fair value of common stock used in acquisitions of businesses, the fair value of assets and liabilities acquired in acquisitions of businesses, and and income taxes. We base our estimates and judgments on historical experience and other factors that we believe to be reasonable under the circumstances. Materially different results can occur as circumstances change and additional information becomes known.

During the quarter ended June 30, 2011, there were no significant changes to the items that we disclosed as our critical accounting policies and estimates in Note 2 to our financial statements for the year ended December 31, 2011 contained in our 2010 Form 10-K, as filed with the SEC, except for ASC No. 805, *Business Combinations*, which is applicable to the acquisition of businesses. Pursuant to ASC No. 805, the Company records all acquired tangible and intangible assets and all assumed liabilities based upon their estimated fair values.

Results of Operations

The following describes certain line items set forth in our condensed consolidated statements of operations.

Comparison of the Three Months Ended June 30, 2011 and 2010

Revenues

Revenues for the three months ended June 30, 2011 increased $348,009, or 170%, compared to the three months ended June 30, 2010. The increase is primarily attributed to the acquisitions of Mobivity and Txtstation on April 1, 2011, which generated additional revenue of $162,000 and $295,000, respectively. This additional revenue was partially offset by the loss of five clients during 2010, and a reduction in one-time custom software development revenue recognized in 2010 that did not repeat in 2011.

Cost of Revenues

Cost of revenues for the three months ended June 30, 2011 increased approximately $75,612, or 73% compared to the three months ended June 30, 2010. This increase is primarily due to acquisitions of Mobivity and Txtstation partially offset by reduced SMS and IVR costs corresponding to the decrease in revenues from the CommercTel business, and a reduction of line costs stemming from reduced phone line inventory.

Gross Profit

Gross profit for the three months ended June 30, 2011 increased by $272,397, or 268%, compared to the three months ended June 30, 2010. Gross profit as a percentage of revenue for the three months ended June 30, 2011 increased to 68% from 50% for the three months ended June 30, 2010. The increase in gross profit as a percentage of revenue is due to the acquisitions of Mobivity and Txtstation which generated higher gross margins.

General and Administrative Expense

General and administrative expenses for the three months ended June 30, 2011 and 2010 were $374,448 and $214,521, respectively. Such expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses. The increase of $159,927, or 75% was due to an increase in legal fees of $61,000, accounting of $29,000, and additional personnel and consulting expenses associated with the Share Exchange Agreement and our acquisition strategy.

Sales and Marketing Expense

Sales and marketing expenses for the three months ended June 30, 2011 and 2010 were $200,822 and $101,447, respectively. Such expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, sales travel, consulting costs and other expenses. The increase of $99,375 or 98% was due to an increase in payroll and related employee expenses as we grew our business in 2011 through the acquisitions of Mobivity and Txtstation.

Engineering, Research, and Development Expense

Engineering, research, and development expenses for the three months ended June 30, 2011 and 2010 were $161,291 and $97,543, respectively. Such expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses. The increase of $63,748 or 65% was due to an increase in payroll and related employee expenses as we grew our business in 2011 through the acquisitions of Mobivity and Txtstation.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended June 30, 2011 and 2010 were $124,741 and $1,669, respectively. The current period expense includes $118,865 of amortization expense which is primarily due to the amortization of intangibles assets acquired in the Mobivity and Txtstation acquisitions.

Interest Expense

Interest expense for the three months ended June 30, 2011 increased $121,407 compared to the three months ended June 30, 2010. Included in the current period interest expense is $82,755 of amortization of the note and cash payment obligation discounts recorded. Also included in the current period interest expense is $10,000 of amortization of deferred financing costs.

Change in Fair Value of Derivative Liabilities

During the three months ended June 30, 2011, we recorded other income of $159,263 related to the change in the fair value of its derivative liabilities during the period.

Comparison of the Six Months Ended June 30, 2011 and 2010

Revenues

Revenues for the six months ended June 30, 2011 increased $264,923, or 62%, compared to the six months ended June 30, 2010. The increase is primarily attributed to the acquisitions of Mobivity and Txtstation on April 1, 2011, which generated additional revenue of $162,000 and $295,000, respectively. This additional revenue was partially offset by the loss of five clients during 2010, and a reduction in one-time custom software development revenue recognized in 2010 that did not repeat in 2011.

Cost of Revenues

Cost of revenues for the six months ended June 30, 2011 increased approximately $31,396, or 14% compared to the six months ended June 30, 2010. This increase is primarily due to acquisitions of Mobivity and Txtstation partially offset by reduced SMS and IVR costs corresponding to the decrease in revenues from the CommercTel business, and a reduction of line costs stemming from reduced phone line inventory.

Gross Profit

Gross profit for the six months ended June 30, 2011 increased by $233,527, or 116%, compared to the six months ended June 30, 2010. Gross profit as a percentage of revenue for the six months ended June 30, 2011 increased to 63% from 47% for the six months ended June 30, 2010. The increase in gross profit as a percentage of revenue is due to the acquisitions of Mobivity and Txtstation which generate higher gross margins.

General and Administrative Expense

General and administrative expenses for the six months ended June 30, 2011 and 2010 were $920,443 and $388,678, respectively. Such expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses. The increase of $531,765, or 137% was due to an increase in stock-based compensation of $226,000, and the remainder primarily relates to legal of $126,000, accounting of $82,000, and additional personnel and consulting expenses associated with the Share Exchange Agreement and our acquisition strategy.

Sales and Marketing Expense

Sales and marketing expenses for the six months ended June 30, 2011 and 2010 were $255,679 and $159,760, respectively. Such expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, sales travel, consulting costs and other expenses. The increase of $95,919 or 60% was due to an increase in payroll and related employee expenses as we grew our business in 2011 through the acquisitions of Mobivity and Txtstation.

Engineering, Research, and Development Expense

Engineering, research, and development expenses for the six months ended June 30, 2011 and 2010 were $289,862 and $189,065, respectively. Such expenses consist primarily of salaries and personnel related expenses, stock-based compensation expense, consulting costs and other expenses. The increase of $100,797 or 53% was due to an increase in payroll and related employee expenses as we grew our business in 2011 through the acquisitions of Mobivity and Txtstation.

Depreciation and Amortization

Depreciation and amortization expense for the six months ended June 30, 2011 and 2010 were $126,778 and $3,338, respectively. The current period expense includes $119,618 of amortization expense which is primarily due to the amortization of intangibles assets acquired in the Mobivity and Txtstation acquisitions.

Interest Expense

Interest expense for the six months ended June 30, 2011 increased $210,162 compared to the six months ended June 30, 2010. Included in the current period interest expense is $161,565 of amortization of the note and cash payment obligation discounts recorded. Also included in the current period interest expense is $20,000 of amortization of deferred financing costs.

Change in Fair Value of Derivative Liabilities

During the six months ended June 30, 2011, we recorded other income of $206,956 related to the change in the fair value of its derivative liabilities during the period.

Gain on Debt Extinguishment

During the six months ended June 30, 2010, we negotiated settlement agreements with regards to previously recorded liabilities of approximately $135,000. We paid $20,000 to settle these liabilities, and recorded a gain on extinguishment of debt of approximately $115,000 in the condensed consolidated statements of operations.

Liquidity and Capital Resources

We had negative working capital of approximately $2.6 million and $1.3 million, respectively, at June 30, 2011 and December 31, 2010. Our cash balances as of June 30, 2011 and December 31, 2010 were approximately $23,000 and $373,000, respectively.

Cash Flows from Operating Activities

Our operating activities resulted in net cash used for operations of $599,452 for the six months ended June 30, 2011 compared to net cash used for operations of $243,998 for the six months ended June 30, 2010.

The net cash used by operating activities for the six months ended June 30, 2011 reflects a net loss of $1,194,403, which was increased by the change in fair market value of our derivative liabilities of $206,956, and which was partially offset by stock-based compensation of $272,698, depreciation and amortization of $126,778, amortization of deferred financing costs of $20,000, and amortization of note discounts of $161,565. Changes in operating assets and liabilities primarily included increases in accounts receivable of $111,966 and other assets of $41,433 partially offset by an increase in accounts payable of $152,145, an increase in accrued interest of $53,727, an increase in deferred revenues and customer deposits of $90,321.

The net cash used by operating activities for the six months ended June 30, 2010 reflects a net loss of $458,464, which was increased by the gain on debt extinguishment of $114,551, and partially offset by stock-based compensation of $68,651, and other minor factors. Changes in operating assets and liabilities included an increase in accounts payable of $172,525, an increase in accrued interest of $33,505, an increase in accrued compensation of $88,400, a decrease in deferred revenues and customer deposits of $40,432, and other minor factors.

Cash Flows from Investing Activities

Net cash used by investing activities for the six months ended June 30, 2011 and 2010 was $172,340 and $1,605, respectively. In 2011, we acquired intangible assets (patents and trademarks) totaling $75,001 and also paid $91,153 in cash for the acquisition of Txtstation and Mobivity.

Cash Flows from Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2011 and 2010 was $421,548 and $249,897, respectively. In 2011, we received proceeds of $555,501 from the sale of 370,334 shares of common stock and the issuance of warrants to purchase 370,334 shares at $2.00 per share; and we received $10,000 from the issuance of a 10% Senior Secured Convertible Bridge Note. In 2011, we paid $97,153 against the principal balance of the note issued in the Mobivity acquisition as well as $25,000 against the cash payment obligation from the Txtstation acquisition. In 2010, we received contributions from our former parent of $249,897.

Future Liquidity Needs

We will need to raise significant amounts of additional capital in order to continue to fund our operations, meet our debt service, and execute our acquisition strategy. As a consequence of our continued losses, and resultant net working capital deficiency and accumulated deficit, this raises substantial doubt about our ability to continue as a going concern. We commenced a private placement in late March 2011, and believe the process will continue until late September 2011. As of August 15, 2011, we have raised gross proceeds of $982,968 ($555,501 as of June 30, 2011). Unless this financing is completed at a level significantly higher than the $982,968 received to date, we will be unable to move forward with our acquisition strategy, the current level of operations and the efficient integration of the two acquisitions completed in April 2011 and the one acquisition completed in August 2011. We believe that the successful execution of our acquisition strategy should make it possible for us to raise additional funds before the end of 2011 and eventually generate sufficient cash flow from operations to reduce our dependence on outside capital sources.

Based on our resources at June 30, 2011, current proceeds from the recent private placement transaction and our current level of expenditures, and even assuming that we are not required to settle our $1,010,000 of bridge notes payable by November 2011, we may not have sufficient capital to fund our operations for the next 12 months. Our actual cash requirements may vary materially from those now planned because of a number of factors, including cash requirements associated with funding the purchase price of, and operations of, acquired businesses, the pursuit or development of products and or services, competitive and technical advances, costs of commercializing any potential products and or services, and costs of filing, prosecuting, defending and enforcing any patent claims and any other intellectual property rights. If we are unable to raise additional funds when needed, we may not be able to complete planned acquisitions or develop any products and or services, we could be required to delay, scale back or eliminate some or all of our research and development programs and we may need to wind down our operations altogether. Each of these alternatives would have a material adverse effect on our business.

To the extent that we raise additional funds by issuing equity or debt securities, our stockholders may experience additional significant dilution and such financing may involve restrictive covenants. To the extent that we raise additional funds through collaboration and licensing arrangements, it may be necessary to relinquish some rights to our technologies or our products and or services, or grant licenses on terms that may not be favorable to us. These things may have a material adverse effect on our business.

Additionally, recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies. As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers. These factors have lead to a decrease in spending by businesses and consumers alike, and a corresponding decrease in global infrastructure spending. Continued turbulence in the U.S. and international markets and economies and prolonged declines in business and consumer spending may adversely affect our liquidity and financial condition, including our ability to access the capital markets to meet liquidity needs.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Recent Accounting Pronouncements

Refer to Note 2, “Summary of Significant Accounting Polices,” in the accompanying notes to the condensed consolidated financial statements for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, as defined by section 10(f)(1) of Regulation S-K, we are not required to provide the information set forth in this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

As required by paragraph (b) of Rules 13a-15 or 15d-15 under the Exchange Act, our management, with the participation of our president (our principal executive officer) and our chief financial officer (our principal financial officer and principal accounting officer) evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report, being June 30, 2011. Our president and our chief financial officer evaluated our company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2011. Based on this evaluation, these officers concluded that, as of June 30, 2011, these disclosure controls and procedures were not effective. Management anticipates that our disclosure controls and procedures will not be effective until certain material weaknesses are remediated.

In our assessment of the effectiveness of our internal control over financial reporting as of June 30, 2011, we determined that there were control deficiencies that constituted material weaknesses which are indicative of many small companies with small staff, such as:

(1) inadequate segregation of duties and effective risk assessment; and
(2) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both generally accepted accounting principles in the United States and guidelines of the Securities and Exchange Commission.

These control deficiencies resulted in a reasonable possibility that a material misstatement of the annual or interim financial statements could not have been prevented or detected on a timely basis. As a result of the material weaknesses described above, we concluded that we did not maintain effective internal control over financial reporting as of June 30, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by COSO, as evidenced, for example, by our failure to file amendments to our Current Reports on Form 8-K to disclose financial results and pro forma financial information in connection with two recent acquisitions. Our management is currently evaluating remediation plans for the above deficiencies. During the period covered by this quarterly report on Form 10-Q, we were not able to remediate the weaknesses described above. However, in May 2011, we hired a corporate controller and in July 2011 we appointed our new chief financial officer. Both of these individuals have experience with implementing internal controls and compliance with the requirements and application of both generally accepted accounting principles in the United States and guidelines of the Securities and Exchange Commission. We plan to continue to take steps to enhance and improve the design of our internal control over financial reporting.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

Changes in Internal Control

There was no change in our internal control over financial reporting identified in connection with the evaluation of our internal control over financial reporting described above that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II Other Information

Item 1. Legal Proceedings

We are not currently involved in any legal proceedings and we are not aware of any pending or potential legal actions.

Item 1A. Risk Factors.

Risks Related to our Business

Proceeds from our recent financings will not be sufficient to sustain our operations and we will need to raise additional capital to grow our business.

We anticipate, based on currently proposed plans and assumptions relating to our ability to market and sell our products, that our cash on hand including the proceeds from our recent bridge note financing as well as revenues from operations will not satisfy our operational and capital requirements for the next 12 months. Further, the operation of our business and our efforts to grow our business further both through acquisitions and organically will require significant cash outlays and commitments. The timing and amount of our cash needs may vary significantly depending on numerous factors, including but not limited to:

- market acceptance of our mobile marketing and advertising services;
- the need to adapt to changing technologies and technical requirements;
- the need to adapt to changing regulations requiring changes to our processes or platform; and
- the existence and cost of opportunities for expansion through internal growth and acquisitions.

Our existing working capital and the proceeds from our recent bridge note and common stock / warrant financings are not sufficient to meet our cash requirements and we will need to seek additional capital, potentially through debt, or equity financings, to fund our growth. We may not be able to raise cash on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive to our shareholders, and the prices at which new investors would be willing to purchase our securities may be lower than the current price of our ordinary shares. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our ordinary shares. If new sources of financing are required but are insufficient or unavailable, we would be required to modify our growth and operating plans to the extent of available funding, which could harm our ability to grow our business.

We may not be successful in executing our acquisition strategy.

Our future growth will largely depend on the successful execution of our acquisition strategy. If we are unable to acquire other companies in the mobile marketing sector, our growth, valuation and prospects will be adversely affected. It is possible that acquisition targets will not be receptive to either the valuation offered or our intention to pay for acquisitions using our common stock as the “currency”. If we are unable to grow other than organically, our growth prospects will be reduced and our ability to raise capital on acceptable terms and the value of our common stock will both be compromised.

In addition, our future acquisitions may be expensive and time-consuming and we may not realize anticipated benefits from them. The specific risks we may encounter in these types of transactions include the following:

- Potentially dilutive issuances of our securities, the incurrence of debt and contingent liabilities and amortization expenses related to intangible assets, which could adversely affect our results of operations and financial condition;
- The possibility that staff or customers of the acquired company might not accept new ownership and may transition to different technologies or attempt to renegotiate contract terms or relationships;
- The possibility that the due diligence process in any such acquisition may not completely identify material issues associated with product and service quality, intellectual property issues, key personnel issues or legal and financial contingencies; and
- Difficulty in integrating acquired operations due to technology constraints or geographical distance.

A failure to successfully integrate acquired businesses for any of these reasons could have a material adverse effect on our results of operations.

We may not have the liquidity to settle our bridge notes at maturity.

Our $1,010,000 principal amount outstanding of bridge notes (plus interest accrued at 10% annually) matures on the earlier of November 2, 2011 or the date on which we complete a financing in excess of $1,262,500.

In addition, we have incurred $1,218,000 in additional debt to fund recent acquisitions with payments that are due over the next 15 months.

There is no certainty that we will have the liquidity necessary to settle our outstanding obligations as they become due, nor is it certain that our creditors will agree to an extension of the maturity date or an accommodation favorable to us. Our obligations under the bridge notes are secured by all of our assets. In the event we cannot settle our outstanding obligations as they become due or reach an accommodation with our creditors, our operations would be severely jeopardized if not entirely curtailed.

Our sales efforts require significant time and effort and could hinder our ability to expand our customer base and increase revenue.

Attracting new customers requires substantial time and expense, especially in an industry that is so heavily dependent on personal relationships with executives. We cannot assure that we will be successful in establishing new relationships, or maintaining or advancing our current relationships. For example, it may be difficult to identify, engage and market to customers who do not currently perform mobile marketing or advertising or are unfamiliar with our current services or platform. Further, many of our customers typically require input from one or more internal levels of approval. As a result, during our sales effort, we must identify multiple people involved in the purchasing decision and devote a sufficient amount of time to presenting our products and services to those individuals. The complexity of our services, including our software-as-a-service model, often requires us to spend substantial time and effort assisting potential customers in evaluating our products and services including providing demonstrations and benchmarking against other available technologies. We expect that our sales process will become less burdensome as our products and services become more widely known and used. However, if this change does not occur, we will not be able to expand our sales effort as quickly as anticipated and our sales will be adversely affected.

We may not be able to enhance our mobile marketing and advertising platform to keep pace with technological and market developments, or to remain competitive against potential new entrants in our markets.

The market for mobile marketing and advertising services is emerging and is characterized by rapid technological change, evolving industry standards, frequent new product introductions and short product life cycles. Our current platform or platforms we may offer in the future may not be acceptable to marketers and advertisers. To keep pace with technological developments, satisfy increasing customer requirements and achieve acceptance of our marketing and advertising campaigns, we will need to enhance our current mobile marketing solutions and continue to develop and introduce on a timely basis new, innovative mobile marketing services offering compatibility, enhanced features and functionality on a timely basis at competitive prices. Our inability, for technological or other reasons, to enhance, develop, introduce and deliver compelling mobile marketing services in a timely manner, or at all, in response to changing market conditions, technologies or customer expectations could have a material adverse effect on our operating results or could result in our mobile marketing services platform becoming obsolete. Our ability to compete successfully will depend in large measure on our ability to maintain a technically skilled development and engineering staff and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of our mobile marketing services platform with evolving industry standards and protocols. In addition, as we believe the mobile marketing market is likely to grow substantially, other companies which are larger and have significantly more capital to invest than us may emerge as competitors. For example, in May 2010, Google, Inc. acquired Admob, Inc. Similarly, in January 2010, Apple, Inc. acquired Quattro Wireless, Inc. New entrants could seek to gain market share by introducing new technology or reducing pricing. This may make it more difficult for us to sell our products and services, and could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses or the loss of market share or expected market share, any of which may significantly harm our business, operating results and financial condition.

Our customer contracts lack uniformity and often are complex, which subjects us to business and other risks.

Our customers include some of the largest enterprises which have substantial purchasing power and negotiating leverage. As a result, we typically negotiate contracts on a customer-by-customer basis and our contracts lack uniformity and are often complex. If we are unable to effectively negotiate, enforce and account and bill in an accurate and timely manner for contracts with our key customers, our business and operating results may be adversely affected. In addition, we could be unable to timely recognize revenue from contracts that are not managed effectively and this would further adversely impact our financial results.

Our services are provided on mobile communications networks that are owned and operated by third parties who we do not control and the failure of any of these networks would adversely affect our ability to deliver our services to our customers.

Our mobile marketing and advertising platform is dependent on the reliability of mobile operators who maintain sophisticated and complex mobile networks. Such mobile networks have historically, and particularly in recent years, been subject to both rapid growth and technological change. If the network of a mobile operator with which we are integrated should fail, including because of new technology incompatibility, the degradation of network performance under the strain of too many mobile consumers using it, or a general failure from natural disaster or political or regulatory shut-down, we will not be able provide our services to our customers through such mobile network. This in turn, would impair our reputation and business, potentially resulting in a material, adverse effect on our financial results.

If our mobile marketing and advertising services platform does not scale as anticipated, our business will be harmed.

We must be able to continue to scale to support potential ongoing substantial increases in the number of users in our actual commercial environment, and maintain a stable service infrastructure and reliable service delivery for our mobile marketing and advertising campaigns. In addition, we must continue to expand our service infrastructure to handle growth in customers and usage. If our mobile marketing services platform does not efficiently and effectively scale to support and manage a substantial increase in the number of users while maintaining a high level of performance, the quality of our services could decline and our business will be seriously harmed. In addition, if we are unable to secure data center space with appropriate power, cooling and bandwidth capacity, we may not be able to efficiently and effectively scale our business to manage the addition of new customers and overall mobile marketing campaigns.

The success of our business depends, in part, on wireless carriers continuing to accept our customers' messages for delivery to their subscriber base.

We depend on wireless carriers to deliver our customers' messages to their subscriber base. Wireless carriers often impose standards of conduct or practice that significantly exceed current legal requirements and potentially classify our messages as "spam," even where we do not agree with that conclusion. In addition, the wireless carriers use technical and other measures to attempt to block non-compliant senders from transmitting messages to their customers; for example, wireless carriers block short codes or Internet Protocol addresses associated with those senders. There can be no guarantee that we, or short codes registered to us, will not be blocked or blacklisted or that we will be able to successfully remove ourselves from those lists. Although our services typically require customers to opt-in to a campaign, minimizing the risk that our customers' messages will be characterized as spam, blocking of this type could interfere with our ability to market products and services of our customers and communicate with end users and could undermine the effectiveness of our customers' marketing campaigns. To date we have not experienced any material blocking of our messages by wireless carriers, but any such blocking could have an adverse effect on our business and results of operations.

We depend on third party providers for a reliable Internet infrastructure and the failure of these third parties, or the Internet in general, for any reason would significantly impair our ability to conduct our business.

We outsource all of our data center facility management to third parties who host the actual servers and provide power and security in multiple data centers in each geographic location. These third party facilities require uninterrupted access to the Internet. If the operation of our servers is interrupted for any reason, including natural disaster, financial insolvency of a third party provider, or malicious electronic intrusion into the data center, our business would be significantly damaged. As has occurred with many Internet-based businesses, on occasion in the past, we have been subject to "denial-of-service" attacks in which unknown individuals bombarded our computer servers with requests for data, thereby degrading the servers' performance. While we have historically been successful in relatively quickly identifying and neutralizing these attacks, we cannot be certain that we will be able to do so in the future. If either a third party facility failed, or our ability to access the Internet was interfered with because of the failure of Internet equipment in general or we become subject to malicious attacks of computer intruders, our business and operating results will be materially adversely affected.

Failure to adequately manage our growth may seriously harm our business.

We operate in an emerging technology market and have experienced, and may continue to experience, significant growth in our business. If we do not effectively manage our growth, the quality of our products and services may suffer, which could negatively affect our brand and operating results. Our growth has placed, and is expected to continue to place, a significant strain on our managerial, administrative, operational and financial resources and our infrastructure. Our future success will depend, in part, upon the ability of our senior management to manage growth effectively. This will require us to, among other things:

- implement additional management information systems;
- further develop our operating, administrative, legal, financial and accounting systems and controls;
- hire additional personnel;
- develop additional levels of management within our company;
- locate additional office space in various countries; and
- maintain close coordination among our engineering, operations, legal, finance, sales and marketing and customer service and support organizations.

Moreover, as our sales increase, we may be required to concurrently deploy our services infrastructure at multiple additional locations or provide increased levels of customization. As a result, we may lack the resources to deploy our mobile marketing services on a timely and cost-effective basis. Failure to accomplish any of these requirements would seriously harm our ability to deliver our mobile marketing services platform in a timely fashion, fulfill existing customer commitments or attract and retain new customers.

We depend on the services of key personnel to implement our strategy. If we lose the services of our key personnel or are unable to attract and retain other qualified personnel, we may be unable to implement our strategy.

We believe that the future success of our business depends on the services of a number of key management and operating personnel, including Dennis Becker, our Chief Executive Officer, Alex Shah, our Chief Technology Officer, and Brad Morrow, our Vice President of Product Management. We currently have an employment agreement in place with Mr. Becker. We do not maintain any key-person life insurance policies. Some of these key employees have strong relationships with our customers and our business may be harmed if these employees leave us. The loss of members of our key management and certain other members of our operating personnel could materially adversely affect our business, operating results and financial condition.

In addition, our ability to manage our growth depends, in part, on our ability to identify, hire and retain additional qualified employees, including a technically skilled development and engineering staff. We face intense competition for qualified individuals from numerous technology, marketing and mobile software and service companies. We require a mix of highly talented engineers as well as individuals in sales and support who are familiar with the marketing and advertising industry. In addition, new hires in sales positions require significant training and may, in some cases, take more than a year before they achieve full productivity. Our recent sales force hires and planned hires may not become as productive as we would like, and we may be unable to hire sufficient numbers of qualified individuals in the future in the markets where we do business. Further, given the rapid pace of our expansion to date, we may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing, creative, operational and managerial requirements, or may be required to pay increased compensation in order to do so. If we are unsuccessful in attracting and retaining these key personnel, our ability to operate our business effectively would be negatively impacted and our business, operating results and financial condition would be adversely affected.

The gathering, transmission, storage and sharing or use of personal information could give rise to liabilities or additional costs of operation as a result of governmental regulation, legal requirements, civil actions or differing views of personal privacy rights.

We transmit and store a large volume of personal information in the course of providing our services. Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we receive from our customers and their users. Any failure, or perceived failure, by us to comply with U.S. federal, state, or international privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business, operating results and financial condition. Additionally, we may also be contractually liable to indemnify and hold harmless our customers from the costs or consequences of inadvertent or unauthorized disclosure of their customers' personal data which we store or handle as part of providing our services.

The interpretation and application of privacy, data protection and data retention laws and regulations are currently unsettled in the U.S. and internationally, particularly with regard to location-based services, use of customer data to target advertisements and communication with consumers via mobile devices. Such laws may be interpreted and applied inconsistently from country to country and inconsistently with our current data protection policies and practices. Complying with these varying international requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business, operating results or financial condition.

As privacy and data protection have become more sensitive issues, we may also become exposed to potential liabilities as a result of differing views on the privacy of personal information. These and other privacy concerns, including security breaches, could adversely impact our business, operating results and financial condition.

In the U.S., we have voluntarily agreed to comply with wireless carrier technological and other requirements for access to their customers' mobile devices, and also trade association guidelines and codes of conduct addressing the provision of location-based services, delivery of promotional content to mobile devices and tracking of users or devices for the purpose of delivering targeted advertising. We could be adversely affected by changes to these requirements, guidelines and codes, including in ways that are inconsistent with our practices or in conflict with the rules or guidelines in other jurisdictions.

Our management team has limited experience in public company matters, which could impair our ability to comply with legal and regulatory requirements.

Our management team, with the exception of our Chief Financial Officer, has only limited public company management experience or responsibilities, which could impair our ability to comply with legal and regulatory requirements such as the Sarbanes-Oxley Act of 2002 and applicable federal securities laws including filing required reports and other information required on a timely basis. There can be no assurance that our management will be able to implement and affect programs and policies in an effective and timely manner that adequately respond to increased legal, regulatory compliance and reporting requirements imposed by such laws and regulations. Our failure to comply with such laws and regulations could lead to the imposition of fines and penalties and further result in the deterioration of our business.

Risks Related to our Common Stock

There has been a limited trading market for our common stock.

There has been a limited trading market for our common stock on the Over-the-Counter Bulletin Board. The lack of an active market may impair the ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other companies or technologies by using common stock as consideration.

You may have difficulty trading and obtaining quotations for our common stock.

Our common stock may not be actively traded, and the bid and asked prices for our common stock on the Over-the-Counter Bulletin Board may fluctuate widely. As a result, investors may find it difficult to dispose of, or to obtain accurate quotations of the price of, our securities. This severely limits the liquidity of the common stock, and would likely reduce the market price of our common stock and hamper our ability to raise additional capital.

The market price of our common stock may be, and is likely to continue to be, highly volatile and subject to wide fluctuations.

The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including:

- dilution caused by our issuance of additional shares of common stock and other forms of equity securities, which we expect to make in connection with future acquisitions or capital financings to fund our operations and growth, to attract and retain valuable personnel and in connection with future strategic partnerships with other companies;
- announcements of new acquisitions or other business initiatives by our competitors;
- our ability to take advantage of new acquisitions or other business initiatives;
- quarterly variations in our revenues and operating expenses;
- changes in the valuation of similarly situated companies, both in our industry and in other industries;
- changes in analysts' estimates affecting us, our competitors and/or our industry;
- changes in the accounting methods used in or otherwise affecting our industry;
- additions and departures of key personnel;
- announcements by relevant governments pertaining to additional quota restrictions; and
- fluctuations in interest rates and the availability of capital in the capital markets.

These and other factors are largely beyond our control, and the impact of these risks, singly or in the aggregate, may result in material adverse changes to the market price of our common stock and/or our results of operations and financial condition.

Our operating results may fluctuate significantly, and these fluctuations may cause our stock price to decline.

Our operating results will likely vary in the future primarily as the result of fluctuations in our revenues and operating expenses, expenses that we incur, prices of feed used in our business, the price that customer are willing and able to pay for our products and other factors. If our results of operations do not meet the expectations of current or potential investors, the price of our common stock may decline.

We do not expect to pay dividends in the foreseeable future.

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common stock, and stockholders may be unable to sell their shares on favorable terms or at all. Investors cannot be assured of a positive return on investment or that they will not lose the entire amount of their investment in the common stock.

Our directors and officers will have a high concentration of common stock ownership.

Based on the 21.5 million shares of common stock that are outstanding as of June 30, 2011, our officers and directors will beneficially own approximately 35.7% of our outstanding common stock. Such a high level of ownership by such persons may have a significant effect in delaying, deferring or preventing any potential change in control of our company. Additionally, as a result of their high level of ownership, our officers and directors might be able to strongly influence the actions of our board of directors and the outcome of actions brought to our shareholders for approval. Such a high level of ownership may adversely affect the voting and other rights of our shareholders.

Applicable SEC rules governing the trading of "penny stocks" limit the trading and liquidity of our common stock, which may affect the trading price of our common stock.

Shares of common stock may be considered a "penny stock" and be subject to SEC rules and regulations which impose limitations upon the manner in which such shares may be publicly traded and regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules which may increase the difficulty investors may experience in attempting to liquidate such securities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the three months ended June 30, 2011, the Company sold 230,334 shares of common stock at $1.50 per share for cash and issued four-year warrants to purchase 230,334 shares of common stock at $2.00 per share to an accredited investor. Both the common shares and the warrant contain anti-dilutive, or down round, price protection. The down round protection for the common shares terminates on the early of the date on which an effective registration statement is filed with the SEC covering the shares, or the shares become freely tradable pursuant to Rule 144 promulgated under the Securities Act of 1933. The down round protection for the warrants terminates when the warrants expire or are exercised. The proceeds will be used as working capital.

On April 1, 2011, the Company issued 2,425,000 shares of common stock in conjunction with the acquisition of Txtstation.

On April 1, 2011, the Company issued 1,000,000 shares of common stock in conjuction with the acquisition of Mobivity.

The transactions described above were exempt from registration under the Securities Act pursuant to Section 4(2) thereof. The transactions were not conducted in connection with a public offering, and no public solicitation or advertisement was made or relied upon by the investor in connection with this offering.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Removed and Reserved.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed as part of this Quarterly Report on Form 10-Q and such Exhibit Index is incorporated herein by reference.

SIGNATURES

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

CommerceTel Corporation

Date: August 15, 2011	By:	/s/Dennis Becker Dennis Becker Chief Executive Officer *(Principal Executive Officer)*
Date: August 15,2011	By:	/s/Matthew Szot Matthew Szot Chief Financial Officer *(Principal Financial)*

Table of Contents

Exhibit Index

Exhibit Number	Description
4.1	Form of Warrant
4.2	Secured Subordinated Promissory Note Dated as of April 1, 2011*
10.1	Asset Purchase Agreement dated as of March 3, 2011 by and among the Company, Adsparq Limited and certain shareholders identified therein
10.2	Form of Subscription Agreement
10.3	Acquisition Agreement dated April 8, 2011, by and among the Company, Mobile Visions, Inc., Mobivity LLC and the shareholders identified therein*
31.1	Certification of Dennis Becker, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Matthew Szot, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Dennis Becker, Chief Executive Officer, and Matthew Szot, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Incorporated by reference to the Company's Current Report on Form 8-K filed April 11, 2011

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dennis Becker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CommerceTel Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, 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 change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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.

Date: August 15, 2011

By: /s/ Dennis Becker
Dennis Becker
Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Matthew Szot, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CommerceTel Corporation;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, 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 change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the 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.

Date: August 15, 2011

By: /s/ Matthew Szot
Matthew Szot
Chief Financial Officer

(*Principal Financial Officer*)

Exhibit 32.1

CERTIFICATIONS

I, Dennis Becker, Principal Executive Officer of CommerceTel Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 15, 2011

By: /s/ Dennis Becker
Dennis Becker
Chief Executive Officer
(Principal Executive Officer)

I, Matthew Szot, Principal Financial Officer of CommerceTel Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2011 (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 results of operations of the Company.

Date: August 15, 2011

By: /s/ Matthew Szot
Matthew Szot
Chief Financial Officer
(Principal Financial Officer)

A signed original of these certifications has been provided to CommerceTel Corporation and will be retained by CommerceTel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of CommerceTel Corporation, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 4.1

EXHIBIT A

NEITHER THIS SECURITY NOR ANY SECURITIES WHICH MAY BE ISSUED UPON EXERCISE OF THIS SECURITY HAVE BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY U.S. STATE OR OTHER JURISDICTION OR ANY EXCHANGE OR SELF-REGULATORY ORGANIZATION, IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND SUCH OTHER LAWS AND REQUIREMENTS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR LISTING OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, SUCH REGISTRATION AND/OR LISTING REQUIREMENTS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH WILL BE REASONABLY ACCEPTABLE TO THE COMPANY..

COMMERCETEL CORPORATION

FORM OF COMMON STOCK WARRANT

No_____

_____, 2011

CommerceTel Corporation, a Nevada corporation (the "**Company**"), hereby certifies that _____, its permissible transferees, designees, successors and assigns (collectively, the "**Holder**"), for value received, is entitled to purchase from the Company at any time and from time to time commencing on the date first appearing above (the "**Issuance Date**"), up to and through 12:01a.m. (EST) on the date four (4) years from the Issuance Date (the "**Termination Date**") up to _____ shares (each, a "Warrant **Share**" and collectively the "Warrant **Shares**") of the Company's common stock (the "**Common Stock**"), at an exercise price per Share equal to $2.00 (the "**Exercise Price**"). The number of Shares purchasable hereunder and the Exercise Price are subject to adjustment as provided in Section 4 hereof.

This Warrant is being issued as part of units (the "**Units**") issued by the Company in a private placement pursuant to the Company's Subscription Agreement (the "**Agreement**"). Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Agreement.

1. Method of Exercise; Payment.

(a) *Cash Exercise*. The purchase rights represented by this Warrant may be exercised by the Holder, in whole or in part, at any time, or from time to time, by the surrender of this Warrant (with the notice of exercise form (the "**Notice of Exercise**") attached hereto as Exhibit A duly executed) at the principal office of the Company, and by payment to the Company of an amount equal to the Exercise Price multiplied by the number of Warrant Shares being purchased, which amount may be paid, at the election of the Holder, by wire transfer or certified check payable to the order of the Company. The person or persons in whose name(s) any certificate(s) representing Warrant Shares shall be issuable upon exercise of this Warrant shall be deemed to have become the holder(s) of record of, and shall be treated for all purposes as the record holder(s) of, the Warrant Shares represented thereby (and such Warrant Shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised.

(b) *Cashless Exercise*. If, within 180 days from the Closing, there shall be no effective registration statement registering the resale of the Warrant Shares by the Holder, then, at the option of the Holder, this Warrant may be exercised at any time thereafter by means of a "cashless exercise" in which the Holder shall be entitled to receive a certificate for the number of Warrant Shares equal to the quotient obtained by dividing

$$\frac{Y\ (A-B)}{A}$$

where Y= the number of shares of Common Stock purchasable under the Warrant by means of a cash exercise or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation);

A= the Fair Market Value which shall be defined as the average of the three highestclosing prices of the Common Stock, in the principal market in which the Common Stock then trades, during the thirty trading days preceding the date on which a Notice of Exercise is delivered to the Company; and

B= Purchase Price (as adjusted to the date of such calculation).

To the extent permitted by law, for purposes of Rule 144 promulgated under the Securities Act of 1933 Act, as amended (the "**Securities Act**"), it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction in the manner described above shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Subscription Agreement.

(c) *Stock Certificates*. In the event of any exercise of the rights represented by this Warrant, as promptly as practicable after this Warrant is surrendered and delivered to the Company along with all other appropriate documentation on or after the date of exercise and in any event within ten (10) days thereafter, the Company at its expense shall issue and deliver to the person or persons entitled to receive the same a certificate or certificates for the number of Warrant Shares issuable upon such exercise. In the event this Warrant is exercised in part, the Company at its expense will execute and deliver a new Warrant of like tenor exercisable for the number of Warrant Shares for which this Warrant may then be exercised.

(d) *Taxes*. The issuance of the Warrant Shares upon the exercise of this Warrant, and the delivery of certificates or other instruments representing such Warrant Shares, shall be made without charge to the Holder for any tax or other charge in respect of such issuance.

2. Warrant.

(a) Transfer and Replacement. At any time prior to the exercise hereof, this Warrant may be exchanged upon presentation and surrender to the Company, alone or with other warrants of like tenor of different denominations registered in the name of the same Holder, for another warrant or warrants of like tenor in the name of such Holder exercisable for the aggregate number of Warrant Shares as the warrant or warrants surrendered.

(b) Replacement of Warrant. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft, or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company, at its expense, will execute and deliver in lieu thereof, a new Warrant of like tenor.

(c) Cancellation. Payment of Expenses. Upon the surrender of this Warrant in connection with any transfer, exchange or replacement as provided in this Section 2, this Warrant shall be promptly canceled by the Company. The Holder shall pay all taxes and all other expenses (including legal expenses, if any, incurred by the Holder or transferees) and charges payable in connection with the preparation, execution and delivery of Warrants pursuant to this Section 2.

(d) Warrant Register. The Company shall maintain, at its principal executive offices (or at the offices of the transfer agent for the Warrant or such other office or agency of the Company as it may designate by notice to the holder hereof), a register for this Warrant (the "**Warrant Register**"), in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each transferee and each prior owner of this Warrant.

3. Rights and Obligations of Holders of this Warrant.

The Holder of this Warrant shall not, by virtue hereof, be entitled to any rights of a shareholder in the Company, either at law or in equity; provided, however, that in the event any certificate representing shares of Common Stock or other securities is issued to the holder hereof upon exercise of this Warrant, such holder shall, for all purposes, be deemed to have become the holder of record of such Common Stock on the date on which this Warrant, together with a duly executed Notice of Exercise, was surrendered and payment of the aggregate Exercise Price was made, irrespective of the date of delivery of such Common Stock certificate.

4. Adjustments.

(a) *Stock Dividends, Reclassifications, Recapitalizations, Etc.* While this Warrant is outstanding, in the event the Company: (i) pays a dividend in Common Stock or makes a distribution in Common Stock, (ii) subdivides its outstanding Common Stock into a greater number of shares, (iii) combines its outstanding Common Stock into a smaller number of shares or (iv) increases or decreases the number of shares of Common Stock outstanding by reclassification of its Common Stock (including a recapitalization in connection with a consolidation or merger in which the Company is the continuing corporation), then (1) the Exercise Price on the record date of such division or distribution or the effective date of such action shall be adjusted by multiplying such Exercise Price by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately before such event and the denominator of which is the number of shares of Common Stock outstanding immediately after such event, and (2) the number of shares of Common Stock for which this Warrant may be exercised immediately before such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the Exercise Price immediately before such event and the denominator of which is the Exercise Price immediately after such event.

(b) *Combination; Liquidation*. While this Warrant is outstanding, (i) in the event of a Combination (as defined below), each Holder shall have the right to receive upon exercise of the Warrant the kind and amount of shares of capital stock or other securities or property which such Holder would have been entitled to receive upon or as a result of such Combination had such Warrant been exercised immediately prior to such event (subject to further adjustment in accordance with the terms hereof). Unless clause (ii) below is applicable to a Combination, the Company shall provide that the surviving or acquiring Person (as defined below) in such Combination will assume by written instrument the obligations under this Section 4 and the obligations to deliver to the Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, the Holder may be entitled to acquire. "**Combination**" means an event in which the Company consolidates with, mergers with or into, or sells all or substantially all of its assets to another Person, where "**Person**" means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity. (ii) In the event of (x) a Combination where consideration to the holders of Common Stock in exchange for their shares is payable solely in cash or (y) the dissolution, liquidation or winding-up of the Company, the Holders shall be entitled to receive, upon surrender of their Warrant, distributions on an equal basis with the holders of Common Stock or other securities issuable upon exercise of the Warrant, as if the Warrant had been exercised immediately prior to such event, less the Exercise Price. In case of any Combination described in this Section 4, the surviving or acquiring Person and, in the event of any dissolution, liquidation or winding-up of the Company, the Company, shall deposit promptly with an agent or trustee for the benefit of the Holders of the funds, if any, necessary to pay to the Holders the amounts to which they are entitled as described above. After such funds and the surrendered Warrant are received, the Company is required to deliver a check in such amount as is appropriate (or, in the case or consideration other than cash, such other consideration as is appropriate) to such Person or Persons as it may be directed in writing by the Holders surrendering such Warrant.

(c) *Exercise Price Protection*. If the Company, at any time while this Warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock, at an effective price per share less than the then Exercise Price (such lower price, the "**Base Share Price**" and such issuances collectively, a "**Dilutive Issuance**") (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share which is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance), then the Exercise Price shall be reduced and only reduced to equal the Base Share Price. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 4(c) in respect of an Exempt Issuance.

(d) *Notice of Adjustment*. Whenever the Exercise Price or the number of shares of Common Stock and other property, if any, issuable upon exercise of the Warrant is adjusted, as provided in this Section 4, the Company shall deliver to the holders of the Warrant in accordance with Section 9 a certificate of the Company's Chief Financial Officer setting forth, in reasonable detail, the event requiring the adjustment and the method by which such adjustment was calculated (including a description of the basis on which (i) the Board of Directors determined the fair value of any evidences of indebtedness, other securities or property or warrants, options or other subscription or purchase rights and (ii) the Current Value (as defined below) of the Common Stock was determined, if either of such determinations were required), and specifying the Exercise Price and number of shares of Common Stock issuable upon exercise of the Warrant after giving effect to such adjustment.

(e) *Notice of Certain Transactions*. While this Warrant is outstanding, in the event that the Company shall propose (a) to pay any dividend payable in securities of any class to the holders of its Common Stock or to make any other non-cash dividend or distribution to the holders of its Common Stock, (b) to offer the holders of its Common Stock rights to subscribe for or to purchase any securities convertible into shares of Common Stock or shares of stock of any class or any other securities, rights or options, (c) to effect any capital reorganization, reclassification, consolidation or merger affecting the class of Common Stock, as a whole, or (d) to effect the voluntary or involuntary dissolution, liquidation or winding-up of the Company, the Company shall, within the time limits specified below, send to each Holder a notice of such proposed action or offer. Such notice shall be mailed to the Holders at their addresses as they appear in the Warrant Register, which shall specify the record date for the purposes of such dividend, distribution or rights, or the date such issuance or event is to take place and the date of participation therein by the holders of Common Stock, if any such date is to be fixed, and shall briefly indicate the effect of such action on the Common Stock and on the number and kind of any other shares of stock and on other property, if any, and the number of shares of Common Stock and other property, if any, issuable upon exercise of each Warrant and the Exercise Price after giving effect to any adjustment pursuant to this Section 4 which will be required as a result of such action. Such notice shall be given as promptly as possible and (x) in the case of any action covered by clause (a) or (b) above, at least ten (10) days prior to the record date for determining holders of the Common Stock for purposes of such action or (y) in the case of any other such action, at least twenty (20) days prior to the date of the taking of such proposed action or the date of participation therein by the holders of Common Stock, whichever shall be the earlier.

(f) *Current Value*. For purposes of this Section 4, the "**Current Value**" per share of Common Stock or any other security at any date means (i) if the security is not registered under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and/or traded on a national securities exchange, quotation system or bulletin board, (a) the value of the security, determined in good faith by the Board of Directors of the Company and certified in a board resolution, based on the most recently completed arm's-length transaction between the Company and a Person other than an affiliate of the Company or between any two such Persons and the closing of which occurs on such date or shall have occurred within the six-month period preceding such date, or (b) if no such transaction shall have occurred within the six-month period, the value of the security as determined by an independent financial expert or an agreed upon financial valuation model or (ii) if the security is registered under the Exchange Act and/or traded on a national securities exchange, quotation system or bulletin board, the average of the daily closing bid prices (or the equivalent in an over-the-counter market) for each day on which the Common Stock is traded for any period on the principal securities exchange or other securities market on which the common Stock is being traded (each, a "**Trading Day**") during the period commencing thirty (30) days before such date and ending on the date one (1) day prior to such date.

5. Fractional Shares.

In lieu of issuance of a fractional share upon any exercise hereunder, the Company will issue an additional whole share in lieu of that fractional share, calculated on the basis of the Exercise Price.

6. Legends.

(a) *Restrictive Legends*. Prior to issuance of the shares of Common Stock underlying this Warrant, all such certificates representing such shares shall bear a restrictive legend to the effect that the Shares represented by such certificate have not been registered under the Securities Act, and that the Shares may not be sold or transferred in the absence of such registration or an exemption therefrom, such legend to be substantially in the form of the bold-face language appearing at the top of Page 1 of this Warrant. The Holder confirms on the date of exercise of this Warrant the representations and warranties in Section 1.3 of the Agreement.

(b) *Legal Opinions*. If at any time, whether upon exercise of this Warrant or thereafter, the Warrant Shares may be issued or transferred, as the case may be, in compliance with applicable exemptions from registration under the Securities Act and other applicable laws, the Company will promptly instruct its legal counsel to issue to the Company's transfer agent a legal opinion to the effect that such issuance or transfer, as the case may be, may take place without restrictive legend; provided however, that the Holder delivers reasonably requested representations in support of such opinion. The Company agrees to bear all of the cost(s) of any such legal opinion(s) and removal of restrictive legends and reissuance of shares free of restrictive legends

7. Disposition of Warrants or Shares.

The Holder of this Warrant, each transferee hereof and any holder and transferee of any Warrant Shares, by his or its acceptance thereof, agrees that no public distribution of Warrants or Warrant Shares will be made in violation of the provisions of the Securities Act. Furthermore, it shall be a condition to the transfer of this Warrant that any transferee thereof deliver to the Company his or its written agreement to accept and be bound by all of the terms and conditions contained in this Warrant.

8. Merger or Consolidation.

The Company will not merge or consolidate with or into any other corporation, or sell or otherwise transfer its property, assets and business substantially as an entirety to another corporation, unless the corporation resulting from such merger or consolidation (if not the Company), or such transferee corporation, as the case may be, shall expressly assume, by supplemental agreement reasonably satisfactory in form and substance to the Holder, the due and punctual performance and observance of each and every covenant and condition of this Warrant to be performed and observed by the Company.

9. Notices.

Except as otherwise specified herein to the contrary, all notices, requests, demands and other communications required or desired to be given hereunder shall only be effective if given in writing by certified or registered U.S. mail with return receipt requested and postage prepaid; by private overnight delivery service (e.g. Federal Express); by facsimile transmission (if no original documents or instruments must accompany the notice); or by personal delivery. Any such notice shall be deemed to have been given (a) on the business day immediately following the mailing thereof, if mailed by certified or registered U.S. mail as specified above; (b) on the business day immediately following deposit with a private overnight delivery service if sent by said service; (c) upon receipt of confirmation of transmission if sent by facsimile transmission; or (d) upon personal delivery of the notice. All such notices shall be sent to the following addresses (or to such other address or addresses as a party may have advised the other in the manner provided in this Section 9):

If to the Company: 8929 Aero Drive, Suite E
San Diego, CA 92123
Attn: Dennis Becker
Fax: _____

Notwithstanding the time of effectiveness of notices set forth in this Section 9, a Notice of Exercise shall not be deemed effectively given until it has been duly completed and submitted to the Company together with this original Warrant and payment of the Exercise Price in a manner set forth in this Section 9.

10. Limitation on Exercise.

Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by the Holder upon any exercise of this Warrant (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such exercise (or other issuance), the total number of shares of Common Stock then beneficially owned by such Holder and its affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act, does not exceed 4.99% of the total number of issued and outstanding shares of Common Stock (the "**Beneficial Ownership Limitation**"). For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. The holder may waive the restriction in whole or in part upon and effective after 61 days prior written notice to the Company and increase the Beneficial Ownership Limitation to no more than 9.9%.

11. Governing Law.

This Warrant shall be governed by and construed solely and exclusively in accordance with and pursuant to the internal laws of the State of California without regard to the conflicts of laws principles thereof. The parties hereto hereby expressly and irrevocably agree that any suit or proceeding arising directly and/or indirectly pursuant to or under this Warrant shall be brought solely in a federal or state court located in San Diego. By its execution hereof, the parties hereby covenant and irrevocably submit to the in personam jurisdiction of the federal and state courts located in San Diego, California and agree that any process in any such action may be served upon any of them personally, or by certified mail or registered mail upon them or their agent, return receipt requested, with the same full force and effect as if personally served upon them in San Diego. The parties hereto expressly and irrevocably waive any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of in personam jurisdiction with respect thereto. In the event of any such action or proceeding, the party prevailing therein shall be entitled to payment from the other party hereto of all of its reasonable counsel fees and disbursements.

12. Successors and Assigns.

This Warrant shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

13. Headings.

The headings of various sections of this Warrant have been inserted for reference only and shall not affect the meaning or construction of any of the provisions hereof.

14. Severability.

If any provision of this Warrant is held to be unenforceable under applicable law, such provision shall be excluded from this Warrant, and the balance hereof shall be interpreted as if such provision were so excluded.

15. Modification and Waiver.

This Warrant and any provision hereof may be amended, waived, discharged or terminated only by an instrument in writing signed by the Company and the Holder.

16. Specific Enforcement.

The Company and the Holder acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Warrant were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Warrant and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which either of them may be entitled by law or equity.

17. Assignment.

This Warrant may be transferred or assigned, in whole or in part, at any time and from time to time by the then Holder by submitting this Warrant to the Company together with a duly executed Assignment in substantially the form and substance of the Form of Assignment which accompanies this Warrant as Exhibit B hereto, and, upon the Company's receipt thereof, and in any event, within five (5) business days thereafter, the Company shall issue a Warrant to the Holder to evidence that portion of this Warrant, if any as shall not have been so transferred or assigned.

(Signature Page Immediately Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed, manually or by facsimile, by one of its officers thereunto duly authorized.

Date: _____, 2011

COMMERCETEL CORPORATION

By: _____

EXHIBIT A

NOTICE OF EXERCISE

To Be Executed by the Holder

in Order to Exercise the Warrant

The undersigned Holder hereby elects to purchase _____ Warrant Shares pursuant to the attached Warrant, and requests that certificates for securities be issued in the name of:

_____

(Please type or print name and address)

_____

_____

_____

(Social Security or Tax Identification Number)

and delivered to:_____

_____.

(Please type or print name and address if different from above)

If such number of Warrant Shares being purchased hereby shall not be all the Warrant Shares that may be purchased pursuant to the attached Warrant, a new Warrant for the balance of such Warrant Shares shall be registered in the name of, and delivered to, the Holder at the address set forth below.

The Holder intends that payment of the Exercise Price shall be made as:

____ a "Cash Exercise" with respect to _____ Warrant Shares; and/or

____ a "Cashless Exercise" with respect to _____ Warrant Shares.

If this is a Cash Exercise, in full payment of the purchase price with respect to the Warrant Shares purchased and transfer taxes, if any, the undersigned hereby tenders payment of $_____ by check, money order or wire transfer payable in United States currency to the order of CommerceTel Corporation.

The Holder hereby confirms as of the date hereof the representations and warranties in Section 1.3 of the Agreement.

HOLDER:

By:_____
Name:
Title:
Address:
Dated:

EXHIBIT B

FORM OF ASSIGNMENT

(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto _____ the right represented by the within Warrant to purchase _____ shares of Common Stock of CommerceTel Corporation, a Nevada corporation, to which the within Warrant relates, and appoints _____ Attorney to transfer such right on the books of CommerceTel Corporation, a Nevada corporation, with full power of substitution of premises.

Dated:

By:_____
Name:
Title:
(signature must conform to name
of holder as specified on the fact of the Warrant)

Address:

Signed in the presence of:

Dated:

ASSET PURCHASE AGREEMENT

by and among

COMMERCETEL CORPORATION,

COMMERCETEL, INC.,

ADSPARQ LIMITED

and

THE CONTROLLING SHAREHOLDER IDENTIFIED HEREIN

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of March 3, 2011 (this "Agreement"), by and among CommerceTel Corporation, a Nevada corporation ("Parent"), CommerceTel, Inc., a Nevada corporation ("Buyer"), Adsparq Limited, a New Zealand corporation ("Seller"), and the individual listed on the signature pages hereto (the "Controlling Shareholder").

WITNESSTH:

WHEREAS, Txtstation Global Limited, a New Zealand corporation ("Txtstation") has heretofore conducted a business which provides an interactive mobile marketing platform and services including, under the name "Txtstation" (the "Business");

WHEREAS, Txtstation has transferred all of the assets, properties and business of the Business to Seller, a wholly owned subsidiary of Txtstation, effective as at 31 July 2008 pursuant to the terms of an Asset Restructure Deed that was legally completed and signed on February 25, 2011;

WHEREAS, Buyer desires to purchase substantially all of the assets of the Business from Seller, and Seller desires to sell substantially all of the assets of the Business to Buyer, upon the terms and subject to the conditions hereinafter set forth; and

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

(a) The following terms, as used herein, have the following meanings:

"Closing Date" means the date of the Closing.

"Controlling Shareholder Agreement" means an Ultimate Controlling Shareholder Support Agreement, in the form of Exhibit A hereto, among Parent, Buyer and Newhaven Investment Trustees Limited, as trustee of the Newhaven Txt Trust to be entered into as of the Closing Date.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws (including common or case law), regulations, ordinances, rules, judgments, judicial decisions, orders, decrees, codes, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions, relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic, radioactive or hazardous substances or wastes into the environment, including (without limitation) ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic, radioactive or hazardous substances or wastes or the clean-up or other remediation thereof.

"Intellectual Property Rights" means all past, present, and future rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (i) rights associated with works of authorship, including exclusive exploitation rights, copyrights, moral rights, and mask works; (ii) trademark and trade name rights and similar rights; (iii) trade secret rights; (iv) patents and industrial property rights; (v) other proprietary rights in Technology of every kind and nature, whether arising by operation of law, by contract or license, or otherwise; and (vi) all registrations, applications, renewals, extensions, combinations, divisions, or reissues of, and applications for, any of the rights referred to in clauses (i) through (v) above.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Permitted Lien" means (i) Liens for taxes not yet due or being contested in good faith, or (ii) Liens which do not materially detract from the value of any Purchased Asset as now used, or materially interfere with any present or intended use of any Purchased Asset.

"Person" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality.

"Post-Closing Tax Period" means any Tax period (or portion thereof) ending after the Closing Date.

"Pre-Closing Tax Period" means any Tax period (or portion thereof) ending on or before the close of business on the Closing Date.

"Proceeding" means any action, arbitration, audit, hearing, investigation, litigation, suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Entity or arbitrator.

"Registered IP" means all Intellectual Property Rights that are registered or filed with or issued by any governmental authority, including all patents, registered copyrights, and registered trademarks and all applications for any of the foregoing.

"Taxes" means any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, uses, ad valorem, franchise, capital, paid-up capital, profits, greenmail, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any governmental authority (domestic or foreign) responsible for the imposition of any such tax.

"Technology" means all products, product developments, apparatus, data, databases and data collections, diagrams, inventions (whether or not patentable), know-how, logos, marks, methods, processes, proprietary information, protocols, schematics, specifications, algorithms, APIs, software, software code (in source code and executable code), techniques, user interfaces, URLs, web sites, works of authorship, network configurations and architectures, documentation, and other forms of technology (whether or not embodied in any tangible form and including all tangible embodiments of the foregoing such as instruction manuals, laboratory notebooks, prototypes, samples, studies, and summaries).

"Txtstation Representations Letter" means a letter agreement, in the form of Exhibit B hereto, to be executed and delivered by Txtstation as of the Closing Date.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
Assumed Liabilities	2.03
Benefit Arrangements	3.16(c)
Business	Recitals
Business IP Rights	2.01(f)
Closing	2.07
Commission	3.25(a)
Commission Documents	4.05
Contracts	2.01(c)
Damages	7.02
Escrowed Shares	2.06(c)
Employee Benefit Plan	3.16(c)
Excluded Assets	2.02
Excluded Contracts	2.04(d)
Excluded Liabilities	2.04
Governmental Entity	3.03
Material Adverse Effect	3.01
Parent Shares	2.06
Permits	3.12
Purchased Assets	2.01
Purchase Price	2.06
Securities Act	2.07
Seller Balance Sheet	3.08
Seller Balance Sheet Date	3.06
Transferred Employee	5.03(f)

ARTICLE II

PURCHASE AND SALE

Section 2.01 Purchase and Sale. Upon the terms and subject to the conditions of this Agreement, Buyer agrees to purchase from Seller and Seller agrees to sell, transfer, assign and deliver, or cause to be sold, transferred, assigned and delivered, to Buyer at Closing, free and clear of all Liens, other than Permitted Liens, all of the assets, properties and business, other than the Excluded Assets, of every kind and description, wherever located, real, personal or mixed, tangible or intangible, owned, held or used in the conduct of the Business by Seller (or any predecessor of Seller in conducting the Business) as the same shall exist on the Closing Date, including all of the assets shown on the Seller Balance Sheet and not disposed of in the ordinary course of business, and all assets of the Business thereafter acquired by Seller (the "Purchased Assets"), and including, without limitation, all right, title and interest of Seller in, to and under:

(a) Cash in amount equal to the sum of (i) any customer deposits held in connection with the Business and (ii) the amount of any deferred revenue of the Business in respect to the Contracts;

(b) All personal property and interest therein, including equipment, furniture, office equipment, communications equipment;

(c) All rights under all contracts, agreements, leases, licenses, commitments, sales and purchase orders and other instruments, including without limitation the items listed on Sections 3.11 and 3.16 of the Seller Disclosure Schedule (collectively, the "Contracts");

(d) All prepaid expenses to the extent relating to the operation of the Business, including those identified on Section 2.01(d) of the Seller Disclosure Schedule;

(e) All rights, claims, credits, causes of action or rights of set-off against third parties relating to the Purchased Assets, including (without limitation) un-liquidated rights under manufacturers' and vendors' warranties;

(f) All Technology and Intellectual Property Rights, including but not limited to: (i) the goodwill associated with any trademarks or service marks (including, without limitation, Txtstation, Txtstation Pro and Txtstation Control Center); (ii) rights to sue for past, present and future infringements or misappropriation of any Technology or Intellectual Property Rights, including the right to recover damages therefore, and the right to receive royalties, license fees and income from any Technology or Intellectual Property Rights; and (iii) any rights at common law directly arising from any Technology or Intellectual Property Rights and any licenses with respect to any Technology or Intellectual Property Rights (collectively the "Business IP Rights"), including, without limitation, those Business IP Rights listed on Sections 3.15(a) and 3.15(b) of the Seller Disclosure Schedule;

(g) All transferable licenses, permits or other governmental authorizations affecting, or relating in any way to, the Business, including (without limitation) the items listed on Section 3.12 of the Seller Disclosure Schedule;

(h) All books, records, files and papers, whether in hard copy or computer format, used in the Business, including (without limitation) engineering information, sales and promotional literature, manuals and data, sales and purchase correspondence, lists of present and former suppliers, lists of present and former customers (including, without limitation, "free trial" customers), and any information relating to Tax imposed on the Purchased Assets; and

(i) All goodwill associated with the Business or the Purchased Assets, together with the right to represent to third parties that Buyer is the successors to the Business.

Section 2.02 Excluded Assets. Buyer expressly understands and agrees that the following assets and properties of Seller (the "Excluded Assets") will be excluded from the Purchased Assets:

(a) All cash on hand of Seller, excluding the cash amount referenced in Section 2.01(a);

(b) All accounts and other receivables of Seller;

(c) All minute books and ownership records of Seller; and

(d) Any Purchased Assets sold or otherwise disposed of in the ordinary course of the operation of the Business and not in violation of any provisions of this Agreement during the period from the date hereof until the Closing Date.

Section 2.03 Assumption of Liabilities. Upon the terms and subject to the conditions of this Agreement, Buyer agrees, effective at the time of the Closing to assume all obligations of Seller to be performed after the Closing under the Contracts (other than the Excluded Contracts), but specifically excluding any liability or obligation that arises out of or relates to any default, breach, violation or failure to perform or comply with the terms thereof that occurred on or before the Closing Date (the "Assumed Liabilities").

Section 2.04 Excluded Liabilities. Notwithstanding any provision in this Agreement or any other writing to the contrary, Buyer is assuming only the Assumed Liabilities and is not assuming any other liability or obligation of Seller (or any predecessor owner of all or part of its business and assets) of whatever nature whether presently in existence or arising hereafter. All such other liabilities and obligations shall be retained by and remain obligations and liabilities of Seller (all such liabilities and obligations not being assumed being herein referred to as the "Excluded Liabilities"), and Seller will pay all such Excluded Liabilities as they become due. Notwithstanding anything to the contrary in this Section 2.04, none of the following shall be Assumed Liabilities for the purposes of this Agreement:

(a) Any liability or obligation for Tax arising from or with respect to the Purchased Assets or the operations of the Business which is incurred in or attributable to the Pre-Closing Tax Period;

(b) Any liability or obligation for any accounts payable or other accruals arising on or prior to the Closing Date;

(c) Any liability or obligation under the Contracts that arises after the Closing Date but that arises out of or relates to any default, breach, violation or failure to perform or comply with the terms thereof that occurred on or before the Closing Date;

(d) Any liability or obligation under any Contract listed on Schedule 2.04(c) (the "Excluded Contracts") whether arising before or after the Closing Date;

(e) Any liability or obligation, including warranty obligations, arising out of or related to any products or services, manufactured, distributed or sold in connection with the Business (including by any predecessor of Seller) on or prior to the Closing Date;

(f) Any liability or obligation relating to employees of, or independent contractors or consultants to, the Business for all periods ending on or prior to the Closing Date, including, without limitation, workers' compensation claims, disability and occupational diseases in each case without regard to whether such injuries, claims, conditions, events and occurrences are known or otherwise manifest on or prior to the Closing Date and any bonuses (including, without limitation, a pro rata portion of any bonus paid by Buyer to any Transferred Employee in respect of any period, a portion of which includes the period on or prior to the Closing Date), vacation pay, or severance or retention obligations to such employees, whether or not accrued on Seller's books and records; and

(g) Any liability or obligation relating to an Excluded Asset.

Section 2.05 Assignment of Contracts and Rights. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Purchased Asset or any claim or right or any benefit arising thereunder or resulting therefrom if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach or other contravention thereof to in any way adversely affect the rights of Buyer or Seller (thereunder. Each of Seller and Buyer will use their best efforts (but without any payment of money by Seller or Buyer) to obtain the consent of the other parties to any such Purchased Asset or any claim or right or any benefit arising thereunder for the assignment thereof to Buyer as Buyer may request. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would adversely affect the rights of Seller (or any predecssot) thereunder so that Buyer would not in fact receive all such rights, each of Seller and Buyer will cooperate in a mutually agreeable arrangement under which Buyer would obtain the benefits and assume the obligations thereunder in accordance with this Agreement, including subcontracting, sublicensing, or subleasing to Buyer, or under which Seller would enforce for the benefit of Buyer, with Buyer assuming Seller's obligations, any and all rights of Seller (or any predecessor) against a third party thereto. Seller will promptly pay to Buyer when received all monies received by Seller (or any predecessor) under any Purchased Asset or any claim or right or any benefit arising thereunder. In such event, Seller, and Buyer shall, to the extent the benefits therefrom and obligations thereunder have not been provided by alternative arrangements satisfactory to Buyer and Seller, negotiate in good faith an adjustment in the consideration paid by Buyer for the Purchased Assets.

Section 2.06 Purchase Price; Escrow of Parent Shares; Allocation of Purchase Price.

(a) The purchase price for the Purchased Assets (the "Purchase Price") is:

(i) 2,125,000 authorized, but unissued, shares of Common Stock, par value $0.001 per share, of Parent (the "Parent Shares"); and

(ii) $300,000 in cash payable as follows: $50,000 at Closing and $25,000 on the 60th day following Closing and $25,000 at the end of each of the next nine 30-day periods thereafter (the "Cash Portion").

(b) The Purchase Price will be paid as provided in this Section 2.06 and in Section 2.07.

(c) 50% of the number of Parent Shares issued pursuant to Section 2.06(a)(i) (the "Escrowed Shares") will be held in escrow by Parent as security for Seller's obligations under 7.02(a) in accordance with the provisions of Section 2.08.

(d) Seller and Buyer agree to report an allocation of the Purchase Price among the Purchased Assets in a manner entirely consistent with the allocation set forth on Schedule 2.06 hereto, and agree to act in accordance with such allocation in the preparation of financial statements and filing of all tax returns and in the course of any tax audit, tax review or tax litigation relating thereto.

Section 2.07 Closing. The closing (the "Closing") of the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities hereunder shall take place at the offices of Buyer in San Diego, California as soon as possible, but in no event later than three business days, after the satisfaction of the conditions set forth in Article VI, or at such other time or place as Buyer and Seller may agree. At the Closing,

(a) Buyer shall deliver to Seller a stock certificate representing 50% of the number of Parent Shares;

(b) Parent, Buyer and Newhaven Investment Trustees Limited, as trustee of the Newhaven Txt Trust shall enter into the Controlling Shareholder Agreement;

(c) Seller and Buyer shall enter into an Assignment and Assumption Agreement substantially in the form attached hereto as Exhibit C; and

(d) Seller shall deliver to Buyer such deeds, bills of sale, assignment, certificates or title, documents and other instruments of transfer and conveyance as may reasonably be requested by Buyer, each in form and substance satisfactory to Buyer and its legal counsel and executed by Seller.

All Parent Shares to be issued hereunder shall be deemed "*restricted securities*" as defined in paragraph (a) of Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). All Parent Shares to be issued under the terms of this Agreement shall be issued pursuant to an exemption from the registration requirements of the Securities Act, under Section 4(2) of the Securities Act (and the rules and regulations promulgated thereunder). Certificates representing the Parent Shares to be issued hereunder shall bear a restrictive legend in substantially the following form:

The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be offered for sale, sold, or otherwise disposed of, except in compliance with the registration provisions of such Act or pursuant to an exemption from such registration provisions, the availability of which is to be established to the satisfaction of the Company.

Section 2.08 Escrow of Parent Shares.

(a) Parent will hold the Escrowed Shares, as security for Seller's obligations under 7.02(a), until the first anniversary of the Closing (the "Escrow Termination Date"). Subject to the terms hereof, Seller will have all the rights of a stockholder with respect to the Escrowed Shares, including without limitation, the right to vote the Escrowed Shares and receive any cash dividends declared thereon.

(b) If at any time on or prior to the Escrow Termination Date, Buyer (i) believes in good faith that it or Parent is entitled to payment or that payment should be made to a third party pursuant to the terms of Section 7.02(a), and (ii) desires to make a claim for payment from the Escrowed Shares in connection therewith, then Buyer shall give written notice of such claim (a "Payment Notice") to Seller, stating in general terms the events or circumstances which are the basis for and amount (to the extent determined) of such claim. If Seller objects to such claim, Seller shall give written notice of such objection to Buyer within 15 days after the date of Seller's receipt of the Payment Notice served either by certified mail, express mail or personal service (the "Objection Period"), and shall state the basis for such objection in reasonable detail. If no objection to Buyer's claim is made by Seller within the Objection Period, the claim set forth in the Payment Notice shall be deemed approved and accepted by Seller and Parent will be entitled to withdraw and apply Escrowed Shares in satisfaction of the claim. Any Escrowed Shares withdrawn and applied by Parent in satisfaction of a claim under this Section 2.08 will be valued at $2.50 per share**.** If an objection to Buyer's claim is made by Seller within the Objection Period, Buyer may initiate an arbitration proceeding under Section 9.05 hereof to resolve the claim within 60 days following its receipt of Seller's written objection. If Buyer fails to initiate an arbitration proceeding within such 60-day period, it will be deemed to have abandoned the claim and released its rights with respect to the specific subject matter of such claim

(c) Parent will hold and/or distribute any remaining Escrowed Shares (after deduction of any shares withdrawn and applied by Parent pursuant to Section 2.08(b)) in accordance with the following:

(i) If on the Escrow Termination Date there is any pending indemnification claim(s) asserted by Buyer or Parent under Article VII (a "Pending Claim"), including (without limitation) any claim which Seller has objected to and Buyer has not abandoned pursuant to Section 2.08(b), a number of Parent Shares reasonably anticipated by Parent to be necessary to satisfy such claim will be retained by Parent until such claim is resolved. On the Escrow Termination Date, Parent will distribute the remaining Escrowed Shares less the amount reserved for Pending Claims, as applicable, to Seller.

(ii) If on the Escrow Termination Date there is no Pending Claim, Parent will distribute the remaining Escrowed Shares to Seller.

(iii) Following the Escrow Termination Date, Pending Claims which are adjudicated or determined by arbitration in favor of Buyer or Parent, Parent will be entitled to withdraw and apply Escrowed Shares in satisfaction of the claim. When no Pending Claims remain following the Escrow Termination Date, Parent will distribute the remaining Escrowed Shares following resolution of the Pending Claims existing on the Escrow Termination Date to Seller.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER AND CONTROLLING SHAREHOLDER

Seller and the Controlling Shareholder, jointly and severally, hereby represent and warrant to Buyer that:

Section 3.01 Organization.

(a) Seller is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Seller is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not in the aggregate have a material adverse effect on the business, assets, condition (financial or otherwise), results of operations or prospects (a "Material Adverse Effect") of the Business.

(b) Seller does not have any direct or indirect subsidiaries, own, directly or indirectly, any capital stock or other equity or ownership interests in any other Person or have any direct or indirect equity or ownership interest in any business or other Person.

Section 3.02 Authorization. The execution, delivery and performance by Seller of this Agreement and the consummation by it of the transactions contemplated hereby are within its organizational powers and have been duly authorized by all necessary organizational action of Seller. This Agreement has been duly and validly executed and delivered by Seller and the Controlling Shareholder and constitutes a valid and binding agreement of each of them, enforceable against it or him in accordance with its terms.

Section 3.03 Governmental Authorization; Consents.

(a) The execution, delivery and performance by Seller and the Controlling Shareholders of this Agreement require no action by or in respect of, or filing with, any governmental body, agency, official or authority (a "Governmental Entity").

(b) Except as set forth on Section 3.03 of the Seller Disclosure Schedule, no consent, approval, waiver or other action by any Person (other than any Governmental Entity referred to in (a) above) under any contract, agreement, indenture, lease, instrument, or other document to which Seller or the Controlling Shareholder is a party or by which the Seller or the Controlling Shareholder is bound is required or necessary for the execution, delivery and performance of this Agreement by Seller or the Controlling Shareholder or the consummation of the transactions contemplated hereby.

Section 3.04 Non-Contravention. The execution, delivery and performance by Seller and the Controlling Shareholder of this Agreement do not and will not (i) contravene or conflict with the certificate of incorporation or constitution of Seller, (ii) contravene or conflict with or constitute a violation of any provision of any law, regulation, judgment, injunction, order or decree binding upon or applicable to Seller or the Controlling Shareholder; (iii) constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation of Seller or the Controlling Shareholder or to a loss of any benefit to which Seller or the Controlling Shareholder is entitled under any provision of any agreement, contract, or other instrument binding upon Seller or the Controlling Shareholder or any license, franchise, permit or other similar authorization held by Seller or the Controlling Shareholder or (iv) result in the creation or imposition of any Lien on any Purchased Asset.

Section 3.05 Sufficiency of and Title to Purchased Assets.

(a) The Purchased Assets constitute, and on the Closing Date will constitute, all or the assets or property used or held for use by Seller or any other Person in the Business.

(b) Upon consummation of the transaction contemplated hereby, Buyer will have acquired good and marketable title in and to, or a valid leasehold interest in, each of the Purchased Assets, free and clear of all Liens, except for Permitted Lien, and without incurring any penalty, fee, expense or other adverse consequence, including any increase in rentals, royalties, license or other fees or expenses imposed as a result of, or arising from, the consummation of the transactions contemplated hereby.

Section 3.06 Financial Statements. The unaudited financial statements of operations for the Business taken as a whole for the fiscal years ended March 31, 2008 and March 31, 2009, March 31, 2010 and the nine months ended December 31, 2010 (the "Seller Balance Sheet Date") previously delivered to Buyer fairly present, in conformity with generally accepted accounting principles applied on a consistent basis (except as indicated in the notes thereto), the financial position of the Business taken as a whole as of the dates thereof and its results of operations and cash flows for the periods then ended.

Section 3.07 Absence of Certain Changes. Except as set forth in Section 3.07 of the Seller Disclosure Schedule, since the Seller Balance Sheet Date, Seller and its predecessor have conducted the Business in the ordinary course consistent with past practices and have not:

(a) suffered any material adverse change in the business, assets, condition (financial or otherwise), results of operations or prospects of the Business;

(b) sold, transferred, leased, licensed or otherwise disposed of any Purchased Assets or any rights thereto (other than in the ordinary course of business);

(c) declared, set aside or paid any dividend or other distribution with respect to any shares of capital stock, or repurchased, redeemed or other acquired any outstanding shares of capital stock or other securities or other ownership interests;

(d) incurred, assumed or guaranteed any indebtedness for borrowed money with respect to the Business;

(e) permitted or allowed any of the Purchased Assets to be subjected to any Lien, other than Liens that will be released at or prior to the Closing;

(f) made any loan, advance or capital contributions to or investment in any Person;

(g) suffered any damage, destruction or other casualty loss (whether or not covered by insurance) affecting the Business or any Purchased Asset;

(h) allowed any insurance policy covering the Business or the Purchased Assets to lapse or be cancelled or reduced the coverage or increased the deductible under any such insurance policy;

(i) received any notice of termination of any Contract;

(j) transferred or granted any rights under, or entered into any Contract regarding any Technology or Intellectual Property Rights or similar rights (including, without limitation, any settlement regarding the breach or infringement or alleged breach or infringement thereof) or modified any existing rights with respect thereto;

(k) instituted, been made a party to, settled or agreed to settle, any Proceeding or suffered any material adverse determination in any Proceeding;

(l) made any transaction or commitment, or entered into any contract or agreement, relating to any Purchased Asset or the Business (including the acquisition or disposition of any assets) or relinquished any material contract or other right, other than transactions and commitments in the ordinary course consistent with past practices and those contemplated by this Agreement;

(m) changed any method of accounting or accounting practice with respect to the Business, except for any such change after the date hereof required by reason of a concurrent change in generally accepted accounting principles;

(n) (i) granted any severance or termination pay to any employee of the Business, (ii) entered into any employment, deferred compensation or other similar agreement (or any amendment to any such existing agreement) with any employee of the Business, (iii) increased benefits payable under an existing severance or termination pay policies or employment agreements or (iv) increased compensation, bonus or other benefits payable to employees of the Business; or

(o) entered into any Contract or made any other commitment to take any of the types of actions described in paragraphs (a) through (n) above.

Section 3.08 No Undisclosed Liabilities. Except as and to the extent set forth in Section 3.08 of the Seller Disclosure Schedule, there are no liabilities of the Business of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, and there is no existing condition, situation or set of circumstances which could reasonably be expected to result in such a liability, other than:

(a) Liabilities disclosed or provided for in the unaudited balance sheet of the Business as of December 31, 2010 (the "Seller Balance Sheet") previously delivered to Buyer;

(b) Liabilities incurred in the ordinary course of business consistent with past practice since the Seller Balance Sheet Date, which in the aggregate are not material to the Business; and

(c) Liabilities not required under generally accepted accounting principles to be shown on the Seller Balance Sheet for reasons other than the contingent nature thereof or the difficulty of determining the amount thereof.

Section 3.09 Properties. Seller has good and marketable title to, or in the case of leased property has valid leasehold interests in, all Purchased Assets (whether real or personal, tangible or intangible) reflected on the Seller Balance Sheet or acquired after the Seller Balance Sheet Date, except for properties and assets sold since the Seller Balance Sheet Date in the ordinary course of business consistent with past practices or as contemplated by this Agreement. No Purchased Asset is subject to any Lien, except:

(a) Liens disclosed on the Seller Balance Sheet;

(b) Liens for taxes not yet due or being contested in good faith (and for which adequate accruals or reserves have been established on the Seller Balance Sheet); or

(c) Liens which do not materially detract from the value of such property or assets as now used.

Section 3.10 Litigation. Section 3.10 of the Seller Disclosure Schedule lists all Proceedings currently or at any time within the last twenty-four months pending or threatened against the Seller, the Business or involving the Purchased Assets. None of the matters set forth on Section 3.10 of the Seller Disclosure Schedule has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect of the Business. None of the matters set forth on Section 3.10 of the Seller Disclosure Schedule could affect the legality, validity or enforceability of this Agreement or the consummation of the transactions contemplated hereby. Except as set forth on Section 3.10 of the Seller Disclosure Schedule, no facts or circumstances exist which are reasonably likely to lead to the instigation of any other Proceeding against or affecting the Seller, the Business or the Purchased Assets.

Section 3.11 Material Contracts.

(a) Except for agreements, contracts, plans, leases, arrangements or commitments set forth in Section 3.11 of the Seller Disclosure Schedule, with respect to the Business, neither Seller nor any predecessor is a party to or subject to:

(i) Any lease providing for annual rentals of $1,000 or more;

(ii) Any contract for the purchase of materials, supplies, goods, services, equipment or other assets providing for annual payments of $1,000 or more;

(iii) Any sales, distribution or other similar agreement providing for the sale of materials, supplies, goods, services, equipment or other assets that provides for annual payments of $1,000 or more;

(iv) Any partnership, joint venture or other similar contract or arrangement;

(v) Any contract relating to indebtedness for borrowed money or the deferred purchase price of property (whether incurred, assumed, guaranteed or secured by any asset), except contracts relating to indebtedness incurred in the ordinary course of business in an amount not exceeding $1,000;

(vi) Any license agreement, franchise agreement or agreement in respect of similar rights granted to or held by Seller or any predecessor;

(vii) Any agency, dealer, reseller, sales representative or similar agreement;

(viii) Any agreement, contract or commitment that substantially limits the freedom of Seller or any predecessor to compete in any line of business or with any Person or in any area or to own, operate, sell, transfer, pledge or otherwise dispose of or encumber any Purchased Asset or which would so limit the freedom of Buyer after the Closing Date;

(ix) Any agreement, contract or commitment which is or relates to an agreement with or for the benefit of any affiliate of Seller; or

(x) Any other contract or commitment not made in the ordinary course of business that is material to the Business.

(b) Seller has provided or otherwise made available to Buyer complete and accurate copies of all standard form agreements used by the Seller or any predecessor that relate to the Purchased Assets, including all customer agreements, development agreements, distributor or reseller agreements, employee agreements containing intellectual property assignments or licenses or confidentiality provisions, consulting or independent contractor agreements containing intellectual property assignments or licenses or confidentiality provisions, and confidentiality or nondisclosure agreements. Schedule 3.11 of the Seller Disclosure Schedule sets forth a complete and accurate list of all Contracts entered into by the Seller or any predecessor that include deviations from such standard form agreements.

(c) Each agreement, contract, plan, lease, arrangement and commitment required to be disclosed on Section 3.11 of the Seller Disclosure Schedule is a valid and binding agreement of Seller and is in full force and effect, and neither Seller nor any other party thereto is in default in any material respect under the terms of any such agreement, contract, plan, lease, arrangement or commitment, nor to the knowledge of Seller, has any event or circumstance occurred that, with notice or lapse of time or both, would constitute any event of default thereunder. Except as set forth on Section 3.11 of the Seller Disclosure Schedule, Seller and its predecessors have performed all obligations required to be performed by it under each Contract prior to the Closing.

(d) Except as set forth on Section 3.11 of the Seller Disclosure Schedule, (i) the consummation of the transactions contemplated hereby will not afford any other party the right to terminate, modify, or exercise any right to increased or accelerated performance under, any Contract and (ii) none of the Contracts (A) contains a provision preventing, prohibiting or requiring any consent or notice in connection with the transfer or assignment of such Contract to Buyer or (B) contains a "change of control" or similar provision triggered by the consummation of the transactions contemplated hereby.

Section 3.12 License and Permits. Section 3.12 of the Seller Disclosure Schedule correctly describes each license, franchise, permit or other similar authorization affecting, or relating in any way to, the Business, together with the name of the Governmental Entity issuing such license or permit (the "Permits"). Except as set forth on Section 3.12 of the Seller Disclosure Schedule, such Permits are valid and in full force and effect and are transferable by Seller, and none of the Permits will be terminated or impaired or become terminable as a result of the transactions contemplated hereby. Upon consummation of such transactions, Buyer will have all right, title and interest to all such Permits.

Section 3.13 Insurance. Section 3.13 of the Seller Disclosure Schedule sets forth a list of all insurance policies and fidelity bonds covering the Purchased Assets, the business and operations of the Business and its employees. There is no claim pending under any of such policies or bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds. All premiums payable under all such policies and bonds have been paid and Seller is otherwise in full compliance with the terms and conditions of all such policies and bonds. Such policies of insurance and bonds (or other policies and bonds providing substantially similar insurance coverage) have been in effect since July 2008 and will remain in full force and effect through the Closing Date. Such policies of insurance and bonds are of the type and in amounts customarily carried by Persons conducting businesses similar to the Business. Seller does not know of any threatened termination of, or premium increase with respect to, any of such policies or bonds.

Section 3.14 Compliance with Laws. Neither Seller nor any predecessor is in violation of, has violated, or to Seller's knowledge, is under investigation with respect to or has been threatened to be charged with or given notice of any violation of, any law, rule, ordinance or regulation, or judgment, order or decree entered by any court, arbitrator or Governmental Entity applicable to the Purchased Assets or the conduct of the Business.

Section 3.15 Intellectual Property.

(a) Section 3.15(a) of the Seller Disclosure Schedule contains a complete and accurate list of all Registered IP owned by or filed in the name of the Seller or any predecessor and any other Intellectual Property Rights and Technology that may be material to the Business.

(b) Section 3.15(b) of the Seller Disclosure Schedule contains a complete and accurate list of all Intellectual Property Rights or Technology licensed to the Seller or any predecessor (other than non-customized, executable code, internal use software licenses for software that is not incorporated into, or used directly in the development, manufacturing, or distribution of, the Seller's products or services and that is generally available on standard terms for less than $1,000 and used in the Business), and the corresponding Contracts in which such Intellectual Property Rights or Technology is licensed to the Seller.

(c) Section 3.15(c) of the Seller Disclosure Schedule contains a complete and accurate list of all Contracts in which any third party has been granted any license under, or otherwise transferred or conveyed any right or interest in, any Business IP Rights (other than non-exclusive, internal use licenses granted to end user customers in the ordinary course of business pursuant to the Seller's standard form of customer agreement provided to Buyer).

(d) Seller, its predecessors, all products, information, and services included in the Purchased Assets, and the Business IP Rights, have never infringed, misappropriated, or otherwise violated the Intellectual Property Rights of any third party. The manufacturing, production, distribution, publication, provision, licensing, and sale of such products, information, and services by Buyer in substantially the same form and manner as the Seller and its predecessors have manufactured, produced, distributed, published, provided, licensed, and sold such products, information, and services, and the use or exploitation of such Business IP Rights by the Buyer in substantially the same form and manner as the Seller and its predecessors have used or exploited such Business IP Rights, will not infringe, misappropriate, or otherwise violate the Intellectual Property Rights of any third party. There are no pending or threatened infringement, misappropriation or similar claims or Proceedings against the Seller or any predecessor or against any other Person who would be entitled to indemnification by the Seller or any predecessor for any such claim or Proceeding. Neither the Seller nor any predecessor nor any direct or indirect subsidiary of the Seller or any predecessor has ever received any notice or other communication (in writing or otherwise) of any actual, alleged, possible, potential or suspected infringement or misappropriation of any third party's Intellectual Property Rights by the Seller or any predecessor or any direct or indirect subsidiary of the Seller or any predecessor or by any product or service developed, manufactured, distributed, provided or sold by or on behalf of the Seller or any predecessor or any direct or indirect subsidiary of the Seller or any predecessor.

(e) To the Seller's knowledge, no third party has infringed, misappropriated, or otherwise violated, and no third party is currently infringing, misappropriating, or otherwise violating, any Business IP Rights.

(f) The Seller exclusively owns, and after the Closing, Buyer will exclusively own, free and clear of all Liens, all right, title, interest in and to the Business IP Rights, and the Business IP Rights include all Intellectual Property Rights and Technology needed to operate the Business as currently conducted and currently proposed to be conducted.

(g) Neither the execution, delivery, or performance of this Agreement nor the consummation of the transactions contemplated by this Agreement will result in, or give any other Person the right or option to cause or declare: (i) a loss of, or Lien or restriction on, any of the Business IP Rights; (ii) the release or delivery of any of the Business IP Rights to any other Person; or (iii) the grant, assignment or transfer to any other Person of any license or other right or interest under, to or in any of the Business IP Rights.

(h) None of the processes and formulae, research and development results and other know-how relating to the Business, the value of which is contingent upon maintenance of the confidentiality thereof, has been disclosed by Seller or any affiliate of Seller to any Person other than employees, representatives and agents of Seller.

Section 3.16 Employees.

(a) Section 3.16 of the Seller Disclosure Schedule sets forth a true and complete list of the names, titles, annual salaries (or wage rates for non-salaried employees) and other compensation of all employees of, and consultants to, the Business. None of such employees or consultants has indicated to Seller or any predecessor that he intends to resign or retire as a result of the transactions contemplated by this Agreement or otherwise within two years after the Closing Date. No third party has asserted any claim or has any reasonable basis to assert any claim against Seller or any predecessor that either the continued employment by, or association with, Seller or any predecessor of any of the present officers or employees of, or consultants to, Seller or or any predecessor contravenes any agreements or laws applicable to unfair competition, trade secrets or proprietary information. Except as set forth on Section 3.16 of the Seller Disclosure Schedule, neither Seller nor any predecessor has any employment contract, agreement regarding proprietary information, non-competition agreement, non-solicitation agreement, confidentiality agreement, or any other similar contract or restrictive covenant, relating to the right of any employee or consultant of the Business.

(b) In the conduct of the Business, Seller and its predecessors are in compliance in all material respects with all federal, state or other applicable laws, respecting employment and employment practices (including, without limitation, all laws pertaining to terms and conditions of employment, wages and hours, employee classification, discrimination, affirmative action, civil rights, the Worker Adjustment and Retraining Notification Act and similar state laws (collectively, the "WARN Act"), occupational safety and health, collective bargaining, immigration, workers' compensation and the collection, payment and withholding of Taxes) (except for violations or failures to comply which are not reasonably likely to result in penalties in excess of $5,000 in the aggregate), and have not received notice of, and are not engaged in, any unfair labor practice. Neither Seller nor any predecessor has incurred any liability or obligation under the WARN Act in connection with the conduct of the Business that remains unsatisfied.

(c) No unfair labor practice complaint arising out of or relating to the conduct of the Business is pending before the National Labor Relations Board.

(d) There is no labor strike, dispute, slowdown or stoppage involving any employees of the Business actually pending against or affecting the Seller.

(e) Except as set forth in Section 3.16 of the Seller Disclosure Schedule, there are not, and in the past three years have not been, any material claims, grievances or arbitration proceedings, workers' compensation proceedings, labor disputes (including charges of violations of any federal, state or local laws or regulations relating to current or former employees (including retirees) or current or former applicants for employment), governmental investigations, administrative proceedings or other Proceedings of any kind pending or threatened against the Seller or any predecessor, in each case that relate to the conduct of the Business, the Business's employees or employment practices, or operations as they pertain to conditions of employment; nor is the Seller or any predecessor subject to any order or decree arising from any such matter.

(f) No collective bargaining agreement covering any employee of the Business is currently in existence or is being negotiated by the Seller. As of the date of this Agreement, no labor organization has been certified or recognized as the representative of any employees of the Seller or is actively seeking such certification or recognition.

(g) The Seller's and its predecessors' Contracts, if any, with temporary personnel agencies providing personnel to perform services for the Business represent bona-fide, arm's-length agreements and the personnel provided by such agencies to perform services for the Business are not the Seller's employees for purposes of any federal, state or local laws, including laws pertaining to tax withholding, provision of benefits or union representation. To the extent any Person performing services for the Business has not properly been treated by the Seller or any predecessor as an employee in the past, any amount due such person if such person had been considered and treated as an employee of the Seller or any predecessor shall be an Excluded Liability.

(h) Except as set forth in Section 3.16 of the Seller Disclosure Schedule, at the Closing, all salaries, wages, vacation pay, bonuses, commissions and other compensation due from Seller or any predecessor will have been paid.

(i) Except as set forth in Section 3.16 of the Seller Disclosure Schedule, neither Seller nor any predecessor has, or contributes to, any pension, profit-sharing, option, other incentive plan, or any other type of Employee Benefit Plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended), or has any obligation to or customary arrangement with employees for bonuses, incentive compensation, vacations, severance pay, sick pay, sick leave, insurance, service award, relocation, disability, tuition refund, or other benefits, whether oral or written. Neither Seller nor any predecessor nor any of their affiliates has incurred with respect to any Employee Benefit Plan any liability to the Pension Benefit Guaranty Corporation or other liability.

(j) No employee of Seller will become entitled to any retirement, severance or similar benefit or enhanced benefit solely as a result of the transactions contemplated hereby.

Section 3.17 Environmental Compliance. Seller and its predecessors have obtained all material approvals, authorization, certificates, consents, licenses, orders and permits or other similar authorizations of all governmental authorities, or from any other person, that are required under any Environmental Laws in connection with the Business. There are no past or present events, conditions, circumstances, incidents, actions or omissions relating to or in any way affecting the Business or any Purchased Asset that violate or may violate any Environmental Law after the Closing Date or that may give rise to any environmental liability, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, study or investigation (i) under any Environmental Law, or (ii) based on or related to the manufacture, processing, distribution, use, treatment, storage (including without limitation underground storage tanks), disposal, transport or handling, or the emission, discharge, release or threatened release of any hazardous substance.

Section 3.18 Tax Matters. Except as set forth in Section 3.18 of the Seller Disclosure Schedule:

(a) Each of Seller and its predecessors has timely paid all Taxes, and all interest and penalties due thereon and payable by it for the Pre-Closing Tax Period which will have been required to be paid on or prior to the Closing Date, the non-payment of which would result in a Lien on any Purchased Asset, would otherwise adversely affect the Business or would result in Buyer becoming liable or responsible therefore.

(b) Seller and its predecessors have established, in accordance with generally accepted accounting principles applied on a basis consistent with that of preceding periods, adequate reserves for the payment of, and will timely pay all Tax liabilities, assessments, interest and penalties which arise from or with respect to the Purchased Assets or the operation of the Business and are incurred in or attributable to the Pre-Closing Tax Period, the non-payment of which would result in a Lien on any Purchased Asset, would otherwise adversely affect the Business or would result in Buyer becoming liable or responsible therefore.

Section 3.19 Customers. Section 3.19 of the Seller Disclosure Schedule lists all active customers of the Business and, for each such customer, (a) lists all agreements or other arrangements between Seller or any predecessor and the customers, (b) summarizes all material terms and conditions of the agreements or other arrangements and (c) list any unearned revenue or customer deposits associated with the agreements or other arrangements. Neither Seller nor any predecessor has received any written, oral or other notice (including by email, text message or otherwise) that any customer of the Business expects or intends to cease doing business with Seller, reduce the amount of business such customer does with Seller or modify its relationship with Seller in a manner adverse to Seller.

Section 3.20 Books and Records. The records and documents of Seller accurately reflect in all material respects the information relating to the Business, the location of the Purchased Assets, and the nature of all transactions giving rise to the obligations or accounts receivable of the Business.

Section 3.21 Finders' Fees. There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Seller who might be entitled to any fee or commission from Buyer or Parent or any of their respective affiliates upon consummation of the transactions contemplated by this Agreement.

Section 3.22 Absence of Certain Relationships. None of (a) Seller or the Controlling Shareholder, (b) any executive officer of Seller, or (c) any member of the immediate family of the Persons listed in (a) through (b) of this sentence, has any financial or employment interest in any subcontractor, supplier, or customer of the Business (other than holdings in publicly held companies of less than 2% of the outstanding capital stock of any such publicly held company).

Section 3.23 No Questionable Payments. Neither Seller nor any director, officer, agent, employee, or other person associated with, or acting on behalf of, Seller , nor any shareholder of Seller has, directly or indirectly: used any corporate funds for unlawful contributions, gifts, entertainment, or other unlawful expenses relating to political activity; made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns from corporate funds; violated any provision of the Foreign Corrupt Practices Act of 1977, as amended; or made any bribe, rebate, payoff, influence payment, kickback, or other unlawful payment.

Section 3.24 Completeness of Disclosure. No representation or warranty by Seller, or the Controlling Shareholder in this Agreement contains or, and at the Closing Date will contain, an untrue statement of material fact or omits or, at the Closing Date, will omit to state a material fact required to be stated therein or necessary to make the statements made not misleading.

Section 3.25 Investment Representations and Covenants.

(a) Seller is acquiring the Parent Shares for investment for its own account and not with a view to distribution or resale thereof, and it will not sell or otherwise transfer the Parent Shares except in accordance with the provisions of the Securities Act and the rules and regulations promulgated under the Securities Act by the Securities and Exchange Commission (the "Commission") and all applicable provisions of state securities laws and regulations. Seller further acknowledges that it understands the foregoing to mean that it will not sell or otherwise transfer any Parent Shares unless such securities are registered under the Securities Act and any other applicable federal or state securities laws, or it obtains an opinion of counsel satisfactory to Parent (both as to the issuer of the opinion and the form and substance thereof) that the Parent Shares may be transferred in reliance on an applicable exemption from the registration requirements of such laws.

(b) Seller understands that acquisition of the Parent Shares is a speculative investment involving a high degree of risk of the loss, and it is qualified by knowledge and experience to evaluate investments of this type. It further acknowledges that it has carefully considered the potential risks relating to an investment in the Parent Shares.

(c) Seller is able to bear the economic risk of losing its entire investment in the Parent Shares.

(d) Seller understands and acknowledges that the Parent Shares have not been registered under the Securities Act, or the securities laws of any state and, as a result thereof, are subject to substantial restrictions on transfer. It further acknowledges that the certificate or certificates representing the Parent Shares shall bear a legend in substantially the form set forth in Section 2.07 hereof.

(e) Seller has made an independent examination and investigation of an investment in the Parent Shares and Parent and has depended on the advice of its legal and financial advisors and agrees that neither Parent nor Buyer will be responsible in anyway whatsoever for Seller's decision to invest in the Parent Shares and Parent. Seller has been afforded access to all material information (including, without limitation, Parent's Form 8-K filed with the Commission on November 8, 2010, Parent's Form 8-K/A filed with the Commission on November 15, 2010 and Parent's Form 10-K for the fiscal year ended September 30, 2010 filed with the Commission on December 27, 2010 and all other reports, schedules, forms, statements and other documents filed by Parent with the Commission) that it has requested relevant to its decision to acquire the Parent Shares and to ask questions of Parent's management. Seller further acknowledges that, except as set forth herein, neither Parent nor Buyer nor anyone acting on behalf of Parent or Buyer has made any representations or warranties (written or oral) to Seller or the Controlling Shareholders (or any person acting on their behalf) which have induced, persuaded, or stimulated it to acquire the Parent Shares, including (without limitation) as to the future price or value of the Parent Shares.

(e) Seller is an "accredited investor" within the meaning of Rule 501 under the Securities Act. Either alone, or together with its investment advisor(s), Seller has the knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the prospective investment in the Parent Shares, and Seller is and will be able to bear the economic risk of the investment in such Parent Shares.

(f) Seller: (i) is knowledgeable of, or has been independently advised as to, the applicable securities laws of the securities regulators having application in the jurisdiction in which the Seller is resident (the "International Jurisdiction") which would apply to the acquisition of the Parent Shares, (ii) is acquiring the Parent Shares pursuant to exemptions from prospectus or equivalent requirements under applicable securities laws or, if such is not applicable, the Seller is permitted to acquire the Parent Shares under the applicable securities laws of the securities regulators in the International Jurisdiction without the need to rely on any exemptions, (iii) acknowledges that the applicable securities laws of the authorities in the International Jurisdiction do not require Parent or Buyer to make any filings or seek any approvals of any kind whatsoever from any securities regulator of any kind whatsoever in the International Jurisdiction in connection with the issue and sale or resale of any of the Parent Shares, and (iv) represents and warrants that the acquisition of the Parent Shares by Seller does not trigger: (A) any obligation to prepare and file a prospectus or similar document, or any other report with respect to such purchase in the International Jurisdiction, or (B) any continuous disclosure reporting obligation of Parent in the International Jurisdiction.

(g) Seller understands and agrees not to engage in any hedging transactions involving any of the Parent Shares unless such transactions are in compliance with the provisions of the Securities Act and in each case only in accordance with applicable state securities laws.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF

BUYER AND PARENT

Buyer and Parent hereby represents and warrants to Seller that:

Section 4.01 Organization. Each of Parent and Buyer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not in the aggregate have a Material Adverse Effect on Parent and its subsidiaries, taken as a whole.

Section 4.02 Corporate Authorization. When and if approved by the Boards of Directors of each of Parent and Buyer (as specified in the condition to the Closing set forth in Section 6.02(h)), the execution, delivery and performance by each of Parent and Buyer of this Agreement and the consummation by each of Parent and Buyer of the transactions contemplated hereby will be within their respective corporate powers and will have have been duly authorized by all necessary corporate action of each of Parent and Buyer. Subject to the foregoing, this Agreement has been duly and validly executed and delivered by each of Parent and Buyer and constitutes a valid and binding agreement of each of Parent and Buyer, enforceable against them in accordance with its terms.

Section 4.03 Governmental Authorization; Consents.

(a) The execution, delivery and performance by Parent and Buyer of this Agreement require no action by or in respect of, or filing with, any Governmental Entity.

(b) No consent, approval, waiver or other action by an Person (other than any Governmental Entity referred to in (a) above) under any contract, agreement, indenture, lease, instrument, or other document to which Parent or Buyer is a party or by which it is bound is required or necessary for the execution, delivery and performance of this Agreement by Parent or Buyer or the consummation of the transactions contemplated hereby.

Section 4.04 Non-Contravention. The execution, delivery and performance by Parent and Buyer of this Agreement do not and will not (i) contravene or conflict with the articles of incorporation or bylaws of Parent or Buyer, or (ii) contravene or conflict with or constitute a violation of any provision of any law, regulation, judgment, injunction, order or decree binding upon or applicable to Parent or Buyer.

Section 4.05 Commission Documents, Financial Statements. Parent has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the Commission pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (all of the foregoing including filings incorporated by reference therein being referred to herein as the "Commission Documents"). At the times of their respective filings, the Form 8-K filed by Parent with the Commission on November 8, 2010, as amended by the Form 8-K/A filed by Parent with the Commission on November 15, 2010 (together, the "Form 8-K") and Parent's Form 10-K for the fiscal year ended September 30, 2010 (the "Form 10-K") complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the Commission promulgated thereunder, and the Form 8-K and Form 10-K did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of Parent and Buyer included in the Commission Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission. Such financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present in all material respects the financial position of Parent and its subsidiaries as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments).

Section 4.06 Absence of Certain Changes. Since September 30, 2010, except as disclosed in the Commission Documents, there has not been any material adverse change in the business, operations, properties, prospects or financial condition of Parent and its subsidiaries, taken as a whole.

Section 4.07 Litigation. There is no action, suit, investigation, proceeding, review pending against, or to the knowledge of Parent and Buyer threatened against or affecting, Parent or Buyer before any court or arbitrator or any Governmental Entity which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated hereby.

Section 4.08 Finders' Fees. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Parent or Buyer who might be entitled to any fee or commission from Seller or any of its affiliates upon consummation of the transactions contemplated by this Agreement.

Section 4.09 Validity of Parent Shares to be Issued. The Parent Shares to be issued at the Closing are validly authorized and, when such Parent Shares have been duly delivered pursuant to the terms of this Agreement, will not have been issued in violation of any preemptive or similar right of stockholder. When the Parent Shares have been duly delivered pursuant to the terms of this Agreement, such Parent Shares will be validly issued, fully paid, and nonassessable.

ARTICLE V

COVENANTS

Section 5.01 Covenants of Seller and the Controlling Shareholder. Seller and the Controlling Shareholder agree that:

(a) **No Inconsistent Actions**. During the period from the date of this Agreement and continuing until the Closing Date, Seller will not (i) take or agree or commit to take any action that would make any representation and warranty of Seller inaccurate in any respect at, or as of any time prior to, the Closing Date, or (ii) omit or agree or commit to omit to take any action necessary to prevent any such representation or warranty from being inaccurate in any respect at any such time.

(b) **Confidentiality**. Prior to the Closing Date and after any termination of this Agreement, Seller and its affiliates will hold, and will use best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning Parent or Buyer furnished to Seller or its affiliates in connection with the transaction contemplated by this Agreement, except to the extent that such information can be shown to have been (i) previously known on a nonconfidential basis by Seller, (ii) in the public domain through no fault of Seller or (iii) later lawfully acquired by Seller from sources other than Parent and Buyer; provided that Seller may disclose such information to its officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this Agreement so long as such Persons are informed by Seller of the confidential nature of such information and are directed by Seller to treat such information confidentially. The obligation of Seller and its affiliates to hold such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information. If this Agreement is terminated, Seller and its affiliates will, and will use best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to, destroy or deliver to Buyer, upon request, all documents and other materials, and all copies thereof, obtained by Seller and its affiliates or on their behalf from Parent or Buyer in connection with this Agreement that are subject to such confidence.

(c) **Access to Information**. Upon reasonable notice and subject to restrictions contained in confidentiality agreements to which such party is subject (from which such party shall use reasonable efforts to be released), Seller shall afford to the officers, employees, accountants, counsel and other representatives of Buyer, access, during normal business hours during the period prior to the Closing, to the Seller's properties, books, contracts, commitments and records to the extent relating to the Purchased Assets and, during such period, Seller shall furnish promptly to the other all information concerning the Purchased Assets as Buyer may reasonably request. Unless otherwise required by law or court order, Buyer will hold any such information which is nonpublic in confidence until such time as such information otherwise becomes publicly available through no wrongful act of Buyer, and in the event of termination of this Agreement for any reason Buyer shall promptly return all nonpublic documents obtained from Seller, and any copies or summaries made of such documents, to Seller.

(d) **Noncompetition**.

(i) Each of Seller and the Controlling Shareholder agrees that for a period of two full years following the Closing Date, neither Seller nor the Controlling Shareholder nor any of their affiliates shall (x) engage, either directly or indirectly, as a principal or for his own account or solely or jointly with others, or as an equity interest holder in or lender to, in any business that competes with the Business as it exists on the Closing Date anywhere in the world; (y) directly or indirectly solicit or induce any Person that was a customer or supplier or active prospective customer or supplier of the Business as of the Closing to terminate its business relationship with Buyer or to patronize any business directly in competition with the Business anywhere in the world or (z) employ or solicit, or receive or accept the performance of services by, any employee currently employed by the Business.

(ii) Each of Seller and the Controlling Shareholder acknowledges and agrees that (a) the Seller is selling the goodwill related to the Business to Buyer in the transactions contemplated by this Agreement, (b) the relationships that the Business has with its customers, and suppliers are significant relationships necessary for Buyer to continue to conduct the Business, (c) the Business has an international scope, and (d) Buyer has a reasonable, necessary and legitimate business interest in protecting the aforesaid assets and relationships, and that the covenants set forth in this Section 5.01(d) are reasonable in scope, duration and geographic area, and are necessary in order to protect these legitimate business interests. Each of Seller and the Controlling Shareholder also acknowledges and agrees that the covenants it or he makes herein will not prevent it or he from practicing its or his profession for clients in any industry other than those covered by the Business or as permitted herein, and that its or his skills and expertise are transferable to serve clients operating in other industries. Further, each of Seller and the Controlling Shareholder has been advised by the Buyer that the covenants and agreements set forth in this Section 5.01(d) are a material reason Buyer has agreed to consummate the transactions contemplated hereby.

(iii) If any provision contained in this Section 5.01(d) shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Section, but this Section shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. It is the intention of the parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time which is not permitted by applicable law, or in any way construed too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, a court of competent jurisdiction shall construe and interpret or reform this Section to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under applicable law. Each of Seller and the Controlling Shareholder acknowledges that Buyer would be irreparably harmed by any breach of this Section and that there would be no adequate remedy at law or in damages to compensate Buyer for any such breach. Seller and the Controlling Shareholder agree that Buyer shall be entitled to injunctive relief requiring specific performance by Seller and the Controlling Shareholder of this Section, and each of Seller and the Controlling Shareholder consents to entry thereof.

Section 5.02 Covenants of Buyer. Buyer agrees that:

(a) **No Inconsistent Actions**. During the period from the date of this Agreement and continuing until the Closing Date, Parent and Buyer will not (i) take or agree or commit to take any action that would make any representation and warranty of Parent or Buyer inaccurate in any respect at, or as of any time prior to, the Closing Date or (ii) omit or agree or commit to omit to take any action necessary to prevent any such representation or warranty from being inaccurate in any respect at any such time.

(b) **Confidentiality**. Prior to the Closing Date and after any termination of this Agreement, Buyer and its affiliates (including Parent) will hold, an will use best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning Seller or the Purchased Assets furnished to Buyer or its affiliates in connection with the transaction contemplated by this Agreement, except to the extent that such information can be shown to have been (i) previously known on a nonconfidential basis by Buyer, (ii) in the public domain through no fault of Buyer or (iii) later lawfully acquired by Buyer from sources other than Seller; provided that Parent and Buyer may disclose such information to their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this Agreement and to their respective financing sources so long as such Persons are informed by Buyer of the confidential nature of such information and are directed by Buyer to treat such information confidentially. The obligation of Buyer and its affiliates to hold such information in confidence shall be satisfied if they exercise the same care with respect to such information as they would take to preserve the confidentiality of their own similar information. If this Agreement is terminated, Buyer and its affiliates will, and will use best efforts to cause their respective officers, directors, employees, accountants, counsel, consultants, advisors and agents to, destroy or deliver to Seller, upon request, all documents and other materials, and all copies thereof, obtained by Buyer and its affiliates or on their behalf from Seller in connection with this Agreement that are subject to such confidence.

Section 5.03 Covenants of All Parties. Each party agrees that:

(a) **Best Efforts**. Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use its best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement. The parties each agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

(b) **Certain Filings**. The parties will cooperate with one another (i) in determining whether any action by or in respect of, or filing with, any Governmental Entity is require or any actions, consents, approvals or waivers are required to be obtained from parties to any material contracts, in connection with the transactions contemplated by this Agreement and (ii) in taking such actions or making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers.

(c) **Public Announcements**. Seller and the Controlling Shareholder understand that Parent is a publicly traded corporation, and that the disclosure of information concerning Parent and its business affairs and financial condition is strictly regulated by the Commission and other legal and administrative bodies. Accordingly, Seller and the Controlling Shareholder hereby agree (i) that Parent may make or disseminate any public statement, press release or other disclosure concerning this Agreement, any schedule or exhibit attached hereto, or the transactions and relationships contemplated hereby and thereby as it deems necessary to comply with applicable law or regulation (including, without limitation, the filing of this Agreement and its exhibits and schedules) and (ii) to take reasonable measures not to make or disseminate any public statement, press release or other disclosure concerning this Agreement, any schedule or exhibit attached hereto, or the transactions and relationships contemplated hereby and thereby, without the prior written consent of Parent (which consent may be given or withheld in its sole discretion).

(d) **Notices**. Each of the parties shall give prompt notice to the other party of: (i) any notice of, or other communication relating to, a default or event which, with notice or the lapse of time or both, would become a default, received by it or any of its subsidiaries subsequent to the date of this Agreement and prior to the Closing, under any agreement, indenture or instrument material to the financial condition, properties, businesses or results of operations of it and its subsidiaries, taken as a whole, to which it or any of its subsidiaries is a party or is subject; and (ii) any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated by this Agreement, which consent, if required, would breach the representations contained in Articles III and IV.

(e) **Tax Cooperation; Allocation of Taxes**.

(i) Seller and Buyer agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the Purchased Assets and the Business as is reasonably necessary for the filing of all Tax returns, and making of any election related to Taxes, the preparation for any audit by any taxing authority, and the prosecution or defense of any claim, suit or proceeding relating to any Tax return. Seller and Buyer shall cooperate with each other in the conduct of any audit or other proceeding related to Taxes involving the Business and each shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this Section 5.03(e).

(ii) All real property, personal property and similar ad valorem obligations levied with respect to the Purchased Assets for a taxable period which includes (but does not end on) the Closing Date shall be apportioned between Seller and Buyer as of the Closing Date based on the number of days of such taxable period included in the Pre-Closing Tax Period and the number of days of such taxable period included in the Post-Closing Tax Period. Seller shall be liable for the proportionate amount of such taxes that is attributable to the Pre-Closing Tax Period, and Buyer shall be liable for the proportionate amount of such taxes that is attributable to the Post-Closing Tax Period. Within 90 days after the Closing, Seller and Buyer shall present a statement to the other setting forth the amount of reimbursement to which each is entitled under this Section 5.03(e) together with such supporting evidence as is reasonably necessary to calculate the proration amount. The proration amount shall be paid by the party owing it to the other within 30 days after receipt of such statement by certified mail, express mail or personal service. Thereafter, Seller shall notify Buyer upon receipt of any bill for real or personal property taxes relating to the Purchased Assets, part or all of which are attributable to the Post-Closing Period, and shall promptly deliver such bill to Buyer who shall pay the same to the appropriate taxing authority, provided that if such bill covers the Pre-Tax Closing Period, Seller shall also remit prior to the due date of assessment to Buyer payment for the proportionate amount of such bill that is attributable to the Pre-Closing Tax Period. In the event that either Seller or Buyer shall thereafter make a payment for which it is entitled to reimbursement under this Section 5.03(e), the other party shall make such reimbursement promptly, but in no event later than 30 days after the presentation of a statement setting forth the amount of reimbursement to which the presenting party is entitled along with such supporting evidence as is reasonably necessary to calculate the amount of reimbursement. Any payment required under this Section and not made within 30 days after receipt of the statement by certified mail, express mail or personal service shall bear interest at a rate of 2.3% per annum.

(iii) Any transfer, documentary, sales, use or other Taxes assessed upon or with respect to the transfer of the Purchased Assets to Buyer and any recording or filing fees with respect thereto shall be the responsibility of Seller.

(f) **Employee Matters**.

(i) On the Closing Date, Buyer will offer employment to each of Brad Dolian and Michael Falato and those other employees of the Business as it may determine in its sole discretion; provided that Buyer may terminate at any time after the Closing Date the employment of any employee who accepts such offer. Any such offers will be at such salary or wage and benefit levels and on such other terms and conditions as Buyer shall in its sole discretion deem appropriate. The employees who accept and commence employment with Buyer are hereinafter collectively referred to as the "Transferred Employees". Seller will not take, and will cause each of its affiliates not to take, any action which would impede, hinder, interfere or otherwise compete with Buyer's effort to hire any Transferred Employees. Buyer shall not assume responsibility for any Transferred Employee until such employee commences employment with Buyer.

(ii) Seller and its predecessors shall retain all obligations and liabilities under Employee Benefit Plans and Benefit Arrangements in respect of each employee or former employee (including any beneficiary thereof) who is not a Transferred Employee. Seller and its predecessors shall retain all liabilities and obligations in respect of benefits accrued as of the Closing Date by Transferred Employees under the Employee Benefit Plans and Benefit Arrangements, and neither Buyer nor any affiliate shall have any liability with respect thereto. Except as expressly set forth herein, no assets of any Employee Benefit Plan or Benefit Arrangement shall be transferred to Buyer or any of its affiliates or to any plan of Buyer or any of its affiliates.

(iii) With respect to the Transferred Employees (including any beneficiary or dependent thereof), Seller and its predecessors shall retain (A) all liabilities and obligations arising under any group life, accident, medical, dental or disability plan or similar arrangement (whether or not insured) to the extent that such liability or obligation relates to contributions or premiums accrued (whether or not payable), or to claims incurred (whether or not reported), on or prior to the Closing Date, (B) all liabilities and obligations arising under any worker's compensation arrangement to the extent such liability or obligation relates to the period prior to the Closing Date, including liability for any retroactive workman's compensation premiums attributable to such period and (C) all other liabilities and obligations arising under the Employee Benefit Plans and the Benefit Arrangements to the extent any such liability or obligation relates to the period prior to the Closing Date, including without limitation, accruals through the Closing Date under any bonus plan or arrangement, any vacation plans, arrangements and policies. Seller shall reimburse Buyer for a pro rata portion of any bonus paid by Buyer to any Transferred Employee in respect of any period, a portion of which includes the period on or prior to the Closing Date.

(iv) No provision of this Section 5.03(f) shall create any third party beneficiary or other rights in any employee or former employee (including any beneficiary or dependent thereof) of Seller or any predecessor or of any of their subsidiaries in respect of continued employment (or resumed employment) with either Buyer or the Business or any of their affiliates and no provision of this Section 5.03(f) shall create any such rights in any such Person in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement which may be established by Buyer or any of its affiliates. No provision of this Agreement shall constitute a limitation on the rights to amend, modify or terminate after the Closing Date any such plans or arrangements of Buyer or any of its affiliates.

ARTICLE VI

CONDITIONS

Section 6.01 Conditions to Each Party's Obligations. The obligation of each party to consummate the Closing is subject to the satisfaction of the following conditions:

(a) All authorizations, consents, orders or approvals of, or declarations or filings with, or expirations or terminations of waiting periods imposed by, any Governmental Entity, and all required third party consents (as set forth on Section 3.03 of the Seller Disclosure Schedule), shall have been filed, occurred or been obtained.

(b) No statute, rule, regulation, executive order, decree or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental authority which prohibits the consummation of the Closing and shall be in effect.

Section 6.02 Conditions to Obligations of Parent and Buyer. The obligations of Parent and Buyer to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) The representations and warranties of Seller and the Controlling Shareholder set forth in this Agreement shall be true and correct as of the date of this Agreement, and shall also be true in all material respects (except for such changes as are contemplated by the terms of this Agreement and such changes as would be required to be made in the exhibits to this Agreement if such schedules were to speak as of the Closing Date) on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date.

(b) Each of Seller and the Controlling Shareholder shall have performed in all material respects all obligations required to be performed by it or him under this Agreement at or prior to the Closing Date.

(c) Buyer shall have received a certificate signed by the Chief Executive Officer(s) of Seller and Txtstation confirming Sections 6.02(a) and (b).

(d) Buyer shall have received (i) resolutions duly adopted by the Board of Director and sole shareholder of Seller approving the execution and delivery of this Agreement and all other necessary or proper organizational action to enable Seller to comply with the terms of this Agreement, and (ii) all other documents it may reasonably request relating to the existence of Seller and the authority of Seller for this Agreement, all in form and substance reasonable satisfactory to Buyer.

(e) Buyer shall have entered into employment arrangements with each of Michael Falato and Brad Dolian on terms and conditions (including confidentiality, trade secret protection, proprietary inventions assignment, non-solicitation and non-compete) consistent with similarly situated employees of Buyer.

(f) Txtstation shall have executed and delivered to Buyer the Txtstation Representation Letter.

(g) Buyer shall have received (i) an opinion of New Zealand corporate counsel (reasonably acceptable to Txtstation and Buyer) addressed to Parent and Buyer to the effect that no action or approval of the shareholders of Txtstation is required (and that Txtstation has taken all necessary or proper corporate action) (A) to enable Seller to execute and deliver this Agreement and perform the terms hereof and (B) to enable. Txtstation to execute and deliver the Txtstation Representations Letter and perform the terms thereof and (ii) a certificate and consent of holders of in excess of 75% of the outstanding shares of Txtstation agreeing to duly adopt, approve and ratify (if required by New Zealand law) the execution, delivery and performance of this Agreement by Seller and the Txstation Representations Letter by Txtstation (in each case, with full disclosure of the existence and the terms and conditions of the Controlling Shareholder Agreement). The foregoing opinion and certificate and consent shall be in form and substance reasonable satisfactory to Buyer.

(h) The Boards of Directors of each of Parent and Buyer, acting in their sole and absolute discretion, shall have approved the execution, delivery and performance by each of Parent and Buyer of this Agreement and the consummation by each of Parent and Buyer of the transactions contemplated hereby.

Section 6.03 Conditions to Obligation of Seller. The obligation of Seller to consummate the Closing is subject to the following further conditions:

(a) The representations and warranties of Buyer set forth in this Agreement shall be true and correct as of the date of this Agreement, and shall also be true in all material respects (except for such changes as are contemplated by the terms of this Agreement and such changes as would be required to be made in the exhibits to this Agreement if such schedules were to speak as of the Closing Date) on and as of the Closing Date with the same force and effect as though made on and as of the Closing Date.

(b) Parent and Buyer shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date.

(c) Seller shall have received a certificate signed by the Chief Executive Officer of each of Parent and Buyer confirming Section 6.03(a) and (b).

(d) Seller shall have received (i) resolutions duly adopted by the Boards of Directors of Parent and Buyer approving the execution and delivery of this Agreement and all other necessary or proper corporate action to enable Buyer to comply with the terms of this Agreement, and (ii) all other documents it may reasonably request relating to the existence of Parent and Buyer and the authority of Parent and Buyer for this Agreement, all in form and substance reasonable satisfactory to Seller.

ARTICLE VII

SURVIVAL; INDEMNIFICATION

Section 7.01 Survival. The covenants, agreements, representations and warranties of the parties hereto contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith shall survive the Closing until the expiration of the applicable statute of limitations (giving effect to any waiver, mitigation or extension thereof) or (a) in the case of Section 5.01(d), for the period set forth therein and (b) in the case of Section 5.01(b) or 5.02(b), indefinitely. Notwithstanding the preceding sentence, any covenant, agreement, representation or warranty in respect of which indemnity may be sought under Section 7.02 shall survive the time at which it would otherwise terminate pursuant to the preceding sentence, if notice of the inaccuracy or breach thereof giving rise to such right to indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

Section 7.02 Indemnification.

(a) Each of Seller and the Controlling Shareholder, jointly and severally, hereby indemnifies Parent and Buyer against and agrees to hold them harmless from any and all damage, loss, liability and expense (including without limitation reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding) ("Damages") incurred or suffered by Parent or Buyer arising out of (i) any misrepresentation or breach of warranty, covenant or agreement made or to be performed by Seller or the Controlling Shareholder pursuant to this Agreement or (ii) the failure of either Seller or any predecessor to perform any Excluded Liability or any obligation or liability of the Business relating to the Excluded Assets.

(b) Each of Buyer and Parent, jointly and severally, hereby indemnifies Seller against and agrees to hold it harmless from any and all Damages incurred or suffered by Seller arising out of (i) any misrepresentation or breach of warranty, covenant or agreement made or to be performed by Parent or Buyer pursuant to this Agreement or (ii) the failure of Buyer to perform any Assumed Liability.

Section 7.03 Procedures. The party seeking indemnification under Section 7.02 (the "Indemnified Party") agrees to give prompt notice to the party against whom indemnity is sought (the "Indemnifying Party") of the assertion of any third-party claim, or the commencement of any third-party suit, action or proceeding in respect of which indemnity may be sought under such Section. The Indemnifying Party may at the request of the Indemnified Party participate in and control the defense of any such suit, action, or proceeding at its own expense. The Indemnifying Party shall not be liable under Section 7.02 for any settlement effected without its consent (which consent will not be unreasonably withheld) of any claim, litigation or proceeding in respect of which indemnity may be sought hereunder.

Section 7.04 Right to Withhold and Offset. Notwithstanding anything to the contrary in this Agreement, Parent and Buyer may withhold the aggregate amounts of any indemnification claims then pending or unresolved against Seller or the Controlling Shareholder pursuant to Section 7.02(a) (including, without limitation, the amount of any Damages or reasonably anticipated Damages for which Parent or Buyer would be entitled to be indemnified for pursuant to Section 7.02(a)) against amounts otherwise payable to Seller under Section 2.06(a)(ii) as security for the Seller's and the Controlling Shareholder's obligations under this Article VII. If any claim for indemnification pursuant to Section 7.02(a) is adjudicated or determined by arbitration, in whole or in part, in favor of Parent or Buyer, then the amount determined to be due Parent or Buyer, to the extent in excess of the any amounts previously received by Parent or Buyer in respect of such claim for indemnification, may be off-set by Buyer against amounts otherwise payable to Seller under Section 2.06(a)(ii) . Any portion of an amount previously withheld by Buyer in respect of any claim that is determined not to be payable to Parent or Buyer shall forthwith be paid to Seller. The right of set-off described in this Section 7.04 shall not preclude Parent or Buyer from pursuing any other remedy under this Agreement or seeking injunctive relief or specific performance to enforce specifically the terms of this Agreement to the extent permitted by applicable law.

ARTICLE VIII

TERMINATION AND AMENDMENT

Section 8.01 Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by mutual consent of Buyer and Seller;

(b) by either Buyer or Seller if the Closing shall not have been consummated before March 31, 2011 (unless the failure to consummate the Closing by such date shall be due to the action or failure to act of the party seeking to terminate this Agreement); or

(c) by either Buyer or Seller if (i) the conditions to such party's obligations shall have become impossible to satisfy or (ii) any permanent injunction or other order of a court or other competent authority preventing the consummation of the Closing shall have become final and non-appealable.

Section 8.02 Effect of Termination. In the event of the termination and abandonment of this Agreement pursuant to Section 8.01 hereof, this Agreement shall forthwith become void and have no effect, without any liability on the part of any party hereto or its affiliates, directors, officers or stockholders, other than the provisions of Sections 5.01(b) and 5.02(b). Nothing contained in this Section 8.02 shall relieve any party from liability for any breach of this Agreement.

Section 8.03 Amendment. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 8.04 Extension; Waiver. At any time prior to the Closing Date, the parties hereto may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party.

ARTICLE IX

MISCELLANEOUS

Section 9.01 Notices. All notices and other communications hereunder shall be in writing (and shall be deemed given upon receipt) if delivered personally, telecopied (which is confirmed) or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Buyer, to:

CommerceTel Corporation
8929 Aero Drive, Suite E
San Diego, CA
Attn: Dennis Becker, CEO
and

(b) if to Seller or the Controlling Shareholder, to

Adsparq Limited
26 Raymond Terrace
Northcote 0627
Auckland, New Zealand
Attn: John William Fraser Heaven, CEO

Section 9.02 Descriptive Headings. The descriptive headings herein are inserted for convenience only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 9.03 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 9.04 Entire Agreement; Assignment. This Agreement (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof (other than any confidentiality agreement between the parties; any provisions of such agreements which are inconsistent with the transactions contemplated by this Agreement being waived hereby) and (b) shall not be assigned by operation of law or otherwise, provided that Buyer may assign its rights and obligations to any other wholly owned subsidiary of Parent or Buyer, but no such assignment shall relieve Buyer of its obligations hereunder if such assignee does not perform such obligations.

Section 9.05 Governing Law; Jurisdiction.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of California as applied to agreements among the residents of such state made and to be performed entirely within such state (without giving effect to principles of conflicts of laws); provided that internal corporate governance matters of the corporate parties to this Agreement shall be governed by the laws of their respective jurisdictions of organization.

(b) Any dispute, controversy or claim, whether based on contract, tort, statute, fraud, misrepresentation or any other legal theory (a "Dispute") between the Buyer or Parent, on the one hand, and Seller or the Controlling Shareholder, on the other hand, arising out of or relating to this Agreement, any obligations hereunder or the relationship of the parties under this Agreement shall be settled by binding arbitration conducted in San Diego, California in accordance with the then current arbitration rules of JAMS as modified by the following provisions of this Agreement:

(i) If the amount in dispute exceeds $500,000, three neutral arbitrators shall be selected by the parties from the JAMS panel list, one of whom shall be chosen by the Seller, one of whom shall be chosen by the Buyer and the third to be chosen by the two arbitrators chosen by the Seller and the Buyer; *provided*, that if the two arbitrators chosen by the Seller and the Buyer are unable to reach agreement with respect to the third arbitrator, the third shall be chosen in accordance with the appointment rules of JAMS. If the amount in dispute is less than $500,000, selection of one neutral arbitrator by the parties shall be from JAMS panel list and shall be chosen by the Seller and the Buyer together; *provided*, that if the Seller and the Buyer are unable to reach agreement with respect to the arbitrator, the arbitrator shall be chosen in accordance with appointment rules of JAMS. The arbitrators shall be experienced in complex business matters and mergers and acquisitions transactions.

(ii) The arbitration process shall be conducted on an expedited basis by the regional office of JAMS located in San Diego, California. Proceedings in arbitration shall begin no later than 45 days after the filing of the Dispute with JAMS and shall be scheduled to conclude no later than 180 days after the filing of the Dispute (including delivery of the written judgment under clause (vi) below). All hearings, unless otherwise agreed to by the parties, shall be held in San Diego, California.

(iii) The Seller and the Buyer may obtain and take discovery, including requests for production, interrogatories, requests for admissions and depositions, as provided by the Federal Rules of Civil Procedure; *provided* that the arbitrator(s) may, in his, her or their discretion, set parameters on the timing and/or completion of this discovery and may order additional pre-hearing exchange of information, including, without limitation, exchange of summaries of testimony or exchange of statements of positions.

(iv) The arbitration proceedings and all testimony, filings, documents and information relating to or presented during the arbitration proceedings shall be disclosed exclusively for the purpose of facilitating the arbitration process and for no other purpose;

(v) The award of the arbitrator(s) shall be made in a written opinion containing a concise reasoned analysis of the basis upon which the award was made.

(vi) A judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

(vii) The parties to any arbitration shall share equally the fees and costs of JAMS and the arbitrator(s). The prevailing party or parties shall be entitled to recover from the adverse parties his, her or its actual reasonable attorneys' fees and costs incurred in connection with the arbitration and the enforcement thereof.

(viii) Any party may apply to a court having jurisdiction to: (A) enforce this agreement to arbitrate; (B) seek provisional injunctive relief so as to maintain the status quo until the arbitration award is rendered or the controversy is otherwise resolved; (C) avoid the expiration of any applicable limitations period; (D) preserve a superior position with respect to other creditors; or (E) challenge or vacate any final judgment, award or decision of the arbitrator(s) that does not comport with the express provisions of Section 9.05(b)(ix).

(ix) The arbitrator(s) are only authorized to, and only have the consent of the parties to, interpret and apply the terms and conditions of this Agreement in accordance with the governing law. The arbitrator(s) are not authorized to, and shall not, order any remedy not permitted by this Agreement and shall not change any term or condition of this Agreement, deprive either party of any remedy expressly provided hereunder or provide any right or remedy that has not been expressly provided hereunder. In the event that the arbitrator(s) exceed their authority under this Agreement and violate this provision, either party may petition a court of competent jurisdiction to vacate the arbitration award on the grounds that the arbitrator(s) exceeded their authority.

(x) The Federal Arbitration Act, 9 U.S.C. Sections 1 through 14 (as amended and including any successor provision), except as modified hereby, shall govern the interpretation and enforcement of this Section 9.05(b).

Notwithstanding the foregoing, the parties shall continue performing their respective obligations under this Agreement while the Dispute is being resolved unless and until such obligations are terminated or expire in accordance with the provisions hereof.

Section 9.06 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 9.07 Expenses. Whether or not the Closing is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 9.08 Bulk Sales Laws. Buyer and Seller each hereby waive compliance by Seller with the "bulk sales", "bulk transfer" or similar laws of any state. Seller agrees to indemnify and Buyer harmless against any and all claims, losses, damages, liabilities, costs and expenses incurred by Buyer or any of its affiliates as a result of any failure to comply with any such "bulk sales", "bulk transfer" or similar laws.

Section 9.09 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person or persons any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed as of the date first written above.

COMMERCETEL CORPORATION

By:

Name: Dennis Becker

Title: Chief Executive Officer

COMMERCETEL, INC.

By:

Name: Dennis Becker

Title: Chief Executive Officer

ADSPARQ LIMTED

By:

Name: John William Fraser Heaven

Title: Chief Executive Officer

CONTROLLING SHAREHOLDER:

_____

John William Fraser Heaven

EXHIBIT C to ASSET PURCHASE AGREEMENT
Assignment and Assumption Agreement

ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement"), dated as of ___ __, 2011, between CommerceTel, Inc., a Nevada corporation ("Buyer") and Adsparq Limited, a New Zealand corporation ("Seller").

WHEREAS, Seller and Buyer have concurrently herewith consummated the purchase by Buyer of the Purchased Assets pursuant to the terms and conditions of the Asset Purchase Agreement, dated March 3, 2011, among CommerceTel Corporation, Buyer, Seller and the Controlling Shareholder named therein (the "Asset Purchase Agreement"; terms defined in the Asset Purchase Agreement and not otherwise defined herein being used herein as therein defined);

WHEREAS, pursuant to the Asset Purchase Agreement, Buyer has agreed to assume certain liabilities and obligations of Seller;

NOW, THEREFORE, in consideration of the sale of the Purchased Assets and in accordance with the terms of the Asset Purchase Agreement, Buyer and Seller agree as follows:

1. (a) Seller does hereby sell, transfer, assign and deliver to Buyer all of the right, title and interest of Seller in, to and under the Purchased Assets.

(b) Buyer does hereby accept all of the right, title and interest of Seller in, to and under the Purchased Assets and Buyer assumes and agrees to perform all of the obligations of Seller to be performed after the Closing Date under the Contracts (other than the Excluded Contracts) included in the Purchased Assets.

2. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. It shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflict of laws. Any Dispute arising out of, based on, or in connection with this Agreement or the transactions contemplated hereby shall be resolved in the manner contemplated by the Asset Purchase Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

CommerceTel, Inc.

_____
By:

Adsparq Limited

_____

By:

Exhibit 10.2

SUBSCRIPTION AGREEMENT

SUBSCRIPTION AGREEMENT (this "**Agreement**") made as of the last date set forth on the signature page hereof between CommerceTel Corporation, a Nevada corporation (the "**Company**"), and the undersigned (the "**Subscriber**").

W I T N E S S E T H:

WHEREAS, the Company is offering for sale (the "**Offering**") its units (the **"Units**"), at a purchase price of $1.50 per Unit, each Unit consisting of (i) one share (the "**Shares**") of common stock (the "**Common Stock**"), and (ii) one four-year warrant to purchase one additional share of Common Stock (the "**Warrant Shares**") at an exercise price of $2.00 per share (in the form of Exhibit A, the "**Warrants**," and together with the Units, the Shares and the Warrant Shares, collectively, the "**Securities**");

WHEREAS, the Units will only be sold to "accredited investors" as such term is defined in Rule 501 of Regulation D ("**Regulation D**") promulgated under the Securities Act of 1933, as amended (the "**Securities Act**");

WHEREAS, the Offering is being made for up to 800,000 Units;

WHEREAS, the Subscriber desires to purchase and the Company desires to sell that number of Units set forth on the signature page hereof on the terms and conditions hereinafter set forth; and

NOW, THEREFORE, in consideration of the premises and the mutual representations and covenants hereinafter set forth, the parties hereto do hereby agree as follows:

I. SUBSCRIPTION FOR UNITS AND REPRESENTATIONS BY THE SUBSCRIBER

1.1 Subject to the terms and conditions hereinafter set forth, the Subscriber hereby irrevocably subscribes for and agrees to purchase from the Company, and the Company agrees to sell to the Subscriber, such number of Units as is set forth on the signature page hereof, at a price equal to $1.50 per Unit. The purchase price is payable by personal or business check or money order made payable to "CommerceTel, Inc." contemporaneously with the execution and delivery of this Agreement by the Subscriber. Subscribers may also pay the subscription amount by wire transfer of immediately payable funds to:

Beneficiary Bank:	Wells Fargo
Address:	5624 Mission Center Rd San Diego, CA 92108
Beneficiary Acct. Name	CommerceTel, Inc.
Beneficiary Acct #	352-1058325
Routing/ABA #	121-000-248
Swift Code	WFBIUS6S

1.2 The Subscriber recognizes that the purchase of the Units involves a high degree of risk including, but not limited to, the following: (a) the Company has a limited operating history and requires substantial funds in addition to the proceeds of the Offering; (b) an investment in the Company is highly speculative, and only investors who can afford the loss of their entire investment should consider investing in the Company and the Units; (c) the Subscriber may not be able to liquidate its investment; (d) transferability of the Common Stock and the Warrants is extremely limited; (e) in the event of a disposition, the Subscriber could sustain the loss of its entire investment; (f) the Company has not paid any dividends since its inception and does not anticipate paying any dividends; and (g) the Company may issue additional securities in the future which have rights and preferences that are senior to those of the Common Stock. Without limiting the generality of the representations set forth herein, the Subscriber represents that the Subscriber has carefully reviewed the section captioned "Risk Factors" included in the Company's Annual Report on Form 10-K for the year ended September 30, 2010.

1.3 The Subscriber represents that the Subscriber is an "accredited investor" as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act and that the Subscriber is able to bear the economic risk of an investment in the Units. To evidence the Subscriber's status as an accredited investor, the Subscriber agrees to deliver to the Company (i) a fully completed and executed Accredited Investor Questionnaire ("**Questionnaire**") in the form attached hereto as Schedule A, and agrees that the representations and warranties set out in the Questionnaire, as executed by the Subscriber, will be true and complete on the date of closing of the Offering (the "**Closing Date**").

1.4 The Subscriber hereby acknowledges and represents that (a) the Subscriber has knowledge and experience in business and financial matters, prior investment experience, or the Subscriber has employed the services of a "purchaser representative" (as defined in Rule 501 of Regulation D), attorney and/or accountant to read all of the documents furnished or made available by the Company both to the Subscriber and to all other prospective investors in the Units to evaluate the merits and risks of such an investment on the Subscriber's behalf; (b) the Subscriber recognizes the highly speculative nature of this investment; and (c) the Subscriber is able to bear the economic risk that the Subscriber hereby assumes.

1.5 The Subscriber hereby acknowledges it has received, carefully reviewed and understands this Agreement, including all exhibits hereto, including the Warrant (collectively referred to as the "**Transaction Documents**"), and hereby represents that the Subscriber has been furnished by the Company during the course of the Offering with all information regarding the Company, the terms and conditions of the Offering and any additional information that the Subscriber has requested or desired to know, and has been afforded the opportunity to ask questions of and receive answers from duly authorized officers or other representatives of the Company concerning the Company and the terms and conditions of the Offering.

1.6 In making the decision to invest in the Units the Subscriber has relied solely upon the information provided by the Company in the Transaction Documents. To the extent necessary, the Subscriber has retained, at its own expense, and relied upon appropriate professional advice regarding the investment, tax and legal merits and consequences of this Agreement and the purchase of the Units hereunder. The Subscriber disclaims reliance on any statements made or information provided by any person or entity in the course of Subscriber's consideration of an investment in the Units other than the Transaction Documents and the other information referenced in Section 1.5 above.

1.7 The Subscriber represents that (i) the Subscriber was contacted regarding the sale of the Units by the Company (or an authorized agent or representative thereof) and (ii) no Units were offered or sold to it by means of any form of general solicitation or general advertising, and in connection therewith, the Subscriber did not (A) receive or review any advertisement, article, notice or other communication published in a newspaper or magazine or similar media or broadcast over television or radio, whether closed circuit, or generally available; or (B) attend any seminar meeting or industry investor conference whose attendees were invited by any general solicitation or general advertising.

1.8 The Subscriber hereby represents that the Subscriber, either by reason of the Subscriber's business or financial experience or the business or financial experience of the Subscriber's professional advisors (who are unaffiliated with and not compensated by the Company or any affiliate or selling agent of the Company, directly or indirectly), has the capacity to protect the Subscriber's own interests in connection with the transaction contemplated hereby.

1.9 The Subscriber hereby acknowledges that the Offering has not been reviewed by the United States Securities and Exchange Commission (the "**SEC**") nor any state or foreign regulatory authority since the Offering is intended to be exempt from the registration requirements of Section 5 of the Securities Act pursuant to Regulation D promulgated thereunder. The Subscriber understands that none of the Securities have been registered under the Securities Act or under any state or foreign securities or "blue sky" laws and agrees not to sell, pledge, assign or otherwise transfer or dispose of the Common Stock, Warrant Shares, or Warrants unless they are registered under the Securities Act and under any applicable state or foreign securities or "blue sky" laws or unless an exemption from such registration is available.

1.10 The Subscriber hereby represents that the Subscriber is purchasing the Units for the Subscriber's own account for investment and not with a view toward the resale or distribution to others. The Subscriber, if an entity, further represents that it was not formed for the purpose of purchasing the Units.

1.11 The Subscriber understands that although the Common Stock is included for quotation in the OTC Bulletin Board, there is only a limited trading market for the Common Stock and no assurances can be given when, if ever, that an active market will develop for the Common Stock. The Subscriber understands that even if an active market develops for the Common Stock, Rule 144 promulgated under the Securities Act ("**Rule 144**") requires for non-affiliates, among other conditions, a one-year holding period commencing as of the date that the Company filed "Form 10 information" with the SEC, prior to the resale of securities acquired in a non-public offering without having to satisfy the registration requirements under the Securities Act. Except for Piggy-Back Registration (as hereinafter defined), the Subscriber understands and hereby acknowledges that the Company is under no obligation to register any of the Securities under the Securities Act or any state or foreign securities or "blue sky" laws.

1.12 The Subscriber consents to the placement of a legend on any certificate or other document evidencing the Securities that such Securities have not been registered under the Securities Act or any state or foreign securities or "blue sky" laws and setting forth or referring to the restrictions on transferability and sale thereof contained in this Agreement. The Subscriber is aware that the Company will make a notation in its appropriate records with respect to the restrictions on the transferability of such securities. The legend to be placed on each certificate shall be in form substantially similar to the following:

> "THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR ANY STATE SECURITIES OR "BLUE SKY LAWS," AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED ABSENT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

1.13 The Subscriber understands that the Company, at its sole discretion, reserves the unrestricted right to reject or limit any subscription, to accept subscriptions for fractional Units and to close the Offering to the Subscriber at any time.

1.14 The Subscriber hereby represents that the address of the Subscriber furnished by Subscriber on the signature page hereof is the Subscriber's principal residence if Subscriber is an individual or its principal business address if it is a corporation or other entity.

1.15 The Subscriber represents that the Subscriber has full right, power and authority (corporate, statutory and otherwise) to execute and deliver this Agreement and to purchase the Units. This Agreement constitutes the legal, valid and binding obligation of the Subscriber, enforceable against the Subscriber in accordance with its terms.

1.16 If the Subscriber is a corporation, partnership, limited liability company, trust, employee benefit plan, individual retirement account, Keogh Plan, or other tax-exempt entity, it is authorized and qualified to invest in the Company and the person signing this Agreement on behalf of such entity has been duly authorized by such entity to do so.

1.17 (a) The Subscriber agrees not to issue any public statement with respect to the Subscriber's investment or proposed investment in the Company or the terms of any agreement or covenant between them and the Company without the Company's prior written consent, except such disclosures as may be required under applicable law or under any applicable order, rule or regulation.

(b) The Company agrees not to disclose the names, addresses or any other information about the Subscribers, except as required by law; provided, that the Company may use the name of the Subscriber for any offering or in any registration statement in which the Subscriber's Common Stock is included.

1.18 The Subscriber understands that the Securities are being offered and sold in reliance on specific exemptions from the registration requirements of federal, state and foreign securities laws and that the Company and the principals and controlling persons thereof are relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments, and understandings set forth herein in order to determine the applicability of such exemptions and the undersigned's suitability to acquire Units.

1.19 The Subscriber agrees to hold the Company and its directors, officers, employees, affiliates, controlling persons and agents and their respective heirs, representatives, successors and assigns harmless and to indemnify them against all liabilities, costs and expenses incurred by them as a result of (a) any sale or distribution of the Common Stock, Warrant Shares, or Warrants by the Subscriber in violation of the Securities Act or any applicable state and foreign securities or "blue sky" laws; or (b) any false representation or warranty or any breach or failure by the Subscriber to comply with any covenant made by the Subscriber in this Agreement or any other document furnished by the Subscriber to any of the foregoing in connection with this transaction.

1.20 The Subscriber understands that the Offering is not subject to a minimum amount and that all subscription amounts will be paid directly to the Company. Any such amounts may be used by the Company immediately upon receipt whether or not any additional funds are raised.

II. REPRESENTATIONS BY AND COVENANTS OF THE COMPANY

The Company hereby represents, warrants and covenants to the Subscriber that:

2.1 Organization, Good Standing and Power. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Nevada and has the requisite corporate power to own, lease and operate its properties and assets and to conduct its business as it is now being conducted. The Company does not have any subsidiaries except as set forth in the SEC Documents (as hereinafter defined). The Company is duly qualified to conduct business and is in good standing as a foreign company in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, would not result in a direct and/or indirect (i) material adverse effect on the legality, validity or enforceability of any of the Securities and/or this Agreement, (ii) material adverse effect on the results of operations, assets, business or financial condition of the Company, or (iii) material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under the Transaction Documents (any of (i), (ii) or (iii), a "**Material Adverse Effect"**).

2.2 Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and perform this Agreement and the Warrants and to issue and sell the Securities in accordance with the terms hereof. The execution, delivery and performance of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action, and no further consent or authorization of the Company or its Board of Directors or stockholders is required. This Agreement has been duly executed and delivered by the Company. Each of the Transaction Documents constitutes, or shall constitute when executed and delivered, a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, conservatorship, receivership or similar laws relating to, or affecting generally the enforcement of, creditor's rights and remedies or by other equitable principles of general application.

2.3 Capitalization. The authorized and outstanding capital stock of the Company is as set forth in the SEC Documents. Except as set forth in the SEC Documents, there are no options, warrants, or rights to subscribe to, securities, rights, understandings or obligations convertible into or exchangeable for or giving any right to subscribe for any shares of capital stock or other equity interest of the Company. There are no outstanding agreements or preemptive or similar rights affecting the Company's Common Stock. All issued and outstanding shares of capital stock and equity interests in the Company have been duly authorized and validly issued and are fully paid and non-assessable.

2.4 The Securities. The Securities upon issuance: (i) are, and will be, free and clear of any security interests, liens, claims or other encumbrances, subject only to restrictions upon transfer under the Securities Act and any applicable state securities laws; (ii) have been in the case of the Shares, or, in the case of the Shares and the Warrant Shares, will be, duly and validly, fully paid and non-assessable; and (iii) will not have been issued or sold in violation of any preemptive or other similar rights of the holders of any securities of the Company or rights to acquire securities of the Company.

2.5 No Conflicts. Subject to the filing of a Current Report on Form 8-K, a Form D with the SEC and all blue sky documents and the execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated herein and therein, the transactions contemplated herein and therein do not and will not (i) violate any provision of the Company's Articles or Bylaws, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, mortgage, deed of trust, indenture, note, bond, license, lease agreement, instrument or obligation to which the Company is a party or by which it or its properties or assets are bound, (iii) create or impose a lien, mortgage, security interest, charge or encumbrance of any nature on any property of the Company under any agreement or any commitment to which the Company is a party or by which the Company is bound or by which any of its respective properties or assets are bound, or (iv) result in a violation of any federal, state, local or foreign statute, rule, regulation, order, judgment or decree (including Federal and state securities laws and regulations) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries are bound or affected, except, in all cases other than violations pursuant to clause (i) above, for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect. The business of the Company and its subsidiaries is not being conducted in violation of any laws, ordinances or regulations of any governmental entity, except for possible violations which singularly or in the aggregate do not and will not have a Material Adverse Effect. The Company is not required under Federal, state or local law, rule or regulation to obtain any consent, authorization or order of, make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under the Transaction Documents, or issue and sell the Securities in accordance with the terms hereof or thereof (other than any filings which may be required to be made by the Company with the SEC or state securities administrators subsequent to the Closing) provided that, for purposes of the representation made in this sentence, the Company is assuming and relying upon the accuracy of the relevant representations and agreements of the Subscriber herein.

2.6 Litigation. There is no pending or, to the best knowledge of the Company, threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, (i) that would affect the execution by the Company or the complete and timely performance by the Company of its obligations under the Transaction Documents or (ii) that if adversely determined would have a Material Adverse Effect.

2.7 SEC Documents; Financial Statements; No Undisclosed Liabilities. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and since September 30, 2009, the Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Exchange Act (all of the foregoing including filings incorporated by reference therein being referred to herein as the "SEC Documents"). At the times of their respective filings, the SEC Documents complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder and other federal, state and local laws, rules and regulations applicable to such documents, and, as of their respective dates, none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Documents (the "Financial Statements") comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC or other applicable rules and regulations with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements, but only to the extent permitted by GAAP and the SEC), and fairly present in all material respects the financial position of the Company and its subsidiaries as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the Financial Statements, (i) the Company has no liabilities or obligations which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect and (ii) no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has not been so publicly announced or disclosed in the SEC Documents.

2.8 Securities Act of 1933. Assuming the accuracy of the representations of the Subscriber contained herein, the Company has complied and will comply with all applicable federal and state securities laws in connection with the offer, issuance and sale of the Securities. Neither the Company nor anyone acting on its behalf (excluding the Placement Agent, if any), directly or indirectly, has or will sell, offer to sell or solicit offers to buy any of the Securities or similar securities to, or solicit offers with respect thereto from, or enter into any preliminary conversations or negotiations relating thereto with, any person, or has taken or will take any action so as to bring the issuance and sale of any of the Securities under the registration provisions of the Securities Act and applicable state securities laws, and neither the Company nor any of its affiliates, nor, to the Company's knowledge, any person acting on its or their behalf has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of any of the Securities.

2.9 Per Share Purchase Price Protection. Following the Closing Date until the earlier of: (i) the date that a registration statement covering the Shares and the Warrant Shares is declared effective by the SEC, or (ii) the date the Shares become freely tradable under Rule 144, if the Company shall issue any Common Stock or Common Stock Equivalents entitling any person or entity to acquire shares of Common Stock at an effective price per share less than $1.50 (the "**Discounted Purchase Price**"), as soon as practicable thereafter, the Company shall issue to the Subscriber that number of additional shares of Common Stock equal to the difference between the number of Shares issued to the Subscriber and the number of shares the Company would have issued to the Subscriber had the Offering been completed at the Discounted Purchase Price. By way of example, if the Subscriber invested $150,000 in the Offering for which Subscriber received 100,000 Shares and if in a subsequent financing transaction the Company issues shares at $1.00 per share, the Company will be required to issue an additional 50,000 shares to the Subscriber. Notwithstanding anything to the contrary herein, (A) if the registration statement referenced in clause (i) above ceases to be effective prior to the sale of the Shares and Warrant Shares thereunder, or the Shares are no longer freely tradable under Rule 144 (i.e., the Company ceases to be compliant with its filing obligations with the SEC, or otherwise), then the purchase price protection provisions of this Section 2.9 shall be reinstated; provided however, that this purchase price protection provision will not apply at any time after December 31, 2012, and (B) this Section 2.9 shall not apply to an Exempt Issuance. As used herein, the term "**Common Stock Equivalents**" shall mean any securities of the Company which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock. As used herein, the term "**Exempt Issuance**" shall mean the issuance of (a) shares of Common Stock or options to employees, officers or directors of the Company granted (x) at no less than the fair market value of the Common Stock on the date of grant and (y) in an amount (the "**Permissible Amount**") not to exceed 9.9% of the number of issued and outstanding shares of Common Stock during any twelve month period (it being understood that if the number of shares of Common Stock or options granted exceeds the Permissible Amount, the lowest Discounted Purchase Price used to acquire such securities during said twelve month period shall be employed to determine the number of additional shares of Common Stock to be issued under this Section 2.9), (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder, and (c) securities issued pursuant to acquisitions or strategic transactions.

2.10 Legal Opinions. When the Subscriber tenders to the Company's transfer agent its Shares or Warrant Shares for transfer and such proposed transfer is in compliance with applicable exemptions from registration under the Securities Act and other applicable laws, the Company will promptly instruct its legal counsel to issue to the Company's transfer agent a legal opinion to the effect that such transfer may take place without restrictive legend; provided however, that the Subscriber delivers reasonably requested representations in support of such opinion. The Company agrees to bear all of the cost(s) of any such legal opinion(s) and removal of restrictive legends and reissuance of shares free of restrictive legends.

2.11 Commissions. In connection with this Offering, the Company may pay to registered broker-dealers commissions of up to 8% of the gross proceeds raised in the Offering in cash plus 8% in warrant coverage.

2.12 Non-Public Information. The Company covenants and agrees that neither it nor any other person acting on its behalf provided Subscriber or its agents or counsel with any information that the Company believes constitutes material non-public information relating to the Company. The Company understands and confirms that Subscriber shall be relying on the foregoing representations in subscribing for Units in the Offering.

2.13 Indemnification. The Company agrees to indemnify, hold harmless, reimburse and defend the Subscriber, the Subscriber's officers, directors, agents, counsel, affiliates, members, managers, control persons, principal shareholders, and heirs, against any claim, cost, expense, liability, obligation, loss or damage (including reasonable legal fees) of any nature, incurred by or imposed upon the Subscriber or any such person which results, arises out of or is based upon (i) any misrepresentation by the Company or breach of any representation or warranty by the Company in this Agreement or in any exhibits attached hereto, or other agreement delivered pursuant hereto or in connection herewith, now or after the date hereof; or (ii) any breach or default in performance by the Company of any covenant or undertaking to be performed by the Company hereunder, or any other agreement entered into by the Company and the Subscriber relating hereto.

III. PIGGYBACK REGISTRATION RIGHTS

3.1 Registration. If, at any time after the Closing Date, the Company shall propose to file with the SEC a registration statement under the Securities Act other than on Forms S-4 or S-8 (or any successor to such forms) (each a "**Piggy-Back Registration**"), the Company shall give notice to the Subscriber and include in such registration statement all or any part of the Shares and the Warrants Shares (the "**Registrable Securities**") that the Subscriber requests to be registered; provided, however, that the Company shall not be required to register any Registrable Securities pursuant to this Section 3.1 that are eligible for resale pursuant to Rule 144 without any requirement for the Company to maintain current public information and without any limitation on volume or manner of sale. The Company shall use best efforts to cause such registration statement to become effective as soon as practicable.

3.2 Underwriter Cutbacks. Notwithstanding the foregoing, if the managing underwriter or underwriters for a Piggy-Back Registration that is to be an underwritten offering advises the Company in writing that the dollar amount or number of shares of the Company's Common Stock which the Company desires to sell, taken together with shares of Common Stock, if any, as to which registration has been demanded pursuant to written contractual arrangements with persons other than the holders of Shares hereunder, the Shares as to which registration has been requested under this Section 3.2, and the shares of Common Stock, if any, as to which registration has been requested pursuant to the written contractual piggy-back registration rights of other shareholders of the Company, exceeds the maximum dollar amount or maximum number of shares that can be sold in such offering without adversely affecting the proposed offering price, the timing, the distribution method, or the probability of success of such offering (such maximum dollar amount or maximum number of shares, as applicable, the "**Maximum Number of Shares**"), then the Company shall include in any such registration:

(i) If the registration is undertaken for the Company's account: (A) first, the shares or other securities that the Company desires to issue that can be sold without exceeding the Maximum Number of Shares; (B) second, to the extent that the Maximum Number of Shares has not been reached under the foregoing clause (A), the shares of Common Stock, if any, including the Registrable Securities, as to which registration has been requested pursuant to written contractual piggy-back registration rights of security holders (pro rata in accordance with the number of shares of Common Stock which each such person has actually requested to be included in such registration, regardless of the number of shares of Common Stock with respect to which such persons have the right to request such inclusion) that can be sold without exceeding the Maximum Number of Shares; and

(ii) If the registration is a "demand" registration undertaken at the demand of persons pursuant to written contractual arrangements with such persons, (A) first, the shares of Common Stock for the account of the demanding persons that can be sold without exceeding the Maximum Number of Shares; (B) second, to the extent that the Maximum Number of Shares has not been reached under the foregoing clause (A), the shares of Common Stock or other securities that the Company desires to sell that can be sold without exceeding the Maximum Number of Shares; and (C) third, to the extent that the Maximum Number of Shares has not been reached under the foregoing clauses (A) and (B), the shares of Common Stock, if any, including the Regsitrable Securities, as to which registration has been requested pursuant to written contractual piggy-back registration rights of security holders (pro rata in accordance with the number of shares of Common Stock which each such person has actually requested to be included in such registration, regardless of the number of shares of Common Stock with respect to which such persons have the right to request such inclusion) that can be sold without exceeding the Maximum Number of Shares.

3.3 Furnish Information. It shall be a condition precedent to the obligation of the Company to take any action pursuant to this Article 3 with respect to the Registrable Securities that the holder of such Registrable Securities shall furnish to the Company such information regarding the holder, the Registrable Securities held by such holder, and the intended method of disposition of such securities as shall be reasonably required by the Company to effect the registration of such Registrable Securities.

3.4 Expenses. The Company will pay all expenses incurred by the Company in complying with this Section 3, including, without limitation, all registration and filing fees, printing expenses (if required), fees and disbursements of counsel and independent public accountants for the Company, fees and expenses (including reasonable counsel fees) incurred in connection with complying with state securities or "blue sky" laws, fees of the NASD, transfer taxes, and fees of transfer agents and registrars.

IV. TERMS OF SUBSCRIPTION

4.1 All funds paid hereunder shall be deposited directly into the Company's bank account in accordance with the instructions set forth in Section 1.1 above.

4.2 Certificates (the "**Certificates**") representing the Shares and Warrants purchased by the Subscriber pursuant to this Agreement will be prepared and delivered to the Subscriber at the closing of the Offering. The Subscriber hereby authorizes and directs the Company to deliver the Certificates directly to any of the Subscriber's residential or business addresses indicated on the signature page hereto.

V. CONDITIONS TO OBLIGATIONS OF THE SUBSCRIBERS

5.1 The Subscriber's obligation to purchase the Units at the Closing is subject to the fulfillment on or prior to such Closing of the following conditions, which conditions may be waived at the option of the Subscriber to the extent permitted by law:

(a) Covenants. All covenants, agreements and conditions contained in this Agreement to be performed by the Company on or prior to the date of such Closing shall have been performed or complied with in all material respects.

(b) No Legal Order Pending. There shall not then be in effect any legal or other order enjoining or restraining the transactions contemplated by this Agreement.

(c) No Law Prohibiting or Restricting Such Sale. There shall not be in effect any law, rule or regulation prohibiting or restricting such sale or requiring any consent or approval of any person, which shall not have been obtained, to issue the Shares or the Warrants (except as otherwise provided in this Agreement).

VI. MISCELLANEOUS

6.1 Any notice or other communication given hereunder shall be deemed sufficient if in writing and sent by registered or certified mail, return receipt requested, or delivered by hand against written receipt therefor, addressed as follows:

If to the Company:

8929 Aero Drive, Suite E
San Diego, CA 92123
Attn: Dennis Becker
Fax: _____

Notices shall be deemed to have been given or delivered on the date of mailing, except notices of change of address, which shall be deemed to have been given or delivered when received.

6.2 Except as otherwise provided herein, this Agreement shall not be changed, modified or amended except by a writing signed by the parties to be charged, and this Agreement may not be discharged except by performance in accordance with its terms or by a writing signed by the party to be charged.

6.3 This Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective heirs, legal representatives, successors and assigns. This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among them.

6.4 Upon the execution and delivery of this Agreement by the Subscriber, this Agreement shall become a binding obligation of the Subscriber with respect to the purchase of Units as herein provided, subject, however, to the right hereby reserved by the Company to enter into the same agreements with other subscribers and to add and/or delete other persons as subscribers.

6.5 This Subscription Agreement and all issues arising out of the Offering will be governed by and construed solely and exclusively under and pursuant to the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California. Each of the parties hereto expressly and irrevocably (1) agrees that any legal suit, action or proceeding arising out of or relating to this Agreement will be instituted exclusively in the United States District Court in San Diego, (2) waives any objection which Company may have now or hereafter to the venue of any such suit, action or proceeding, and (3) consents to the jurisdiction of the United States District Court in San Diego in any such suit, action or proceeding. Each of the parties hereto further agrees to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding and agrees that service of process upon it mailed by certified mail to its address will be deemed in every respect effective service of process upon it, in any such suit, action or proceeding. THE PARTIES HERETO AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS SUBSCRIPTION AGREEMENT OR ANY DOCUMENT OR AGREEMENT CONTEMPLATED HEREBY. THE PARTY PREVAILING THEREIN SHALL BE ENTITLED TO PAYMENT FROM THE OTHER PARTY HERETO OF ALL OF ITS REASONABLE COUNSEL FEES AND DISBURSEMENTS.

6.6 In order to discourage frivolous claims the parties agree that unless a claimant in any proceeding arising out of this Agreement succeeds in establishing his claim and recovering a judgment against another party (regardless of whether such claimant succeeds against one of the other parties to the action), then the other party shall be entitled to recover from such claimant all of its/their reasonable legal costs and expenses relating to such proceeding and/or incurred in preparation therefor.

6.7 The holding of any provision of this Agreement to be invalid or unenforceable by a court of competent jurisdiction shall not affect any other provision of this Agreement, which shall remain in full force and effect. If any provision of this Agreement shall be declared by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced in whole or in part, such provision shall be interpreted so as to remain enforceable to the maximum extent permissible consistent with applicable law and the remaining conditions and provisions or portions thereof shall nevertheless remain in full force and effect and enforceable to the extent they are valid, legal and enforceable, and no provisions shall be deemed dependent upon any other covenant or provision unless so expressed herein.

6.8 Subscriber acknowledges that it was represented by legal counsel and that it has submitted this Agreement to such counsel for legal review. The Company hereby agrees to pay at closing of the Offering all legal expenses (up to an aggregate of $5,000) in connection with the legal review of this Agreement and other agreements of like tenor incurred by the Subscriber and all other subscribers participating in the Offering.

6.9 It is agreed that a waiver by either party of a breach of any provision of this Agreement shall not operate, or be construed, as a waiver of any subsequent breach by that same party.

6.10 All of the representations and warranties contained in this Subscription Agreement shall survive execution and delivery of this Subscription Agreement and the undersigned's investment in the Company.

6.11 The parties agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

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

6.13 Nothing in this Agreement shall create or be deemed to create any rights in any person or entity not a party to this Agreement.

(Signature Pages to Follow)

IN WITNESS WHEREOF, the undersigned have executed this Subscription Agreement as of the date first written above.

COMMERCETEL CORPORATION

By: _____

SUBSCRIBER

By: _____
Name:
Title:

Address of Subscriber:

_____

_____

Email: _____
Telephone: _____

Number of Units Purchased:

Purchase Price (No. of Units multiplied by $1.50):
$_____

Wiring Instructions:

Beneficiary Bank:	Wells Fargo
Address:	5624 Mission Center Rd San Diego, CA 92108
Beneficiary Acct. Name	CommerceTel, Inc.
Beneficiary Acct #	352-1058325
Routing/ABA #	121-000-248
Swift Code	WFBIUS6S

CERTIFICATE OF SIGNATORY

(To be completed if Units are
being subscribed for by an entity)

I, _____, am the _____ of _____ (the "**Entity**").

I certify that I am empowered and duly authorized by the Entity to execute and carry out the terms of the Subscription Agreement and to purchase and hold the Units, and certify further that the Subscription Agreement has been duly and validly executed on behalf of the Entity and constitutes a legal and binding obligation of the Entity.

IN WITNESS WHEREOF, I have set my hand this _____ day of _____, 2011

_____
(Signature)

SCHEDULE A

ACCREDITED INVESTOR QUESTIONNAIRE

All capitalized terms herein, unless otherwise defined, have the meanings ascribed thereto in the Subscription Agreement among the Company and the Subscriber dated _____, 2011.

The Subscriber covenants, represents and warrants to the Company that it satisfies one or more of the categories of "Accredited Investors", as defined by Regulation D promulgated under the 1933 Act, as indicated below: (Please initial in the space provide those categories, if any, of an "Accredited Investor" which the Subscriber satisfies.)

Category 1	An organization described in Section 501(c)(3) of the United States Internal Revenue Code, a corporation, a Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the Shares, with total assets in excess of US $5,000,000.
Category 2	A natural person whose individual net worth, or joint net worth with that person's spouse, on the date of purchase (excluding the value of their principal residence) exceeds US $1,000,000.
Category 3	A natural person who had an individual income in excess of US $200,000 in each of the two most recent years or joint income with that person's spouse in excess of US $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.
Category 4	A "bank" as defined under Section (3)(a)(2) of the 1933 Act or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Act acting in its individual or fiduciary capacity; a broker dealer registered pursuant to Section 15 of the *Securities Exchange Act of 1934* (United States); an insurance Corporation as defined in Section 2(13) of the 1933 Act; an investment Corporation registered under the *Investment Corporation Act of 1940* (United States) or a business development Corporation as defined in Section 2(a)(48) of such Act; a Small Business Investment Corporation licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the *Small Business Investment Act of 1958* (United States); a plan with total assets in excess of $5,000,000 established and maintained by a state, a political subdivision thereof, or an agency or instrumentality of a state or a political subdivision thereof, for the benefit of its employees; an employee benefit plan within the meaning of the *Employee Retirement Income Security Act of 1974* (United States) whose investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance corporation or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000, or, if a self-directed plan, whose investment decisions are made solely by persons that are accredited investors.
Category 5	A private business development corporation as defined in Section 202(a)(22) of the *Investment Advisers Act of 1940* (United States).
Category 6	A director or executive officer of the Company.
Category 7	A trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Shares, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the 1933 Act.

Category 8 An entity in which all of the equity owners satisfy the requirements of one or more of the foregoing categories.

Note that the Subscriber may be required to supply the Company with a balance sheet, prior years' federal income tax returns or other appropriate documentation to verify and substantiate the Subscriber's status as an Accredited Investor.

If the Subscriber is an entity which initialled Category 8 in reliance upon the Accredited Investor categories above, state the name, address, total personal income from all sources for the previous calendar year, and the net worth (exclusive of home, home furnishings and personal automobiles) for each equity owner of the said entity:

_____

The Subscriber hereby certifies that the information contained in this Accredited Investor Questionnaire is complete and accurate and the Subscriber will notify the Company promptly of any change in any such information. The Subscriber acknowledges and agrees that the Subscriber may be required by the Company to provide such additional documentation as may be reasonably required by the Company and its legal counsel in determining the Subscriber's eligibility to acquire the Units under relevant legislation.

If this Accredited Investor Questionnaire is being completed on behalf of a corporation, partnership, trust or estate, the person executing on behalf of the Subscriber represents that it has the authority to execute and deliver this Accredited Investor Questionnaire on behalf of such entity.

IN WITNESS WHEREOF, the Subscriber has executed this Accredited Investor Questionnaire as of the ___ day of _____, 2011.

If a Corporation, Partnership or Other Entity:

Print of Type Name of Entity
Signature of Authorized Signatory
Type of Entity

If an Individual:

Signature

Print or Type Name

Social Security/Tax I.D. No. (if applicable)

EXHIBIT A

NEITHER THIS SECURITY NOR ANY SECURITIES WHICH MAY BE ISSUED UPON EXERCISE OF THIS SECURITY HAVE BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY U.S. STATE OR OTHER JURISDICTION OR ANY EXCHANGE OR SELF-REGULATORY ORGANIZATION, IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND SUCH OTHER LAWS AND REQUIREMENTS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR LISTING OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, SUCH REGISTRATION AND/OR LISTING REQUIREMENTS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH WILL BE REASONABLY ACCEPTABLE TO THE COMPANY.

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COMMERCETEL CORPORATION

FORM OF COMMON STOCK WARRANT

No_____

_____, 2011

CommerceTel Corporation, a Nevada corporation (the "**Company**"), hereby certifies that _____, its permissible transferees, designees, successors and assigns (collectively, the "**Holder**"), for value received, is entitled to purchase from the Company at any time and from time to time commencing on the date first appearing above (the "**Issuance Date**"), up to and through 12:01a.m. (EST) on the date four (4) years from the Issuance Date (the "**Termination Date**") up to _____ shares (each, a "Warrant **Share**" and collectively the "Warrant **Shares**") of the Company's common stock (the "**Common Stock**"), at an exercise price per Share equal to $2.00 (the "**Exercise Price**"). The number of Shares purchasable hereunder and the Exercise Price are subject to adjustment as provided in Section 4 hereof.

This Warrant is being issued as part of units (the "**Units**") issued by the Company in a private placement pursuant to the Company's Subscription Agreement (the "**Agreement**"). Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Agreement.

1. Method of Exercise; Payment.

(a) *Cash Exercise*. The purchase rights represented by this Warrant may be exercised by the Holder, in whole or in part, at any time, or from time to time, by the surrender of this Warrant (with the notice of exercise form (the "**Notice of Exercise**") attached hereto as Exhibit A duly executed) at the principal office of the Company, and by payment to the Company of an amount equal to the Exercise Price multiplied by the number of Warrant Shares being purchased, which amount may be paid, at the election of the Holder, by wire transfer or certified check payable to the order of the Company. The person or persons in whose name(s) any certificate(s) representing Warrant Shares shall be issuable upon exercise of this Warrant shall be deemed to have become the holder(s) of record of, and shall be treated for all purposes as the record holder(s) of, the Warrant Shares represented thereby (and such Warrant Shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised.

(b) *Cashless Exercise*. If, within 180 days from the Closing, there shall be no effective registration statement registering the resale of the Warrant Shares by the Holder, then, at the option of the Holder, this Warrant may be exercised at any time thereafter by means of a "cashless exercise" in which the Holder shall be entitled to receive a certificate for the number of Warrant Shares equal to the quotient obtained by dividing

$$\frac{Y\ (A-B)}{A}$$

where Y= the number of shares of Common Stock purchasable under the Warrant by means of a cash exercise or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation);

A= the Fair Market Value which shall be defined as the average of the three highestclosing prices of the Common Stock, in the principal market in which the Common Stock then trades, during the thirty trading days preceding the date on which a Notice of Exercise is delivered to the Company; and

B= Purchase Price (as adjusted to the date of such calculation).

To the extent permitted by law, for purposes of Rule 144 promulgated under the Securities Act of 1933 Act, as amended (the "**Securities Act**"), it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction in the manner described above shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Subscription Agreement.

(c) *Stock Certificates*. In the event of any exercise of the rights represented by this Warrant, as promptly as practicable after this Warrant is surrendered and delivered to the Company along with all other appropriate documentation on or after the date of exercise and in any event within ten (10) days thereafter, the Company at its expense shall issue and deliver to the person or persons entitled to receive the same a certificate or certificates for the number of Warrant Shares issuable upon such exercise. In the event this Warrant is exercised in part, the Company at its expense will execute and deliver a new Warrant of like tenor exercisable for the number of Warrant Shares for which this Warrant may then be exercised.

(d) *Taxes*. The issuance of the Warrant Shares upon the exercise of this Warrant, and the delivery of certificates or other instruments representing such Warrant Shares, shall be made without charge to the Holder for any tax or other charge in respect of such issuance.

2. Warrant.

(a) Transfer and Replacement. At any time prior to the exercise hereof, this Warrant may be exchanged upon presentation and surrender to the Company, alone or with other warrants of like tenor of different denominations registered in the name of the same Holder, for another warrant or warrants of like tenor in the name of such Holder exercisable for the aggregate number of Warrant Shares as the warrant or warrants surrendered.

(b) Replacement of Warrant. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft, or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company, at its expense, will execute and deliver in lieu thereof, a new Warrant of like tenor.

(c) Cancellation. Payment of Expenses. Upon the surrender of this Warrant in connection with any transfer, exchange or replacement as provided in this Section 2, this Warrant shall be promptly canceled by the Company. The Holder shall pay all taxes and all other expenses (including legal expenses, if any, incurred by the Holder or transferees) and charges payable in connection with the preparation, execution and delivery of Warrants pursuant to this Section 2.

(d) Warrant Register. The Company shall maintain, at its principal executive offices (or at the offices of the transfer agent for the Warrant or such other office or agency of the Company as it may designate by notice to the holder hereof), a register for this Warrant (the "**Warrant Register**"), in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each transferee and each prior owner of this Warrant.

3. Rights and Obligations of Holders of this Warrant.

The Holder of this Warrant shall not, by virtue hereof, be entitled to any rights of a shareholder in the Company, either at law or in equity; provided, however, that in the event any certificate representing shares of Common Stock or other securities is issued to the holder hereof upon exercise of this Warrant, such holder shall, for all purposes, be deemed to have become the holder of record of such Common Stock on the date on which this Warrant, together with a duly executed Notice of Exercise, was surrendered and payment of the aggregate Exercise Price was made, irrespective of the date of delivery of such Common Stock certificate.

4. Adjustments.

(a) *Stock Dividends, Reclassifications, Recapitalizations, Etc.* While this Warrant is outstanding, in the event the Company: (i) pays a dividend in Common Stock or makes a distribution in Common Stock, (ii) subdivides its outstanding Common Stock into a greater number of shares, (iii) combines its outstanding Common Stock into a smaller number of shares or (iv) increases or decreases the number of shares of Common Stock outstanding by reclassification of its Common Stock (including a recapitalization in connection with a consolidation or merger in which the Company is the continuing corporation), then (1) the Exercise Price on the record date of such division or distribution or the effective date of such action shall be adjusted by multiplying such Exercise Price by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately before such event and the denominator of which is the number of shares of Common Stock outstanding immediately after such event, and (2) the number of shares of Common Stock for which this Warrant may be exercised immediately before such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the Exercise Price immediately before such event and the denominator of which is the Exercise Price immediately after such event.

(b) *Combination; Liquidation*. While this Warrant is outstanding, (i) in the event of a Combination (as defined below), each Holder shall have the right to receive upon exercise of the Warrant the kind and amount of shares of capital stock or other securities or property which such Holder would have been entitled to receive upon or as a result of such Combination had such Warrant been exercised immediately prior to such event (subject to further adjustment in accordance with the terms hereof). Unless clause (ii) below is applicable to a Combination, the Company shall provide that the surviving or acquiring Person (as defined below) in such Combination will assume by written instrument the obligations under this Section 4 and the obligations to deliver to the Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, the Holder may be entitled to acquire. "**Combination**" means an event in which the Company consolidates with, mergers with or into, or sells all or substantially all of its assets to another Person, where "**Person**" means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity. (ii) In the event of (x) a Combination where consideration to the holders of Common Stock in exchange for their shares is payable solely in cash or (y) the dissolution, liquidation or winding-up of the Company, the Holders shall be entitled to receive, upon surrender of their Warrant, distributions on an equal basis with the holders of Common Stock or other securities issuable upon exercise of the Warrant, as if the Warrant had been exercised immediately prior to such event, less the Exercise Price. In case of any Combination described in this Section 4, the surviving or acquiring Person and, in the event of any dissolution, liquidation or winding-up of the Company, the Company, shall deposit promptly with an agent or trustee for the benefit of the Holders of the funds, if any, necessary to pay to the Holders the amounts to which they are entitled as described above. After such funds and the surrendered Warrant are received, the Company is required to deliver a check in such amount as is appropriate (or, in the case or consideration other than cash, such other consideration as is appropriate) to such Person or Persons as it may be directed in writing by the Holders surrendering such Warrant.

(c) *Exercise Price Protection*. If the Company, at any time while this Warrant is outstanding, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock, at an effective price per share less than the then Exercise Price (such lower price, the "**Base Share Price**" and such issuances collectively, a "**Dilutive Issuance**") (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share which is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance), then the Exercise Price shall be reduced and only reduced to equal the Base Share Price. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustments shall be made, paid or issued under this Section 4(c) in respect of an Exempt Issuance.

(d) *Notice of Adjustment*. Whenever the Exercise Price or the number of shares of Common Stock and other property, if any, issuable upon exercise of the Warrant is adjusted, as provided in this Section 4, the Company shall deliver to the holders of the Warrant in accordance with Section 9 a certificate of the Company's Chief Financial Officer setting forth, in reasonable detail, the event requiring the adjustment and the method by which such adjustment was calculated (including a description of the basis on which (i) the Board of Directors determined the fair value of any evidences of indebtedness, other securities or property or warrants, options or other subscription or purchase rights and (ii) the Current Value (as defined below) of the Common Stock was determined, if either of such determinations were required), and specifying the Exercise Price and number of shares of Common Stock issuable upon exercise of the Warrant after giving effect to such adjustment.

(e) *Notice of Certain Transactions*. While this Warrant is outstanding, in the event that the Company shall propose (a) to pay any dividend payable in securities of any class to the holders of its Common Stock or to make any other non-cash dividend or distribution to the holders of its Common Stock, (b) to offer the holders of its Common Stock rights to subscribe for or to purchase any securities convertible into shares of Common Stock or shares of stock of any class or any other securities, rights or options, (c) to effect any capital reorganization, reclassification, consolidation or merger affecting the class of Common Stock, as a whole, or (d) to effect the voluntary or involuntary dissolution, liquidation or winding-up of the Company, the Company shall, within the time limits specified below, send to each Holder a notice of such proposed action or offer. Such notice shall be mailed to the Holders at their addresses as they appear in the Warrant Register, which shall specify the record date for the purposes of such dividend, distribution or rights, or the date such issuance or event is to take place and the date of participation therein by the holders of Common Stock, if any such date is to be fixed, and shall briefly indicate the effect of such action on the Common Stock and on the number and kind of any other shares of stock and on other property, if any, and the number of shares of Common Stock and other property, if any, issuable upon exercise of each Warrant and the Exercise Price after giving effect to any adjustment pursuant to this Section 4 which will be required as a result of such action. Such notice shall be given as promptly as possible and (x) in the case of any action covered by clause (a) or (b) above, at least ten (10) days prior to the record date for determining holders of the Common Stock for purposes of such action or (y) in the case of any other such action, at least twenty (20) days prior to the date of the taking of such proposed action or the date of participation therein by the holders of Common Stock, whichever shall be the earlier.

(f) *Current Value*. For purposes of this Section 4, the "**Current Value**" per share of Common Stock or any other security at any date means (i) if the security is not registered under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and/or traded on a national securities exchange, quotation system or bulletin board, (a) the value of the security, determined in good faith by the Board of Directors of the Company and certified in a board resolution, based on the most recently completed arm's-length transaction between the Company and a Person other than an affiliate of the Company or between any two such Persons and the closing of which occurs on such date or shall have occurred within the six-month period preceding such date, or (b) if no such transaction shall have occurred within the six-month period, the value of the security as determined by an independent financial expert or an agreed upon financial valuation model or (ii) if the security is registered under the Exchange Act and/or traded on a national securities exchange, quotation system or bulletin board, the average of the daily closing bid prices (or the equivalent in an over-the-counter market) for each day on which the Common Stock is traded for any period on the principal securities exchange or other securities market on which the common Stock is being traded (each, a "**Trading Day**") during the period commencing thirty (30) days before such date and ending on the date one (1) day prior to such date.

5. Fractional Shares.

In lieu of issuance of a fractional share upon any exercise hereunder, the Company will issue an additional whole share in lieu of that fractional share, calculated on the basis of the Exercise Price.

6. Legends.

(a) *Restrictive Legends*. Prior to issuance of the shares of Common Stock underlying this Warrant, all such certificates representing such shares shall bear a restrictive legend to the effect that the Shares represented by such certificate have not been registered under the Securities Act, and that the Shares may not be sold or transferred in the absence of such registration or an exemption therefrom, such legend to be substantially in the form of the bold-face language appearing at the top of Page 1 of this Warrant. The Holder confirms on the date of exercise of this Warrant the representations and warranties in Section 1.3 of the Agreement.

(b) *Legal Opinions*. If at any time, whether upon exercise of this Warrant or thereafter, the Warrant Shares may be issued or transferred, as the case may be, in compliance with applicable exemptions from registration under the Securities Act and other applicable laws, the Company will promptly instruct its legal counsel to issue to the Company's transfer agent a legal opinion to the effect that such issuance or transfer, as the case may be, may take place without restrictive legend; provided however, that the Holder delivers reasonably requested representations in support of such opinion. The Company agrees to bear all of the cost(s) of any such legal opinion(s) and removal of restrictive legends and reissuance of shares free of restrictive legends

7. Disposition of Warrants or Shares.

The Holder of this Warrant, each transferee hereof and any holder and transferee of any Warrant Shares, by his or its acceptance thereof, agrees that no public distribution of Warrants or Warrant Shares will be made in violation of the provisions of the Securities Act. Furthermore, it shall be a condition to the transfer of this Warrant that any transferee thereof deliver to the Company his or its written agreement to accept and be bound by all of the terms and conditions contained in this Warrant.

8. Merger or Consolidation.

The Company will not merge or consolidate with or into any other corporation, or sell or otherwise transfer its property, assets and business substantially as an entirety to another corporation, unless the corporation resulting from such merger or consolidation (if not the Company), or such transferee corporation, as the case may be, shall expressly assume, by supplemental agreement reasonably satisfactory in form and substance to the Holder, the due and punctual performance and observance of each and every covenant and condition of this Warrant to be performed and observed by the Company.

9. Notices.

Except as otherwise specified herein to the contrary, all notices, requests, demands and other communications required or desired to be given hereunder shall only be effective if given in writing by certified or registered U.S. mail with return receipt requested and postage prepaid; by private overnight delivery service (e.g. Federal Express); by facsimile transmission (if no original documents or instruments must accompany the notice); or by personal delivery. Any such notice shall be deemed to have been given (a) on the business day immediately following the mailing thereof, if mailed by certified or registered U.S. mail as specified above; (b) on the business day immediately following deposit with a private overnight delivery service if sent by said service; (c) upon receipt of confirmation of transmission if sent by facsimile transmission; or (d) upon personal delivery of the notice. All such notices shall be sent to the following addresses (or to such other address or addresses as a party may have advised the other in the manner provided in this Section 9):

If to the Company: 8929 Aero Drive, Suite E
San Diego, CA 92123
Attn: Dennis Becker
Fax: _____

Notwithstanding the time of effectiveness of notices set forth in this Section 9, a Notice of Exercise shall not be deemed effectively given until it has been duly completed and submitted to the Company together with this original Warrant and payment of the Exercise Price in a manner set forth in this Section 9.

10. Limitation on Exercise.

Notwithstanding anything to the contrary contained herein, the number of shares of Common Stock that may be acquired by the Holder upon any exercise of this Warrant (or otherwise in respect hereof) shall be limited to the extent necessary to insure that, following such exercise (or other issuance), the total number of shares of Common Stock then beneficially owned by such Holder and its affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act, does not exceed 4.99% of the total number of issued and outstanding shares of Common Stock (the "**Beneficial Ownership Limitation**"). For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. The holder may waive the restriction in whole or in part upon and effective after 61 days prior written notice to the Company and increase the Beneficial Ownership Limitation to no more than 9.9%.

11. Governing Law.

This Warrant shall be governed by and construed solely and exclusively in accordance with and pursuant to the internal laws of the State of California without regard to the conflicts of laws principles thereof. The parties hereto hereby expressly and irrevocably agree that any suit or proceeding arising directly and/or indirectly pursuant to or under this Warrant shall be brought solely in a federal or state court located in San Diego. By its execution hereof, the parties hereby covenant and irrevocably submit to the in personam jurisdiction of the federal and state courts located in San Diego, California and agree that any process in any such action may be served upon any of them personally, or by certified mail or registered mail upon them or their agent, return receipt requested, with the same full force and effect as if personally served upon them in San Diego. The parties hereto expressly and irrevocably waive any claim that any such jurisdiction is not a convenient forum for any such suit or proceeding and any defense or lack of in personam jurisdiction with respect thereto. In the event of any such action or proceeding, the party prevailing therein shall be entitled to payment from the other party hereto of all of its reasonable counsel fees and disbursements.

12. Successors and Assigns.

This Warrant shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

13. Headings.

The headings of various sections of this Warrant have been inserted for reference only and shall not affect the meaning or construction of any of the provisions hereof.

14. Severability.

If any provision of this Warrant is held to be unenforceable under applicable law, such provision shall be excluded from this Warrant, and the balance hereof shall be interpreted as if such provision were so excluded.

15. Modification and Waiver.

This Warrant and any provision hereof may be amended, waived, discharged or terminated only by an instrument in writing signed by the Company and the Holder.

16. Specific Enforcement.

The Company and the Holder acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Warrant were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Warrant and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which either of them may be entitled by law or equity.

17. Assignment.

This Warrant may be transferred or assigned, in whole or in part, at any time and from time to time by the then Holder by submitting this Warrant to the Company together with a duly executed Assignment in substantially the form and substance of the Form of Assignment which accompanies this Warrant as Exhibit B hereto, and, upon the Company's receipt thereof, and in any event, within five (5) business days thereafter, the Company shall issue a Warrant to the Holder to evidence that portion of this Warrant, if any as shall not have been so transferred or assigned.

(Signature Page Immediately Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed, manually or by facsimile, by one of its officers thereunto duly authorized.

Date: _____, 2011

COMMERCETEL CORPORATION

By: _____

EXHIBIT A

NOTICE OF EXERCISE

To Be Executed by the Holder

in Order to Exercise the Warrant

The undersigned Holder hereby elects to purchase _____ Warrant Shares pursuant to the attached Warrant, and requests that certificates for securities be issued in the name of:

_____

(Please type or print name and address)

_____

_____

_____

(Social Security or Tax Identification Number)

and delivered to:_____

_____.

(Please type or print name and address if different from above)

If such number of Warrant Shares being purchased hereby shall not be all the Warrant Shares that may be purchased pursuant to the attached Warrant, a new Warrant for the balance of such Warrant Shares shall be registered in the name of, and delivered to, the Holder at the address set forth below.

The Holder intends that payment of the Exercise Price shall be made as:

____ a "Cash Exercise" with respect to _____ Warrant Shares; and/or

____ a "Cashless Exercise" with respect to _____ Warrant Shares.

If this is a Cash Exercise, in full payment of the purchase price with respect to the Warrant Shares purchased and transfer taxes, if any, the undersigned hereby tenders payment of $_____ by check, money order or wire transfer payable in United States currency to the order of CommerceTel Corporation.

The Holder hereby confirms as of the date hereof the representations and warranties in Section 1.3 of the Agreement.

HOLDER:

By:_____
Name:
Title:
Address:
Dated:

EXHIBIT B

FORM OF ASSIGNMENT

(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto _____ the right represented by the within Warrant to purchase _____ shares of Common Stock of CommerceTel Corporation, a Nevada corporation, to which the within Warrant relates, and appoints _____ Attorney to transfer such right on the books of CommerceTel Corporation, a Nevada corporation, with full power of substitution of premises.

Dated:

By:_____
Name:
Title:
(signature must conform to name
of holder as specified on the fact of the Warrant)

Address:

Signed in the presence of:

Dated: