axiologix™

Axiologix, Inc.

Supplemental Information

June 18, 2013

ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

Axiologix, Inc. ("AXLX") entered into a definitive Agreement of Merger on June 17, 2013 with a newly incorporated wholly-owned subsidiary, Axiologix Sub, Inc., a Delaware Corporation ("Sub"), and Velocity Networks, Inc., a California corporation (the "Velocity"), and Velocity's primary executive officer, Kurt Wolfgang (the "Merger Agreement"), relating to the acquisition of all of the stock of Velocity by Sub through a merger in exchange for a potential total consideration of $3,500,000 in cash and 550,000 shares of AXLX Series D Convertible Preferred Stock. $2,000,000 in cash and 400,000 shares of AXLX's Series D Convertible Preferred Stock shall be paid on the Closing Date, and a potential additional payment of $1,500,000 in cash and 150,000 shares of Series D Convertible Preferred Stock (the "Merger Stock") may be issued 12 months following the Closing Date if Velocity meets or exceeds the Gross Margin target of $2,800,000 during those 12 months following the Closing Date.

The Series D Convertible Preferred Stock has a $10.00 per share liquidation value, a $0.001 par value, one vote for each preferred share issued, and one share of Series D Convertible Preferred Stock is convertible into Ten Dollars ($10.00) worth of common stock at Market Price. Market Price is defined as the average closing price per share of AXLX's common stock over the five (5) consecutive trading days prior to the date of the Shareholder's notice of its election to convert its Preferred Shares.

The Merger Agreement is subject to certain closing conditions, including, among other things, (i) AXLX closing a third party financing to finance the total Merger Consideration to be paid, (ii) no material adverse changes to the Targets' business, and (iii) the cancellation or assumption of personal guarantees on certain existing Velocity debt (the "Closing"). From the period between completion of the Definitive Agreement and Closing AXLX will provide bridge payments to Velocity in six tranches of $50,000 each, commencing on or before July 8, 2013 and ending eleven weeks thereafter if the Closing has not happened prior to each payment being due. In the event that AXLX fails to pay timely any 2 of the bridge payments, the Merger Agreement shall terminate. If the Closing has not occurred by September 23rd, the Merger Agreement will terminate. If the Merger Agreement terminates, all bridge funds advanced by AXLX to Velocity will be forfeited.

While the Agreements contemplate that closing of the acquisition would take place during the third quarter of 2013, the conditions precedent to Closing are such that there can be no assurance that the acquisition will be completed in that time or at all.

AXLX will incur no placement agent fees or expenses as part of this transaction. The foregoing descriptions of the Merger Agreement and the Merger Stock are qualified in its entirety by reference to the full text of the Agreement of Merger and the Form of Certificate of Designation of Series D Preferred Stock, which are attached hereto as Exhibits, and are incorporated herein by reference.

Velocity was founded in 1998 and is incorporated and has offices located in California. Velocity Networks is a growing managed technology provider of comprehensive technology solutions serving the US market. Its goal is to provide small and medium sized companies with integrated business technology services that will help increase their business productivity and reduce the costs associated with Communications and Information Technology.

In determining the amount of cash and number of our preferred shares to be issued to the shareholders of Velocity in the transaction, AXLX placed primary value on the combined companies' assets, its business plan and the network built and owned by Velocity, and Velocity's existing relationships with customers and partners that it has cultivated over many years. This combination should provide value in the form of the expectation of a profitable ongoing business with meaningful revenues. Additional factors considered in the value determination included that these acquisitions will expand and strengthen AXLX's existing VoIP activities and open up new markets and services for the group.

UNREGISTERED SALES OF EQUITY SECURITIES

In connection with the merger as discussed above, and conditional upon its Closing, AXLX has agreed to issue up to a maximum potential total of 550,000 shares of Series D Convertible Preferred Stock to the Shareholders of Velocity. 400,000 shares of Series D Convertible Preferred Stock are convertible on or after a period of twelve months from the Closing Date into common stock at the Market Price. Market Price is defined as the average closing price per share of

AXLX's common stock over the five (5) consecutive trading days prior to the date of the Shareholder's notice of its election to convert its Preferred Shares.

We believe our offering and sale of the securities in the above transaction is exempt from registration under Section 4(2) of the Securities Act and Regulation D and Regulation S, promulgated thereunder.

AGREEMENT OF MERGER

by and among

AXIOLOGIX, INC.,

AXIOLOGIX SUB INC.,

VELOCITY NETWORKS, INC.,

And

KURT WOLFGANG

Dated: June 17, 2013

AGREEMENT OF MERGER

This Agreement of Merger (this "Agreement"), dated as of June 17, 2013, is by and among AXIOLOGIX, INC., a Nevada corporation ("Parent"), AXIOLOGIX SUB, INC., a Delaware corporation and a wholly-owned subsidiary of Parent ("Sub"), and VELOCITY NETWORKS, INC. a California corporation (the "Company") and KURT WOLFGANG (the "Primary Executive Officer")

RECITALS

WHEREAS, the Company is engaged in the business of Voice over Internet Protocol and Data Services (the "Business"); and

WHEREAS, the Boards of Directors of each of Parent, Sub and the Company determined that it would be advisable and in the respective best interests of each such corporation and its shareholder(s) that: (i) the Company be merged with Sub, with the Company as the surviving entity; and (ii) the shareholders of the Company (the "Shareholders"), who, together own 100% of the issued and outstanding shares of capital stock of the Company (the "Company Shares"), will have the right to receive that certain amount of cash and number of shares of preferred stock of Parent (the "Parent Shares"), on a pro rata basis determined by each Shareholders' percentage ownership of Company Shares, as provided in Article III below; and

WHEREAS, a majority of the outstanding shares of the Company have approved in principle (i) the merger of the Company with Sub, with the Company as the surviving entity; and (ii) the Shareholders who currently own 100% of the issued and outstanding Company Shares will have the right to receive that certain amount of cash and number of Parent Shares, on a pro rata basis determined by percentage of ownership of Company Shares, as provided in Article III below.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 Defined Terms. As used herein, the terms below shall have the following meanings. Any of such terms, unless the context otherwise requires, may be used in the singular or plural, depending upon the reference.

"Affiliate" shall have the meaning set forth in the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"Contract" shall mean any agreement, contract, note, loan, evidence of indebtedness, purchase order, letter of credit, franchise agreement, undertaking, covenant not to compete, employment agreement, license, instrument, obligation or commitment to which the Company is a party or is bound, whether oral or written, but excluding all leases.

"Disclosure Schedule" shall mean a schedule executed and delivered by the Company to Parent and Sub as of the date hereof which sets forth the exceptions to the representations and warranties contained in Articles V and VII hereof and certain other information called for by this Agreement. Unless otherwise specified, each reference in this Agreement to any numbered schedule is a reference to that numbered schedule which is included in the Disclosure Schedule.

"Closing Date" shall mean the date and time of receipt of the Certificates of Merger for filing with the Secretary of State of the State of Delaware and the Secretary of State of the State of California, unless a delayed Closing Date is specified therein.

"Financial Statements" shall mean the balance sheets dated December 31, 2012 and March 31, 2013 and the related statements of income and cash flows of the Company for the fiscal year ended December 31, 2012 and the three months ended March 31, 2013. The definition of Financial Statements shall also include an updated balance sheet, income statement and cash flow of the Company as of the Closing Date.

"Market Price" shall mean the average closing price per share of Parent's common stock over the five (5) consecutive trading days prior to the date of the Shareholder's notice of its election to convert its Preferred Shares.

"Material Adverse Effect" or "Material Adverse Change" shall mean any adverse effect or change in the condition (financial or other), business, results of operations, assets, liabilities or operations of the Company or Parent, as applicable, taken as a whole, or on the ability of the Company or Parent, as applicable, to consummate the transactions contemplated hereby, or any event or condition which would, with the passage of time, constitute a "Material Adverse Effect" or "Material Adverse Change."

"Parent MFN Rates" shall mean rates at least as favorable as rates charged by Parent at such time to any third party for substantially similar services.

"Permits" shall mean all licenses, permits, franchises, approvals, authorizations, consents or orders of, or filings with, any governmental authority, whether foreign, federal, state or local, or any other person, necessary or desirable for the past, present or anticipated conduct of, or relating to, the operation of the Business.

ARTICLE II

THE MERGER: SPECIAL MEETING

2.1 The Merger. Upon the terms and subject to the conditions hereof and in accordance with the Delaware General Corporation Law (the "DGCL") and the California General Corporation Law (the "CGCL"), the Company shall be merged with Sub (the "Merger") at the Closing Date. Following the Merger, the separate existence of the Sub shall cease, and the Company shall continue as the surviving corporation (the "Surviving Corporation").

2.2 Shareholder Meeting and Closing Date.

(a) The Company and its Board of Directors shall take all action necessary in accordance with applicable law and the Company's Certificate of Incorporation and bylaws to duly call and hold, as soon as reasonably practicable after the date hereof, a meeting of the Shareholders (the "Special Meeting") for the purpose of considering and voting upon the approval and adoption of (a) this Agreement, (b) the Merger and (c) any other action or transaction by the Company contemplated by this Agreement that requires approval of the Shareholders under the Company's Certificate of Incorporation, the Company's bylaws or the CGCL (the "Merger Proposals"). The only matters the Company shall propose to be acted on by the Shareholders at the Special Meeting shall be the Merger Proposals. The Company's Board of Directors will recommend that the Shareholders vote in favor of approval of the Merger Proposals and the Company shall use its commercially reasonable efforts to secure the votes of the Shareholders required by the CGCL, the Company's bylaws and the Company's Certificate of Incorporation to effect the Merger.

(b) The Parent shall cooperate in Company's preparation of an Information Statement/Prospectus (the "Information Statement") to be sent to the holders of the Company's Shares for the purpose of soliciting the approval of the Merger Proposals by such holders at the Special Meeting. The Information Statement shall constitute a solicitation statement for the offer and issuance of the Parent Shares to be received by the holders of the Company Shares pursuant to the Merger. Parent agrees to provide promptly such information concerning its business and financial statements and affairs as, in the reasonable judgment of Parent or its counsel, may be required or appropriate for inclusion in the solicitation statement or in any amendments or supplements thereto. The Company shall promptly advise Parent, and Parent shall promptly advise the Company, in writing if at any time prior to the Closing Date either of them shall obtain knowledge of any facts that might make it necessary or appropriate to amend or supplement the Information Statement in order to make the statements contained or incorporated by reference therein not misleading or to comply with applicable law.

(c) As soon as practicable after the approval by the Shareholders of the Merger Proposals, the parties hereto shall cause the Merger to be consummated by filing certificates of merger with respect thereto with each of the Secretary of State of the State of Delaware and with the Secretary of State of the State of California (the "Certificates of Merger") in the forms attached hereto as Exhibit 2.2.

2.3 Effects of the Merger. The Merger shall have the effects set forth in Section 259 of the DGCL and Section 1107 of the CGCL. Without limiting the generality of the foregoing, and subject thereto, at the Closing Date, except as otherwise provided herein, all of the property, rights, privileges, powers and franchises of the Company and Sub shall rest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Sub shall become the debts, liabilities and duties of the Surviving Corporation.

2.4 Certificate of Incorporation and By-laws of the Surviving Corporation; Directors.

(a) At the Closing Date, Article IV of the Articles of Incorporation of the Company shall be amended to read in its entirety as follows: "The total authorized capital stock of the corporation shall be 1,000 shares of Common Stock." Otherwise, the Articles of Incorporation of the Company shall be the Articles of Incorporation for the Surviving Corporation until thereafter changed or amended.

(b) The By-laws of the Company shall be the By-laws of the Surviving Corporation until thereafter changed or amended.

(c) Concurrent with the Closing, all directors of the Company shall resign, and the Shareholder(s) shall take all necessary action to reduce the total number of authorized board seats to three (3) and fill the resulting vacancies on the Board of Directors of the Company by electing two (2) nominees nominated by the Parent to the Board of Directors, and by electing one (1) nominee, who shall be Kurt Wolfgang, nominated by the Company to the Board of Directors. Such directors shall be the directors of the Surviving Corporation at the Closing Date and shall not be removed from the Board for the 12-month period after the Closing Date. For the 12-month period after the Closing Date, the number of directors on the Board of Directors of the Surviving Corporation shall be three (3). Thereafter, the directors will hold office until their respective successors are duly elected or appointed and qualify in the manner provided in the Certificate of Incorporation and bylaws of the Surviving Corporation, or as otherwise provided by applicable law.

2.5 Effect of the Merger on Company Shares. At the Closing Date, by virtue of the Merger and without any action on the part of the Shareholders, or the Board of Directors of the Parent, Sub or the Company, all of the Company Shares held by the Shareholders (other than Dissenting Shares) shall be converted into the right to receive, on a pro rata basis, the Merger Consideration.

2.6 Capital Stock of Sub. At the Effective Time, each share of common stock of Sub issued and outstanding immediately prior to the Closing Date shall be converted into and exchanged for one validly issued, fully paid and non-assessable share of common stock of the Surviving Corporation. Each stock certificate of Sub evidencing ownership of any such shares shall continue to evidence ownership of shares of capital stock of the Surviving Corporation.

2.7 Cancellation of Company Shares; Delivery of Merger Consideration. On the Closing Date, the Shareholders shall deliver to Sub the Company's stock certificates and/or affidavits of lost stock certificates in form and substance reasonably acceptable to Parent and Sub (each an "Affidavit of Lost Certificate") representing 100% of the issued and outstanding Company Shares, less any Dissenting Shares, and such certificates shall thereafter be cancelled and will cease to represent any interest in the Company. On the Closing Date, Parent shall deliver (or cause its transfer agent to deliver) to the Shareholders, on a pro rata basis, the Merger Consideration in exchange for the certificates representing the Company Shares. Notwithstanding anything in this Agreement to the contrary, to the extent that any Shareholder's pro rata interest in any Parent Shares deliverable pursuant to this Agreement results in a fractional Parent Share of .5 or greater, the Parent Shares deliverable to such Shareholder shall be rounded up to the nearest whole Parent Share, and to the extent that any Shareholder's pro rata interest in any Parent Shares deliverable pursuant to this Agreement results in a fractional Parent Share of .4 or less, the Parent Shares deliverable to such Shareholder shall be rounded down to the nearest whole Parent Share.

2.8 Company Convertible Securities. Except as disclosed on Exhibit 2.8, the Company does not have any issued or outstanding convertible loans, preferred stock, options and/or warrants to purchase Company common shares (the "Company Convertible Securities"). Prior to the Closing Date, all Company Convertible Securities shall have been exercised or converted. All Company Convertible Securities that are not exercised or converted shall automatically terminate and immediately expire on the Closing Date. At the Closing Date, any Company stock and/or stock option plan shall terminate and each outstanding Company stock option shall be cancelled. All holders of Company Convertible Securities who convert or exercise Company Convertible Securities before the Closing Date will become Shareholders, and as such, shall be entitled to receive the Merger Consideration on a pro rata basis, as set forth in Article III.

2.9 Dissenters' Rights. In the event the Merger becomes effective without the approval of the holders of 100% of the outstanding shares of the Company Shares, any Company Shares held by shareholders who properly exercise and perfect the dissenters' rights set forth in Chapter 13 of the CGCL ("Dissenting Shares") shall not be converted pursuant to Section 2.5, but shall instead be converted into the right to receive the fair value of the shares as may be determined to be due with respect to such Dissenting Shares pursuant to the provisions of the CGCL. Parent shall have the right to control all negotiations and proceedings with respect to the determination of the fair value of the Company Shares. The Company agrees that, without the prior written consent of Parent or as required under the CGCL, it will not voluntarily make any payment with respect to, or determine or offer to determine, the fair value of the Company's

Common Stock. Each holder of Dissenting Shares (a "Dissenting Shareholder") who, pursuant to the provisions of the CGCL, becomes entitled to payment of the fair value of the Company Shares shall receive payment therefor (but only after the fair value therefor shall have been agreed upon or finally determined pursuant to the provisions of the CGCL). In the event that any holder of the Company Shares fails to make an effective demand for payment or otherwise loses his, her or its status as a Dissenting Shareholder, Parent shall, as of the later of the Closing Date or the occurrence of such event, whichever is later, issue and deliver, upon surrender by such Dissenting Shareholder of his, her or its Certificate(s), the Merger Consideration without interest thereon to which such Dissenting Shareholder would have otherwise been entitled under this Agreement, if any.

(a) Dissenter's Rights Value. The parties understand and agree that if the fair value of the Dissenting Shares (as determined in accordance with the CGCL) exceeds the value attributed to the Company Shares in this Agreement, then the cash portion of the Merger Consideration shall be deducted accordingly.

2.10 Certain Tax Positions. The parties intend the Merger to qualify as a reorganization under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the "Code"). Each party represents and warrants to the other that it (i) has had an opportunity to consult with its own tax advisor concerning the execution of this Agreement (and the transactions contemplated hereby) and (ii) has not relied on the advice or opinion (either written or oral) of the tax advisor for the other party. Each party agrees that it shall not take any action (unless consistent with the terms and conditions of this Agreement) that would cause the Merger to fail to qualify as a reorganization under Section 368(a)(1)(A) of the Code.

2.11 Escrow. As soon as practicable after the signing of this Agreement, and subject to and in accordance with the provisions of Section 11 hereof, Parent shall cause to be delivered to the person or institution selected by Company's counsel as escrow agent (the "Escrow Agent"), certificates representing the aggregate number of Parent Shares to be issued at the Closing (the "Escrow Shares") (which shall be registered in the names of the respective Shareholders otherwise entitled to such shares) and the cash that is to be paid at the Closing Date. Such cash and shares shall be beneficially owned by such Shareholders at the Closing Date.

ARTICLE III

MERGER CONSIDERATION

3.1 Merger Consideration. The Shareholders shall transfer to Sub all of the Company Shares owned by the Shareholders (which shall equal 100% of the issued and outstanding common stock of the Company), less any Dissenting Shares, in exchange for the right to receive the Merger Consideration, payable to the Shareholders on a pro rata basis determined by the percentage of ownership of the Company at the Closing and as set forth in Schedule 1.6(b)(i), and to be paid as follows:

(a) Two Million Dollars ($2,000,000), to be paid in cash immediately upon the Closing Date and delivered to the Shareholders on a pro rata basis; However and notwithstanding the above, $500,000 shall be held back to pay obligations of the Company as disclosed in a Confidential Exhibit to be provided prior to close, and then distributed to the Shareholders six months from Closing;

(b) Four Hundred Thousand (400,000) shares of Series D Convertible Preferred Stock of Parent, convertible at the Shareholders' option on or after twelve months from the Closing Date into shares of Parent's common stock, with one share of Series D Convertible Preferred Stock being convertible to Ten Dollars ($10.00) of common stock at Market Price, commencing twelve months after the Closing Date, and subject to the additional conversion and selling restrictions set forth below, and with other terms and conditions which are set forth in more detail in the Certificate of Designation of Series D Convertible Preferred, attached hereto and incorporated herein as <u>Schedule 3.1(b)</u> (the "Merger Stock") issued to the Shareholders on a pro rata basis; and

(c) If the Surviving Corporation generates Gross Margins of Two Million Eight Hundred Thousand Dollars ($2,800,000)) (the "First Year Base") in the first twelve months following the Closing Date (the "First Year Period"), then the Shareholders shall receive, on a pro rata basis: (i) additional cash in the amount of One Million Five Hundred Thousand Dollars ($1,500,000) ("Earn Out Cash"); and (ii) one hundred fifty thousand (150,000) additional shares of Series D Convertible Preferred Stock of Parent convertible at the Shareholders' option into shares of Parent's common stock, with one share of Series D Convertible Preferred Stock being convertible to Ten Dollars ($10.00) of common stock at Market Price, and subject to the additional conversion and selling restrictions set forth below, and with other terms and conditions which are set forth in more detail in the Certificate of Designation of Series D Convertible Preferred, attached hereto and incorporated herein (the "Earn Out Shares") (together, the "Earn Out Consideration").

(d) If the Earn Out Consideration is earned pursuant to section 3.1(c), Parent shall authorize the issuance of any Earn Out Shares due to the Shareholders in accordance with clause (c) of this Section 3.1 and shall deliver to Shareholders the certificates representing such Parent Shares, along with the Earn Out Cash, not later than twenty five (25) business days after the Shareholders' receipt of the Year End Statement, as defined in Section 3.3; provided, however, that if Parent fails to deliver the Shareholders the Year End Statement within sixty 60business days of the First Year Period, the Earn Out Consideration shall be deemed earned and immediately payable.

3.2 <u>Restricted Stock</u>. The shares of Merger Stock and Earn Out Shares, if any, to be issued in connection with this Agreement will be issued in a transaction exempt from registration under the Securities Act by reason of Section 4(2) thereof, and Parent is relying on the representations of the Company and the Shareholders with respect to such exemption. There will be placed on the certificates for such shares, or shares issued in substitution or conversion thereof, two legends stating in substance:

"The securities represented hereby have not been registered under the Securities Act of 1933, as amended, and may not be offered, sold, transferred or otherwise disposed of unless registered with the Securities and Exchange Commission of the United States and the securities regulatory authorities of applicable states or unless an exemption from such registration is available."

Shareholders agree that no securities of Parent shall be sold in the public market for twelve months after the Closing Date. There will be placed on the certificates for such shares, or shares issued in substitution or conversion thereof, a legend stating in substance:

“The securities represented by this certificate are subject to restrictions on transfer set forth in the Agreement and Plan of Merger and Certificate of Designation of the Series D Convertible Preferred Stock dated —----, a copy of which may be obtained from the Secretary of the Company. The securities may not be sold or otherwise disposed of prior to —-------------. This restriction is independent of and in addition to the other restrictions on transfer noted hereon.”

The foregoing legends will also be placed on any certificate representing securities issued subsequent to the original issuance of the Merger Stock as a result of any subsequent merger or transfer of such shares or any stock dividend, stock split, or other recapitalization or reorganization of Parent.

3.3 Additional Restrictions. Notwithstanding anything to the contrary contained herein and unless otherwise agreed to by the Parent, the number of shares of Parent common stock that may be acquired and/or sold by the Shareholders, as a group, through conversion of the Preferred Stock or otherwise shall be limited to the extent necessary to ensure that,

The Preferred Shares shall be convertible into common stock commencing twelve (12) months after issuance. No more than $150,000 worth of Convertible Preferred Shares shall be converted in total by the Shareholders as a group during any one calendar month;

The Shareholders as a group may sell a maximum amount of shares per week not to exceed the daily VWAP of Parent’s common stock in the prior week; and

Following such conversion (or other issuance), the total number of shares of common stock then beneficially owned by the Shareholders as a group and its affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the Shareholder’s for purposes of Section 13(d) of the 1934 Act, does not exceed 4.999% of the total number of issued and outstanding shares of Common Stock (including for such purpose the shares of Common Stock issuable upon such conversion). For such purposes, beneficial ownership shall be determined in accordance with Section 13(d) of the 1934 Act and the rules and regulations promulgated thereunder. On the Closing Date each Shareholder to receive Preferred Stock shall be assigned a maximum percentage ownership allowance, based on the Shareholder's proportionate ownership interest in the Company at the Closing Date, the total aggregate percentage of which for the Shareholders as a group at any given time shall not exceed 4.999% as described above.

All of the Parent share issuances and restrictions set forth above shall be calculated for each individual Shareholder on a pro rata basis, based on each Shareholder's percentage ownership of the Company as of the Closing Date.

The foregoing provision will also apply to any securities issued subsequent to the original issuance of the Merger Stock or Earn -Out Shares, if any, as a result of any subsequent merger or transfer of such shares or any stock dividend, stock split, or other recapitalization or reorganization of Parent.

3.4 Determination of Gross Revenue and Gross Business Expenses. The Shareholders acknowledge and agree that the Chief Financial Officer of Parent (the "Parent CFO") shall determine the Gross Revenue and the Gross Margins of the Surviving Corporation for the First Year Period (as determined in accordance with generally accepted accounting principles ("US GAAP")). Promptly, but in no event later than sixty (60) business days after the First Year Period the Parent CFO shall provide to the Shareholder Representative a statement which shall disclose the Gross Revenues and the Gross Margins for the preceding Year Period (a "Year End Statement"). The Surviving Corporation agrees to provide any and all information, as reasonably requested by the Parent CFO that is necessary to calculate the Gross Revenues and Gross Margins for any given Year Period to Parent and the Shareholder Representative.

(a) Disputed Gross Revenue Amount. If greater than twenty percent (20%) of the Shareholders disagree with the Year End Statement, the Shareholder Representative must notify Parent of such disagreement in writing (the "Dispute Notice"), specifying the particulars of such disagreement, within twenty (20) business days after the Shareholder Representative's receipt of the Year End Statement. To the extent that any portion of the Year End Statement is not in dispute, within ten (10) business days after the Shareholder Representative's receipt of the Year End Statement, Parent shall pay the portion of the Earn Out Cash and issue (or cause its transfer agent to) to the Shareholders the portion of the Earn Out Shares issuable with respect to that portion of the Year End Statement that is not in dispute.

(b) Resolution of Disputed Gross Revenue and Gross Margins Amounts. Parent and the Shareholder Representative will use their best efforts for a period of thirty (30) calendar days after the Shareholder Representative's delivery of such notice to resolve any disagreements with respect to the Year End Statement. If, at the end of such period, Parent and the Shareholder Representative are unable to resolve such disagreements, a mutually agreed upon third party CPA firm (the "Independent Auditor") shall resolve any remaining disagreements. , within ten (10) business days after the date of determination of the Independent

Auditor, Parent shall pay the Shareholders the Earn-Out Cash and shall (or cause its transfer agent to) issue and deliver the number of Earn Out Shares due as determined by the Independent Auditor. The Shareholders shall pay the fees and expenses of the Independent Auditor retained to settle Year End Statement disputes.

3.5 Budget.

(a) As of the Closing Date and at each six-month period as of and subsequent to the Closing Date, Parent and the Company (the Surviving Company post-Closing Date) shall mutually approve the Company's operating and capital expenditure budget with respect to the Company's projected expenditures for the following six month period (the "Budget"). The Budget shall include the mutually agreed upon new projects (the "New Projects") and each New Project's associated maximum expenditure amount required. The Parent shall provide the funds (the "New Project Funds") and/or services necessary to complete the New Projects and cover any operating deficits as per the budget. The Budget for the first six month period will be attached hereto prior to closing and incorporated herein as a confidential Schedule 3.5.

(b) The Surviving Corporation (including its officers, directors or agents) shall not without the prior written approval of Parent, make or approve an expenditure that would change, alter or modify the Budget or make or approve an expenditure that would result in: (i) an increase of greater than 5% of the total amount of the Budget; or (ii) an increase of greater than 5% of the amount of a respective line item described in the Budget. The Surviving Corporation shall provide Parent with a proposed operating and capital expenditure budget no later than thirty (30) days prior to the first day of the 6-month period related thereto. The Surviving Corporation and the Parent shall review the Budget on a quarterly basis thereafter.

(c) Parent will use commercially reasonable efforts to extend to the Surviving Corporation, for the benefit of the Surviving Corporation, non-monetary contributions in the form of sales, marketing, engineering and technical support services (including personnel) to assist the Surviving Corporation during any Year Period (the "Parent Services"). Each request for Parent Services must be included in the Budget for the respective Year Period. All Parent Services rendered in accordance with this Section shall be provided at Parent MFN Rates.

ARTICLE IV.

CONDUCT OF BUSINESS PENDING CLOSING AND OTHER COVENANTS.

4.1 Bridge Financing.

(a) In consideration for granting Parent an extension of time to close the transaction, Parent shall deliver to the Company, on the dates specified below, the following non-refundable sums (the "Bridge Financing Payments"):

(i) On or before three (3-) weeks after this Agreement is executed, Fifty Thousand dollars ($50,000.00), if the Closing has not occurred before that date;

(ii) On or before six (6) weeks after this Agreement is executed, Fifty Thousand dollars ($50,000.00), if the Closing has not occurred before that date;

(iii) On or before eight (8) weeks after this Agreement is executed, Fifty Thousand dollars ($50,000.00), if the Closing has not occurred before that date;

(iv) On or before ten (10) weeks after this Agreement is executed, Fifty Thousand dollars ($50,000.00), if the Closing has not occurred prior to that date;

(v) On or before twelve (12) weeks after this Agreement is executed, Fifty Thousand dollars ($50,000.00), if the Closing has not occurred prior to that date; and

(vi) On or before fourteen (14) weeks after this Agreement is executed, Fifty Thousand dollars ($50,000.00), if the Closing has not occurred prior to that date.

(b) The failure of Parent to pay the Bridge Financing Payments set forth in paragraphs (i) through (vi) above, within five business days when due, whether by declaration, acceleration, demand or otherwise, will terminate the Company's obligations under section 4.9 below. If Parent fails to pay timely any two (2) of the Bridge Financing Payments set forth in paragraphs (i) through (vi) above, this Agreement shall terminate pursuant to section 12.3 below and the Company shall have no right to any unpaid Bridge Financing Payments; such payments shall be cancelled and null and void.

(c) If Parent fails to close the transaction by the fourteenth week after execution of this Agreement, this Agreement will terminate and all funds advanced hereunder will be forfeited. Additionally, the Company will have no right to any unpaid Bridge Payments; such payments will be cancelled and null and void.

(d) At Closing the Bridge Financing Payments will be deemed an inter-company transaction and are not a part of the Merger Consideration.

(e) Prior to the Closing Date, the Company:

(i) shall not make, without the prior written consent of Parent, any distributions or payments other than as set forth in the budget set forth on Exhibit A attached hereto (the "Interim Budget");

(ii) shall, upon reasonable notice from Parent, deliver to Parent regular reports and budgets; and

(iii) shall not make any material changes in management personnel without the prior written consent of Parent.

Parent will not have the authority to make changes to the Company's operations or otherwise act on behalf of, or obligate, the Company in any way until the Closing.

4.2 Affirmative Covenants of Company. From the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement, unless the prior written consent of Parent shall have been obtained, and except as otherwise expressly contemplated herein, the Company shall (a) operate its business only in the usual, regular, and ordinary course, (b) use its commercially reasonable efforts to preserve intact the goodwill and business organization of the Company, keep its officers and employees available to the Company and preserve the relationships and goodwill of the Company with its customers, distributors, suppliers, employees and other Persons having business relations with the Company, and (c) take no action which would (i) materially adversely affect the ability of any Party to obtain any consents required for the transactions contemplated hereby, or (ii) materially adversely affect the ability of any Party to perform its covenants and agreements under this Agreement.

4.3 Negative Covenants of Company. From the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement, unless the prior written consent of Parent shall have been obtained, and except as otherwise expressly contemplated herein, the Company covenants and agrees that it will not do or agree or commit to do any of the following:

(a) amend the Articles of Incorporation, Bylaws or other governing instruments of Targets, or

(b) except as may be incurred in the ordinary course of business or to fund operations, incur any indebtedness for borrowed money, assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other Person, or impose, or suffer the imposition, on any Asset of Company of any Lien or permit any such Lien to exist without prior written consent of the Parent; or

(c) except for this Agreement, issue, sell, pledge, encumber, authorize the issuance of, enter into any Contract to issue, sell, pledge, encumber, or authorize the issuance of, or otherwise permit to become outstanding, any additional shares of Company's Capital Stock or any other equity right; or

(d) adjust, split, combine or reclassify any capital stock of Company or issue or authorize the issuance of any other securities in respect of or in substitution for shares of Company's Capital Stock, or sell, lease, mortgage or otherwise dispose of or otherwise encumber any Asset having a book value in excess of $5,000 other than in the ordinary course of business for reasonable and adequate consideration, or transfer or license to any Person other than Company or otherwise extend, amend or modify in any material respect any rights to material

Intellectual Property other than in the ordinary course of business (including changing any domain names or failing to renew existing domain name registrations on a timely basis), or enter into grants to future Intellectual Property rights, other than as may be required by applicable Law; or

(e) purchase any securities or make any material investment, either by purchase of stock or securities, contributions to capital, Asset transfers, or purchase of any Assets, in any Person or otherwise acquire direct or indirect control over any Person; or

(f) enter into or amend any employment contract between Company and any Person (except for any such amendment as is required by law) that Company does not have the unconditional right to terminate without liability (other than liability for services already rendered), at any time on or after the Closing Date; or (i) increase in any manner the compensation of, or enter into any new bonus or incentive agreement or arrangement with, any of its employees, officers, directors or consultants, or (ii) pay or agree to pay any additional pension, retirement allowance or other employee benefit under any Company Benefit Plan to any of its employees or consultants, whether past or present, except, in each case, in the ordinary course of business to the extent consistent with past practice; or

(g) adopt any new employee benefit plan or terminate or withdraw from, or make any material change in or to, any existing employee benefit plans of Company other than any such change that is required by law or that, in the opinion of counsel, is necessary or advisable to maintain the tax qualified status of any such plan, or make any distributions from such employee benefit plans, except as required by law, the terms of such plans or consistent with past practice; or

(h) make any significant change in any tax or accounting methods or systems of internal accounting controls, except as may be appropriate to conform to changes in Tax Laws or GAAP as concurred to by Parent's independent auditors; or

(i) commence any litigation other than in accordance with past practice, or settle any litigation involving any Liability of Company for money damages or restrictions upon the operations of the Company without prior written approval of Parent; provided, however, the Company may commence an action against Greg Nielsen and IP Telesis, Inc.; or

except in the ordinary course of business, enter into, modify, amend or terminate any material contract or waive, release, compromise or assign any material rights or claims.

4.4 Adverse Changes in Condition. Each Party agrees to give written notice promptly to the other Party upon becoming aware of the occurrence or impending occurrence of any event or circumstance relating to it or any of its Subsidiaries which (i) is reasonably likely to have, individually or in the aggregate, a material adverse effect or a Parent material adverse effect, as applicable, or (ii) would cause or constitute a material breach of any of its representations, warranties, or covenants contained herein, and to use its reasonable efforts to prevent or promptly to remedy the same.

4.5 Regulatory Filings; Required Consents. The Parties hereto shall cooperate with each other and use their reasonable efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, and to obtain as promptly as practicable all consents of all regulatory authorities and other Persons which are necessary or advisable to consummate the transactions contemplated by this Agreement (including the Merger). Each Party shall have the right to review in advance, and to the extent practicable each will consult the other on, in each case subject to applicable Laws relating to the exchange of information, all the information relating to the other Party which appears in any filing made with, or written materials submitted to, any regulatory authority or other Person in connection with the transactions contemplated by this Agreement and will promptly notify each other of any communication with any regulatory authority or other Person and provide the other Party with an opportunity to participate in any meetings with a regulatory authority or other Person relating thereto; provided, that nothing contained herein shall be deemed to provide either Party with a right to review any information provided to any regulatory authority on a confidential basis in connection with the transactions contemplated hereby. In exercising the foregoing right, each of the Parties hereto shall act reasonably and as promptly as practicable. The Parties agree that they will consult with each other with respect to the obtaining of all Consents of all regulatory authorities and other Persons necessary or advisable to consummate the transactions contemplated by this Agreement and each Party will keep the other apprised of the status of matters relating to contemplation of the transactions contemplated herein. To the extent permitted by Law, the Parties shall deliver to each other copies of all filings, correspondence and orders to and from all regulatory authorities in connection with the transactions contemplated hereby. Each Party also shall promptly advise the other upon receiving any communication from any regulatory authority whose Consent is required for consummation of the transactions contemplated by this Agreement which causes such Party to believe that there is a reasonable likelihood that any requisite Consent will not be obtained or that the receipt of any such Consent will be materially delayed.

4.6 Agreement As To Efforts To Consummate. Subject to the terms and conditions of this Agreement, each Party agrees to use, and to cause its Subsidiaries to use, its reasonable 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 to consummate and make effective, as soon as reasonably practicable after the date of this Agreement, the transactions contemplated by this Agreement, including using its reasonable efforts to lift or rescind any Order adversely affecting its ability to consummate the transactions contemplated herein; provided, that nothing herein shall preclude either Party from exercising its rights under this Agreement. Each Party shall use its reasonable efforts to obtain all Consents necessary or desirable for the consummation of the transactions contemplated by this Agreement.

4.7 Investigation and Confidentiality.

(a) Prior to the Closing Date and subject to applicable Laws relating to the exchange of information, each Party shall keep the other Party advised of all material developments relevant to its business and to consummation of the Merger and shall permit the other Party to make or cause to be made such investigation of its business and properties and of its financial and legal conditions as the other Party reasonably requests, provided that such investigation shall be reasonably related to the transactions contemplated hereby and shall not interfere unnecessarily with normal operations. No investigation by a Party shall affect the representations and warranties of the other Party.

(b) Each Party shall, and shall cause its advisers and agents to, maintain the confidentiality of all confidential information furnished to it by the other Party concerning its and its Subsidiaries' businesses, operations, and financial positions and shall not use such information for any purpose except in furtherance of the transactions contemplated by this Agreement. If this Agreement is terminated prior to the Closing Date, each Party shall promptly return or certify the destruction of all documents and copies thereof, and all work papers containing confidential information received from the other Party.

(c) Company shall use its reasonable efforts to exercise its rights, and shall not waive any rights, under confidentiality agreements entered into with Persons who were considering an acquisition proposal with respect to Company to preserve the confidentiality of the information relating to Company provided to such Persons and their Affiliates and Representatives.

(d) Each Party agrees to give the other Party notice as soon as practicable after any determination by it of any fact or occurrence relating to the other Party which it has discovered through the course of its investigation and which represents, or is reasonably likely to represent, either a material breach of any representation, warranty, covenant or agreement of the other Party or which has had or is reasonably likely to have a Company material adverse effect or a Parent material adverse effect, as applicable.

4.8 Press Releases. Prior to the Closing Date, Company and Parent shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby; provided, that nothing in this Section 4.8 shall be deemed to prohibit any Party from making any disclosure which its counsel deems necessary or advisable in order to satisfy such Party's disclosure obligations imposed by Law.

4.9 Certain Actions. Except with respect to this Agreement and the transactions contemplated hereby, neither Company nor any Affiliate thereof nor any Representatives thereof shall directly or indirectly solicit any acquisition proposal by any Person. Neither Company nor any Affiliate or Representative thereof shall furnish any non-public information that it is not legally obligated to furnish, negotiate with respect to, or enter into any Contract with respect to, any acquisition proposal, but Company may communicate information about such an acquisition proposal to its Shareholders if and to the extent that it is required to do so in order to comply with its legal obligations as advised by outside counsel. Company shall promptly advise Parent following the receipt of any acquisition proposal and the details thereof, and advise Parent of any developments with respect to such acquisition proposal promptly upon the occurrence thereof. Company shall (i) immediately cease and cause to be terminated any existing activities, discussions or negotiations with any Persons conducted heretofore with respect to any of the foregoing, and (ii) direct and use its reasonable efforts to cause all of its Affiliates and Representatives not to engage in any of the foregoing.

4.10 Tax Treatment. Each of the Parties undertakes and agrees to use its reasonable efforts to cause the Merger, and to take no action which would cause the Merger not, to qualify for treatment as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code for federal income tax purposes.

4.11 Charter Provisions. Company shall take all necessary action to ensure that the entering into of this Agreement and the consummation of the Merger and the other transactions contemplated hereby do not and will not result in the grant of any rights to any Person under the Articles of Incorporation, Bylaws or other governing instruments of Company or restrict or impair the ability of Parent or any of its Subsidiaries to vote, or otherwise to exercise the rights of a Shareholder with respect to, shares of Company that may be directly or indirectly acquired or controlled by them.

4.12 Employee Benefits and Contracts. On the Closing Date, the Surviving Corporation will enter into employment agreement(s) with certain key employees of Company mutually agreed upon by the Parties and listed on Schedule 4.12, attached hereto and incorporated herein, on such terms and conditions to be mutually agreed prior to the Closing Date. The Company's Benefits and Insurance Plans shall be *continued* effective as of the Closing Date.

4.13 Interim Financials. On the date this Agreement is signed, and as promptly as practicable following each calendar month prior to and on the Closing Date, the Company shall deliver to the Parent periodic financial reports and, if available, unaudited statements of its financial position as of the last day of such calendar month and statements of income and changes in financial position of such entities for the calendar month then ended. Each Party covenants to the other Parties that such interim statements (i) shall present fairly its financial condition as of their respective dates and the related results of its respective operations for the respective calendar month then ended, and (ii) shall be prepared on a basis consistent with prior interim periods.

4.14 Employment Agreements. Prior to Close, Company shall enter into employment contracts with certain Key Employees as agreed to by Parent in the form attached hereto as Exhibit 4.14.

4.15 Due Diligence Investigation. Between the date of this Agreement and the Closing Date (a) each Party and its representatives shall have an opportunity to continue to conduct and update its due diligence investigation, and (b) nothing shall come to the attention of either Party or its representatives that would reasonably lead such persons to conclude that there has occurred any Material Adverse Effect.

4.16 Ensure Conditions Met. Subject to the terms and conditions of this Agreement, each of the Parties hereto shall use all reasonable commercial efforts to take or cause to be taken all actions and do or cause to be done all things required under applicable legal requirements in order to consummate the transactions contemplated hereby, including, without limitation, (i) obtaining all permits, authorizations, consents and approvals of any governmental authority or other person which are required for or in connection with the consummation of the transactions contemplated hereby and by the Exhibits, (ii) taking any and all reasonable actions necessary to satisfy all of the conditions to each Party's obligations under this Agreement, and (iii) executing and delivering all agreements and documents required by the terms hereof to be executed and delivered by such Party on or prior to the Closing.

4.17 Non-Circumvention.

(a) The Company and Prime Executive Officer each agree that the Parent may provide to the Company information about, or access to, certain key third parties, such as other potential acquisition targets or strategic partners. Those relationships are a competitive advantage to Parent, and the Company and Prime Executive Officer each agree not to work with such third parties independently from the Parent prior to the Closing and for a period of one year after full execution of this Agreement, unless such relationships are used in conjunction with the Parent. In the event that the Company circumvents the Parent to enter into a merger, acquisition or other business relationship with that third party, then the Parent's remedies include, but are not limited to, requiring the Company and

Prime Executive Officer to immediately cease and desist engaging in business with such company. In addition, in the event of a breach of this Section 4.17, the Shareholders shall pay liquidated damages to the Parent in an amount equal to one million dollars ($1,000,000) for each violation; such amount may be paid in cash or through the return of that number of Series D Preferred Shares with a value equal to the total liquidated damages amount.

(b) Parent and Sub each agree that the Company has provided to the Parent or Sub information about, or access to, certain key third parties, namely the Company's top five customers. Those relationships are a competitive advantage to the Company, and the Parent and Sub each agree not to work with such third parties independently from the Company prior to the Closing and for a period of one year after full execution of this Agreement, unless such relationships are used in conjunction with the Company. In the event that the Parent or the Sub circumvents the Company to enter into a merger, acquisition or other business relationship with that third party, then the Company's remedies include, but are not limited to, requiring the Parent and Sub to immediately cease and desist engaging in business with such company. In addition, in the event of a breach of this Section 4.17, the Parent shall pay liquidated damages to the Company in an amount equal to one million dollars ($1,000,000) for each violation.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE PRIME EXECUTIVE OFFICER

The Company and the Prime Executive Officer, jointly and severally, hereby represent and warrant to Parent and Sub as follows, except as otherwise set forth on the applicable Schedule, which representations and warranties are, as of the date hereof, and will be, as of the Closing Date, true and correct:

5.1 Organization and Good Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California. The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. Copies of the Certificate of Incorporation and Bylaws of the Company, and all amendments thereto, heretofore delivered to Parent and Sub are accurate and complete as of the date hereof. Schedule 5.1 contains a true, correct and complete list of all jurisdictions in which the Company is qualified to do business as a foreign corporation.

5.2 Capitalization. The authorized capital stock of the Company consists of 49,000,000 shares, of which 49,000,000 shares are common stock, of which 24,814,104 shares are outstanding, and 0 shares are preferred stock of which no shares are outstanding, to be further adjusted for any conversion of Company Convertible Securities. All of the Company Shares have been validly issued and are fully paid and non-assessable. No shares of common stock are held by the Company as treasury stock. Except as set forth on Schedule 5.2, there is no existing option, warrant, call, commitment or other security or agreement of any kind to which the Company is a party requiring, and there are no convertible securities of the Company outstanding which upon conversion would require, the issuance of any additional shares of capital stock of the Company or other securities convertible into shares of capital stock or any debt or equity security of the Company of any kind.

5.3 Subsidiaries. The Company does not have any subsidiaries or any equity interest in another entity.

5.4 Authorization. The Company has all requisite corporate power and authority, and has taken all corporate action necessary, to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform its obligations hereunder. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly approved by the board of directors of the Company. No other corporate proceedings on the part of the Company are necessary to authorize this Agreement and the transactions contemplated hereby, other than Shareholder approval of this Agreement. This Agreement has been duly executed and delivered by the Company and is a legal, valid and binding obligation, enforceable against it in accordance with its terms, except as limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to creditor's rights generally, or (ii) general principles of equity.

5.5 Employee Benefit Plans. Except as set forth on Schedule 5.5, the Company does not have any Employee Benefit Plan as defined in the Employee Retirement Income Security Act of 1974.

5.6 Tax Returns and Payments. The Company has filed all tax returns and reports as required by law. These returns and reports are true and correct in all material respects. The Company has paid, or has properly reserved cash for, all taxes and other assessments due.

5.7 Title to Property and Assets. The Company owns its property and assets free and clear of all mortgages, liens, loans and encumbrances, except such encumbrances and liens which arise in the ordinary course of business and do not materially impair the Company's ownership or use of such property or assets. With respect to the property and assets it leases, the Company is in compliance with such leases and, to its knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances.

5.8 No Adverse Change. Since December 31, 2012, except as set forth on Schedule 5.8, there has not been:

(a) any change in the assets, liabilities, financial condition or operating results of the Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse;

(b) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the business, properties, prospects, or financial condition of the Company;

(c) any waiver or compromise by the Company of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and that is not material to the business, properties, prospects or financial condition of the Company;

(e) any material change to a material contract or agreement by which the Company or any of its assets is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee, officer, director or shareholder;

(g) any sale, assignment or transfer of any patents, trademarks, copyrights, trade secrets or other intangible assets;

(h) any resignation or termination of employment of any officer or key employee of the Company; and the Company has not received any notice of any impending resignation or termination of employment of any such officer or key employee;

(i) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable;

(j) any loans or guarantees made by the Company to or for the benefit of its employees, officers or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(k) any declaration, setting aside or payment or other distribution in respect to any of the Company's capital stock, or any direct or indirect redemption, purchase, or other acquisition of any of such stock by the Company;

(l) to the Company's knowledge, any other event or condition of any character that has materially and adversely affected the business, properties, prospects or financial condition of the Company; or

(m) any arrangement or commitment by the Company to do any of the things described in this Section 5.8.

5.9 Contracts and Commitments.

(a) Contracts. Confidential Schedule 5.9, to be attached prior to the Closing Date, to the Company's Knowledge, sets forth a complete and accurate list of all Contracts of the following categories:

(i) Contracts not made in the ordinary course of business;

(ii) Employment contracts and severance agreements;

(iii) Labor or union contracts;

(iv) Distribution, franchise, license, sales, commission, consulting agency or advertising contracts which are not cancelable on thirty (30) calendar days' notice;

(v) Contracts involving expenditures or liabilities, actual or potential, in excess of $10,000 or otherwise material to the Company, taken as a whole, and not cancelable (without liability) within thirty (30) calendar days;

(vi) Contracts or commitments relating to commission arrangements with others;

(vii) Promissory notes, loans, agreements, indentures, evidences of indebtedness, letters of credit, guarantees, or other instruments relating to an obligation to pay money, whether the Company shall be the borrower, lender or guarantor thereunder or whereby any assets are pledged (excluding credit provided by the Company to purchasers in the ordinary course of business;

(viii) Contracts containing covenants limiting the freedom of the Company or any officer, director, shareholder or affiliate, to engage in any line of business or compete with any person;

(ix) Any Contract with the United States, state or local government or any agency or department thereof;

(x) Leases of real property;

(xi) Leases of personal property not cancelable (without liability) within thirty (30) calendar days; and

(xii) Governmental or regulatory Permits or approvals required to conduct the Business as presently conducted.

The Company has delivered to Sub and Parent true, correct and complete copies of all of the written Contracts listed on Schedule 5.9, including all amendments and supplements thereto, and a written summary setting forth the material terms and conditions of each and every oral Contract listed on Schedule 5.9, including all amendments and supplements thereto.

(b) Absence of Breaches or Defaults. Except as set forth on Schedule 5.09(b), to the Company's Knowledge, all of the Contracts indicated on Schedule 5.9 are valid and in full force and effect. To the Company's Knowledge, it has duly performed all of its obligations under the Contracts, and, to its Knowledge, there is no material violation of, or material default or material breach under, any Contracts has accrued.

5.10 Permits. The Company has, to its Knowledge, all Permits required to conduct its business except such Permits the failure of which to obtain would not have a Material Adverse Effect. All such permits are valid and in full force and effect and are listed on Schedule 5.10. No notice to, declaration, filing or registration with, or Permit from, any domestic or foreign governmental or regulatory body or authority, or any other person or entity, is required to be made or obtained by the Company or any Shareholder in connection with the execution, delivery or performance of this Agreement and the consummation of the transactions contemplated hereby.

5.11 Corporate Documents. The Certificate of Incorporation and Bylaws of the Company are in the form provided to counsel for Parent and Sub. The copy of the minute books of the Company provided to counsel for the Parent and Sub contains minutes of all meetings of directors and shareholders and all actions by written consent without a meeting by the directors and shareholders since the date of incorporation and reflects all actions by the directors (and any committee of directors) and shareholders with respect to all transactions referred to in such minutes accurately in all material respects.

5.12 No Conflict or Violation. Neither the execution, delivery or performance of this Agreement nor the consummation of the transactions contemplated hereby, nor compliance by the Company with any of the provisions hereof, will, to the Company's Knowledge: (1) violate or conflict with any provision of the Company's Certificate of Incorporation or Bylaws, (2) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under any of the terms, conditions or provisions of any Contract, agreement, or other instrument or obligation (a) to which the Company is a party or (b) by which the Company is bound, (c) violate any statute, rule, regulation, ordinance, code, order, judgment, ruling, writ, injunction, decree or award, or (d) impose any encumbrance restriction or charge on the Company or the Business except in the case of each of clauses (a), (b), and (c) above, for such violations, conflicts, breaches, defaults, terminations or accelerations which, in the aggregate would not have a Material Adverse Effect.

5.13 Financial Statements. The Financial Statements for the year ended December 31, 2012 are attached hereto as Exhibit 5.13. Except as set forth on Schedule 5.13 or in the notes to the Financial Statements, the Financial Statements (1) have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered thereby and (2) fairly and accurately present the assets, liabilities (including all reserves) and financial position of the Company as of the respective dates thereof and the results of operations and changes in cash flows for the periods then ended. The Financial Statements have been compiled by HKG, LLP, certified public accountants. At the respective dates of the Financial Statements, there were no material liabilities of the Company, which, in accordance with generally accepted accounting principles, should have been shown or reflected in the Financial Statements or the notes thereto, which are not shown or reflected in the Financial Statements or the notes thereto.

5.14 Disclosure. The Company has fully provided Parent and Sub with all the information that has been requested for deciding whether to enter into this transaction and all information that the Company believes is reasonably necessary to enable Parent and Sub to make such a decision, including the Company's projections described in the business plan (the "Business Plan"). No representation or warranty of the Company contained in this Agreement and the exhibits attached hereto, any certificate furnished or to be furnished to Parent and Sub at the Closing, or the Business Plan (when read together) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. The Business Plan was prepared by management of the Company, and the financial and other projections contained therein were prepared in good faith. Parent and Sub agree and acknowledge that such projections do not represent any guaranty of future performance.

5.15 Litigation. There is no action, order, writ, injunction, judgment or decree outstanding or any claim, suit, litigation, proceeding, labor dispute, arbitral action, governmental audit or investigation (collectively, "Actions") pending, or, to the Company's knowledge, threatened or anticipated (1) against, related to or affecting: (a) the Company, (b) any officers or directors of the Company, or (c) the Shareholders, (2) seeking to delay, limit or enjoin the transactions contemplated by this Agreement, (3) that involve the risk of criminal liability, or (4) in which the Company is a plaintiff, including any derivative suits. The Company is not in material default with respect to or subject to any judgment, order, writ, injunction or decree of any court or governmental agency, and there are no unsatisfied judgments against the Company.

5.16 Labor Matters. The Company is not a party to any labor agreement with any labor organization, union, group or association; there are no employee unions (nor any other similar labor or employee organizations) under local statutes, custom or practice; there has not been any attempt by organized labor or its representatives to make the Company conform to demands of organized labor relating to its employees or to enter into a binding agreement with organized labor. There is no labor strike or labor disturbance pending or threatened, nor is any grievance currently being asserted. The Company is in compliance in all material respects with all applicable laws respecting employment practices, employee documentation, terms and conditions of employment and wages and hours and has not engaged in any unfair labor practice.

5.17 Liabilities. The Company does not have, to its Knowledge, any liabilities, obligations or commitments of any nature (whether absolute, accrued, contingent or otherwise and whether matured or un-matured), including without limitation tax liabilities due or to become due, except (1) liabilities which are reflected and reserved against on the Financial Statements, which have not been paid or discharged since the date thereof, (2) liabilities arising under Contracts, leases, letters of credit, purchase orders, licenses, Permits, purchase agreements and other agreements, business arrangements and commitments described in the Disclosure Schedule (and under those Contracts which are not required to be disclosed on the Disclosure Schedule) and (3) liabilities incurred since the date of the Financial Statements in the ordinary course of business and consistent with past practice and in accordance with this Agreement (none of which relates to any breach of Contract, breach of warranty, tort, infringement or violation of law or arose out of any Action) which, individually or in the aggregate, has or would have a Material Adverse Effect.

5.18 Compliance with Law. The Company has not violated and is in compliance with all laws, statutes, ordinances, regulations, rules and orders of any foreign, federal, state or local government and any other governmental department or agency, and any judgment, decision, decree or order of any court or governmental agency, department or authority, except where the violation or failure to comply, individually or in the aggregate, would not have a Material Adverse Effect. The Company has not received any notice to the effect that it is not in compliance with any such statutes, regulations, rules, judgments, decrees, orders, ordinances or other laws. The Company has committed no act, and there has been no omission, which may result in, and there has been no occurrence which may give rise to, product liability or liability for breach of warranty (whether covered by insurance or not) on the part of the Company, with respect to products designed, manufactured, assembled, repaired, maintained, delivered, shipped or installed or services rendered prior to or on the Closing Date which, in the aggregate, would have a Material Adverse Effect.

5.19 No Brokers. Neither the Company nor any of its officers, directors, employees, shareholders or affiliates has employed or made any agreement with any broker, finder or similar agent or any person or firm which will result in the obligation of Parent or Sub or any of its affiliates to pay any finder's fee, brokerage fees or commission or similar payment in connection with the transactions contemplated hereby. Commissions or fees due to StillPoint Capital per the Company's engagement agreement will be deducted from the Merger Consideration through the escrow at Closing.

5.20 No Other Agreements. The Company, and its officers, directors or affiliates do not have any commitment or legal obligation, absolute or contingent, to any other person or firm other than Parent and Sub to sell, assign, transfer or effect a sale of any assets of the Company (other than inventory in the ordinary course of business), to sell or effect a sale of a majority of the capital stock of the Company, to effect any merger, consolidation, liquidation, dissolution or other reorganization of the Company, or to enter into any agreement or cause the entering into of an agreement with respect to any of the foregoing.

5.21 Proprietary Rights. With respect to the Company:

(a) Proprietary Rights. Schedule 5.21 lists all of its domestic or foreign, federal, state and foreign registrations of trademarks and of other marks, trade names or other trade rights, and all pending applications for any such registrations and all of its patents and copyrights and all pending applications therefor, all other trademarks and other marks, trade names and other trade rights or in which it has any interest whatsoever, and all other trade secrets, designs, plans, specifications, technical information and other proprietary rights, whether or not registered, created or used by or on behalf of it (collectively, "Proprietary Rights"). The Proprietary Rights listed in the Disclosure Schedule are all those used by the Company in connection with the Business.

(b) Ownership and Protection of Proprietary Rights. Except as set forth on Schedule 5.21, (i) the Company owns and has the sole right to use each of the Proprietary Rights. None of the Proprietary Rights is involved in any pending or threatened litigation, (ii) the Company has not received any notice of invalidity or infringement of any rights of others with respect to such Proprietary Rights, and (iii) no other firm, corporation, association or person (a) has the right to use any such Proprietary Rights, (b) has notified the Company that it is claiming any ownership of or right to use such Proprietary Rights, or (c) to the Company's knowledge, is infringing upon any such Proprietary Rights in any way. To the Company's knowledge, the Company's use of the Proprietary Rights is not infringing upon or otherwise violating the rights of any third party in or to such Proprietary Rights. All of the Proprietary Rights are valid and enforceable, except where the failure to be so valid and enforceable would not have a Material Adverse Effect.

5.22 Transactions with Certain Persons. Except as set forth on Schedule 5.22, no officer, director or employee of the Company, nor any member of any such person's immediate family, is presently a party to any transaction with the Company, including without limitation, any contract, agreement or other arrangement(1) providing for the furnishing of services by, (2) providing for the rental of real or personal property from, or (3) otherwise requiring payments to (other than for services as officers, directors or employees of the Company) any such person or corporation, partnership, trust or other entity in which any such person has an interest as a shareholder, officer, director, trustee or partner.

5.23 Insurance. Schedule 5.23 contains a complete and accurate list of all policies or binders of fire, liability, title, worker's compensation, product liability (which list shall be for five (5) years) and other forms of insurance (showing as to each policy or binder the carrier, policy number, coverage limits, expiration dates, annual premiums and a general description of the type of coverage provided) maintained by the Company. Such insurance provides, and during such period provided, coverage to the extent required by law and by any and all Contracts. The Company is not in default under any of such policies or binders, and has not failed to give any material notice or to present any material claim under any such policy or binder in a due and timely fashion. Except as set forth on Schedule 5.23, there are no outstanding unpaid claims under any such policies or binders. All policies and binders are in full force and effect on the date hereof and shall be kept in full force and effect through the Closing Date.

5.24 Accounts Receivable. The accounts receivable set forth in the Financial Statements, and all accounts receivable arising since the date of the Financial Statements, represent bona fide claims of the Company against debtors for sales, services performed or other charges arising on or before the date hereof, and all the goods delivered and services performed which gave rise to said accounts were delivered or performed in accordance with the applicable orders, Contracts or customer requirements.

5.25 Customers, Distributors and Suppliers. Schedule 5.25 sets forth a complete and accurate list with respect to the Company, of the names and addresses of (1) its five (5) largest customers, and the approximate total sales in dollars by the Company to each such customer during the most recent fiscal year, and (2) its five (5) largest suppliers, and the approximate total purchases in dollars from each such supplier during the most recent fiscal year. To the knowledge of the Company, after thorough inquiry of all sales people and other relevant personnel since May 17, 2013, except as disclosed on Schedule 5.25, there has been no Material Adverse Change in the business relationship of the Company with any customer or supplier named on Schedule 5.25. The Company has not received any communication from any customer or supplier named on Schedule 5.25 of any intention to terminate or materially reduce purchases from or supplies to the Company.

5.26 Material Misstatements Or Omissions. No representations or warranties by the Company in this Agreement, nor any document, exhibit, statement, certificate or schedule heretofore or hereafter furnished to Parent and Sub pursuant hereto, or in connection with the transactions contemplated hereby, including without limitation the Disclosure Schedule, contains any untrue statement of a material fact, or omits to state any material fact necessary to make the statements or facts contained therein not misleading. The Company has disclosed all events, conditions and facts materially affecting the business, prospects and financial condition of the Company.

5.27 Recommendation of Company Board of the Directors. The Company's Board of Directors, by vote at meetings duly called and held, has approved this Agreement and the Merger and has declared them advisable, determined that the Merger is in the best interest of the Shareholders, and has adopted resolutions recommending approval and adoption of this Agreement and the Merger by the Shareholders.

5.28 Vote Required. The only vote of Shareholders required under the Company's Certificate of Incorporation and the Company's bylaws in order to approve and adopt the Merger Proposals is the affirmative vote of a majority of the aggregate voting power of the issued and outstanding Company Shares and no other vote or approval of or other action of holders of capital stock of the Company is required.

5.29 Dissenter Rights Procedures. The Company has performed and is in compliance with any and all obligations required of a domestic corporation under Chapter 13 of the CGCL, and the Company has informed the Parent of any and all Shareholders who have notified the Company of their intention to exercise dissenters' rights in accordance with Chapter 13 of the CGCL.

REPRESENTATIONS AND WARRANTIES OF PRIMARY EXECUTIVE OFFICER

The Primary Executive Officer hereby represents and warrants to Parent and Sub that the following representations and warranties are, as of the date hereof, and will be, as of the Closing Date, true and correct:

5.30 Title. The Primary Executive Officer holds of record and beneficially approximately 16% of the issued and outstanding shares of common stock of the Company, on a fully diluted basis assuming the exercise of all vested options and warrants for Company Shares, including those options held by the Primary Executive Officer, free and clear of any and all encumbrances or other restrictions on transfer. Other than this Agreement, the Primary Executive Officer is not a party to any voting trust, proxy or other agreement or understanding with respect to any capital stock of the Company.

5.31 Execution and Effect of Agreement. The Primary Executive Officer has the full right, power and authority to execute and deliver this Agreement and to perform his obligations hereunder, and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Primary Executive Officer, and the consummation by the Primary Executive Officer of the transactions contemplated hereby have been duly authorized by all necessary action (corporate or otherwise) and no other proceeding on the part of the Primary Executive Officer is necessary to authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Primary Executive Officer and constitutes the legal, valid and binding obligation of the Primary Executive Officer, enforceable against the Primary Executive Officer in accordance with its terms, except as limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to creditor's rights generally, and (ii) general principles of equity.

ARTICLE VI.

REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB

Parent and Sub hereby represent and warrant to the Company and the Majority Shareholder as follows, which representations and warranties are, as of the date hereof, and will be, as of the Closing Date, true and correct:

6.1 Organization of Parent and Sub. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada, and Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Parent is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of its properties owned or leased or the nature of its activities make such qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect.

6.2 Authorization. Both Parent and Sub have all requisite corporate power and authority, and have taken all corporate action necessary, to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform their obligations thereunder. The execution and delivery of this Agreement by Parent and Sub and the consummation by Parent and Sub of the transactions contemplated hereby have been duly approved by the boards of directors of Parent and Sub. No other corporate proceedings on the part of Parent or Sub are necessary to authorize this Agreement and the transactions contemplated hereby. This Agreement has been duly executed and delivered by Parent and Sub and is a legal, valid and binding obligation of Parent and Sub, enforceable against Parent and Sub in accordance with its terms.

6.3 No Conflict or Violation. Neither the execution, delivery or performance of this Agreement nor the consummation of the transactions contemplated hereby, nor compliance by Parent or Sub with any of the provisions hereof, will (1) violate or conflict with any provision of (i) the Articles of Incorporation or Bylaws of Parent or (ii) the Articles of Incorporation or Bylaw of Sub, (2) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, any of the terms, conditions or provisions of any contract, indebtedness, note, bond, indenture, security or pledge agreement, commitment, license, lease, franchise, permit, agreement, authorization, concession, or other instrument or obligation to which Parent or Sub is a party, or (3) violate any statute, rule, regulation, ordinance, code, order, judgment, ruling, writ, injunction, decree or award except, in the case of each of clauses (a), (b) and (c) above, for such violations, conflicts, breaches, defaults, terminations, accelerations or creations of encumbrances which, in the aggregate, would not have a material adverse effect on the Business or its ability to consummate the transactions contemplated hereby.

6.4 Capitalization. The authorized capital stock of Parent consists of 8,000,000,000 shares of common stock, of which 1,957,882,582 shares are issued and outstanding, and 10,000,000 shares of preferred stock, of which 900,000 shares are issued and outstanding, consisting of 500,000 shares of Series A Convertible Preferred Stock and 400,000 shares of Series B Convertible Preferred Stock. All of Parent Shares have been validly issued and are fully paid and non- assessable and were not issued in violation of any: (i) preemptive or other rights of any person to acquire securities of Parent, or (ii) applicable provisions of federal or state securities laws. No shares of common stock are held by Parent as treasury stock. Except as disclosed in Parent’s Financial Statements, there is no existing option, warrant, call, commitment or other security or agreement of any kind to which Parent is a party requiring, and there are no convertible securities of Parent outstanding which upon conversion would require, the issuance of any additional shares of capital stock of Parent or other securities convertible into shares of capital stock or any debt or equity security of Parent of any kind. Upon delivery by the Company at the Closing of certificates representing the Merger Stock, good and valid title to the Merger Stock will pass to the Shareholders, free and clear of all liens of any kind, other than those arising from acts of the Shareholders. Parent owns and on the Closing Date will own 100% of the shares of capital stock of Sub.

6.5 Corporate Documents. The Articles of Incorporation, Bylaws and minute books of Parent are available for review. The Articles of Incorporation and Bylaws of Parent provided to the Company are true, accurate, and complete and reflect all amendments made through the date of this Agreement. Parent's minute books made available to the Company for review were correct and complete as of the date of such review, no further entries have been made through the date of this Agreement. The minute books of Parent contain minutes of all meetings of directors and shareholders and all actions by written consent without a meeting by the directors and shareholders since the date of incorporation and reflects all actions by the directors (and any committee of directors) and shareholders with respect to all transactions referred to in such minutes accurately in all material respects. All corporate actions taken by Parent have been duly authorized or ratified. All accounts, books, ledgers and official and other records of Parent fairly and accurately reflect all of Parent's transactions, properties, assets and liabilities.

6.6 Disclosure. Parent and Sub have fully provided the Company with all the information that has been requested for deciding whether to enter into this transaction. No representation or warranty of Parent or Sub contained in this Agreement and the exhibits and Schedules attached hereto or any certificate furnished or to be furnished to the Company at the Closing, (when read together) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

6.7 Liabilities. Parent and Sub do not have any liabilities, obligations or commitments of any nature (whether absolute, accrued, contingent or otherwise and whether matured or unmatured), including without limitation tax liabilities due or to become due, except (1) liabilities which are reflected and reserved against on Parent's Financial Statements, which have not been paid or discharged since the date thereof, (2) liabilities arising under Contracts, leases, letters of credit, purchase orders, licenses, Permits, purchase agreements and other agreements, business arrangements and commitments disclosed in the Parent Disclosure Schedule (and under those Contracts which are not required to be disclosed in the Parent Disclosure Schedule) and (3) liabilities incurred since the date of Parent's Financial Statements in the ordinary course of business and consistent with past practice and in accordance with this Agreement (none of which relates to any breach of Contract, breach of warranty, tort, infringement or violation of law or arose out of any Action) which, individually or in the aggregate, has or would have a Material Adverse Effect on the Parent and/or Sub.

6.8 Compliance with Law. Parent and/or Sub have not violated and are in compliance with all laws, statutes, ordinances, regulations, rules and orders of any foreign, federal, state or local government and any other governmental department or agency, and any judgment, decision, decree or order of any court or governmental agency, department or authority, except where the violation or failure to comply, individually or in the aggregate, would not have a Material Adverse Effect on Parent and/or Sub. Parent and/or Sub have not received any notice to the effect that either such entity is not in compliance with any such statutes, regulations, rules, judgments, decrees, orders, ordinances or other laws. Parent and/or Sub have committed no act, and there has been no omission, which may result in, and there has been no occurrence which may give rise to, product liability or liability for breach of warranty (whether covered by insurance or not) on the part of Parent and/or Sub, with respect to products designed, manufactured, assembled, repaired, maintained, delivered, shipped or installed or services rendered prior to or on the Closing Date which, in the aggregate, would have a Material Adverse Effect on the Parent.

6.9 Material Misstatements Or Omissions. No representations or warranties by Parent and/or Sub in this Agreement, nor any document, exhibit, statement, certificate or schedule heretofore or hereafter furnished to the Company pursuant hereto, or in connection with the transactions contemplated hereby, including without limitation the Parent Disclosure Schedule, contains any untrue statement of a material fact, or omits to state any material fact necessary to make the statements or facts contained therein not misleading. Parent and/or Sub have disclosed all events, conditions and facts materially affecting the business, prospects and financial condition of the Parent and/or Sub.

6.10 Financial Statements.

(a) Financial Statements. The Parent's financial statements (including the notes thereto) included in Parent's most recently filed Annual Report and Quarterly Report filed through the OTC Markets Group ("Parent's Reports") (1) have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered thereby and (2) fairly and accurately present the assets, liabilities (including all reserves) and financial position of the Parent as of the respective dates thereof and the results of operations and changes in cash flows for the periods then ended. At the respective dates of the Parent's Reports, there were no liabilities of Parent and its subsidiaries, taken as a whole, which, in accordance with generally accepted accounting principles, should have been shown or reflected in the Parent's Reports, which are not shown or reflected in the Parent's Reports.

(b) The Parent's Reports filed with the OTC Markets Group have complied in all material respects with the requirements of Section 12 of the Securities Act of 1933, as amended.

6.11 No Adverse Change. Since December 31, 2012, except as set forth on Schedule 6.11, there has not been any material change in the assets, liabilities, financial condition or operating results of Parent from that reflected in Parent's consolidated financial statements attached to its Quarterly Report dated as of February 28, 2013 ("Parent's Financial Statements"), except changes in the ordinary course of business that have not had and would not reasonably be expected to have, in the aggregate, a Material Adverse Effect.

6.12 Compliance with Securities Laws. The delivery of the Merger Stock by Parent to the Company and any Merger Stock is in compliance with and will not violate any federal or state securities laws.

ARTICLEVII

CONDITIONS TO THE COMPANY OBLIGATIONS

The obligations of the Company to consummate the transactions provided for hereby are subject, in the discretion of the Company and, to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by the Company:

7.1 Representations, Warranties and Covenants. All representations and warranties of Parent and Sub contained in this Agreement shall be true and correct in all material respects at and as of the date of this Agreement and at and as of the Closing Date, except to the extent expressly required or permitted to be changed by the terms hereof, and Parent and Sub shall have performed and satisfied all agreements and covenants required hereby to be performed by them prior to or on the Closing Date.

7.2 No Proceedings, Litigation or Laws. No Action by any governmental authority or other person shall have been instituted or threatened against Parent, Sub, the Company, or the Shareholders which questions the validity or legality of the transactions contemplated hereby and which, in the reasonable opinion of the Company, makes it inadvisable to consummate such transaction.

7.3 Certificates. Parent and Sub shall furnish the Company with such certificates of their officers and others to evidence compliance with the conditions set forth in this Article VIII as may be reasonably requested by the Company.

7.4 Corporate Documents. The Company shall have received from Parent and Sub resolutions adopted by the boards of directors of Parent and Sub approving this Agreement, and the transactions contemplated hereby.

7.5 Material Adverse Change. There shall not have been any Material Adverse Change with respect to Parent or Sub since the date of this Agreement.

7.6 Deposit of Merger Consideration. Two Million Dollars ($2-,000,000) and Four Hundred Thousand shares of Parent's Series D Convertible Preferred Stock shall have been deposited into a third party escrow account for the sole purpose of paying such amount to the Shareholders immediately upon the Closing Date (minus the hold back of $500,000).

7.7 Personal Guarantees. The personal guarantees provided by the Shareholders for existing debt of the Company, as set forth in Exhibit 7.7, shall have been released by those third party debt holders or assumed and replaced by an executive of the Parent or the Sub.

ARTICLE VIII

CONDITIONS TO PARENT'S AND SUB'S OBLIGATIONS

The obligations of Parent and Sub to consummate the transactions provided for hereby are subject, in the discretion of Parent and Sub, to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by Parent and Sub.

8.1 Representations, Warranties and Covenants. All representations and warranties of the Company and the Prime Executive Officer contained in this Agreement shall be true and correct in all material respects at and as of the date of this Agreement and at and as of the Closing Date, except to the extent expressly required or permitted to be changed by the terms hereof, and the Company and the Prime Executive Officer shall have performed and satisfied all agreements and covenants required hereby to be performed by them prior to or on the Closing Date.

8.2 No Proceedings or Litigation. No Action by any governmental authority or other person shall have been instituted or threatened against Parent, Sub, the Company or the Prime Executive Officer which questions the validity or legality of the transactions contemplated hereby and which, in the reasonable opinion of the Parent and Sub, makes it inadvisable to consummate such transaction.

8.3 Certificates. The Company shall furnish Parent and Sub with such certificates of its officers and others to evidence compliance with the conditions set forth in this Article IX as may be reasonably requested by Parent and Sub.

8.4 Material Changes. There shall not have been any Material Adverse Change with respect to the Business or the Company since the date of this Agreement.

8.5 Corporate Documents. Parent and Sub shall have received a certificate of a duly authorized officer of the Company, dated the Closing Date, setting forth resolutions of the Board of Directors of the Company authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and certifying that such resolutions were duly adopted and have not been rescinded or amended as of the Closing Date.

8.6 Due Diligence Review. Parent and Sub and their representatives shall have conducted a due diligence review of the Company's books and records, financial statements, and other records and accounts of the Company, and in the sole discretion of Parent and Sub, Parent and Sub shall be satisfied on the basis of such review that there has been no breach of the representations and warranties or the pre-closing covenants of the Company or the Prime Executive Officer made pursuant to this Agreement. Such review shall have no effect whatsoever on the liability of the Company or the Prime Executive Officer to Parent or Sub under this Agreement or otherwise for breach of any representations, warranties, or covenants of the Company or the Prime Executive Officer hereunder.

8.7 Approval of the Shareholders. This Agreement and the Merger Proposal shall have been approved and adopted by at least ninety five percent (95%) of the Shareholders, as set forth in Sections 2.7 and 5.28.

8.8 Regulatory Approvals. All Consents of, filings and registrations with, and notifications to, all regulatory authorities required for consummation of the Merger shall have been obtained or made and shall be in full force and effect and all waiting periods required by Law shall have expired. No Consent obtained from any regulatory authority which is necessary to consummate the transactions contemplated hereby shall be conditioned or restricted in a manner (including requirements relating to the raising of additional capital or the disposition of Assets) which in the reasonable judgment of the Board of Directors of Parent would so materially adversely impact the economic or business benefits of the transactions contemplated by this Agreement that, had such condition or requirement been known, Parent would not, in its reasonable judgment, have entered into this Agreement.

8.9 Third Party Financing. Parent shall have consummated a financing transaction with one or more third parties for a minimum sum of three million dollars ($3,000,000) in cash proceeds.

8.10 Change of Control. Parent shall have received written consents from the loan and/or lease holders for the assumption of the loans and/or leases as listed on Exhibit 8.10.

ARTICLE IX

INDEMNIFICATION

9.1 Survival of Representations, Etc. The representations and warranties of the Parties contained herein shall not be extinguished by the Closing, but shall survive the Closing for, and all claims for indemnification in connection therewith must be asserted not later than, eighteen months following the Closing Date notwithstanding applicable statutes of limitation and whether or not a longer period would be permitted by applicable law; *provided, however*, that (a) each of the representations and warranties contained in Section 5.1 (Organization), Section 5.4 (Authorization), Section 7.1 (Organization), Section 7.2 (Authorization), Section 7.18 (Brokers, Finders and Investment Bankers) shall survive the Closing without limitation as to time, and the period during which a claim for indemnification may be asserted in connection therewith shall continue for the duration of the applicable statutes of limitation, and (b) each of the representations and warranties contained in Section 5.5 (Tax Returns; Taxes), Section 7.7 (Tax Returns; Taxes), Section 7.6 (Benefit Plans) and Section 7.14 (Labor Relations) shall survive the Closing until, and all claims for indemnification in connection therewith must be asserted not later than the expiration of any statute of limitations applicable to the rights of any Person to bring any claim with respect to such matters. The covenants and agreements of the Parties hereunder shall survive without limitation as to time, and the period during which a claim for indemnification may be asserted in connection therewith shall continue for the duration of the applicable statutes of limitation.

9.2 Indemnifications.

(a) By the Shareholders and Primary Executive Officer. The Shareholders and the Prime Executive Officer, jointly and severally, shall indemnify, save and hold harmless Parent and Sub, their affiliates and subsidiaries, and their respective representatives, from and against any and all costs, losses (including without limitation diminution in value), taxes, liabilities, obligations, damages, lawsuits, deficiencies, claims, demands, and expenses (whether or not arising out of third-party claims), reasonable attorneys' fees and all amounts paid in investigation, defense or settlement of any of the foregoing (herein, "Damages"), incurred in connection with, arising out of, resulting from or incident to (1) any breach of any representation or warranty or the inaccuracy of any representation made by the Company or the Primary Executive Officer in or pursuant to this Agreement, (2) any breach of any covenant or agreement made by the Company or the Primary Executive Officer, in or pursuant to this Agreement, or (3) operation of the Business of the Company before the Closing Date; provided, however, that the total liability for indemnification under this Article IX shall be limited to the Earn Out Consideration; and provided that Parent and Sub makes a written claim for indemnification within the applicable survival period.

(b) Tax Indemnity. The Company and the Prime Executive Officer, jointly and severally, shall indemnify, save and hold harmless Parent and Sub, their affiliates and subsidiaries, and their respective representatives, from and against any and all Damages incurred in connection with, arising out of, resulting from or incident to (1) any taxes of the Company with respect to any tax year or portion thereof ending on or before the Closing Date and (2) for the unpaid taxes of any person (other than the Company) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract, or otherwise.

(c) By Parent. Parent shall indemnify and save and hold harmless the Company and their affiliates and subsidiaries, and their respective representatives from and against any and all Damages incurred in connection with, arising out of, resulting from or incident to (1) any breach of any representation or warranty or the inaccuracy of any representation, made by Parent or Sub in or pursuant to this Agreement, (2) any breach of any covenant or agreement made by Parent or Sub in or pursuant to this Agreement; or (3) operation of the Business of the Company from and after the Closing Date; provided, however, that the Company makes a written claim for indemnification within the applicable survival period. The Shareholders shall be third-party beneficiaries of this section 9.2. (c).

(d) Damages. The term "Damages" as used in this Section 9.2 is not limited to matters asserted by third parties against the Company, Prime Executive Officer, Parent or Sub, but includes Damages incurred or sustained by the Company, Prime Executive Officer, Parent or Sub in the absence of third party claims. Payments by Parent or Sub of amounts for which Parent or Sub is indemnified hereunder, and payments by the Company or Prime Executive Officer of amounts for which the Company or the Prime Executive Officer are indemnified, shall not be a condition precedent to recovery. The Company's or Prime Executive Officer's obligation to indemnify Parent or Sub, and Parent's or Sub's obligation to indemnify the Company or Prime Executive Officer, shall not limit any other rights, including without limitation rights of contribution which either party may have under statute or common law. Damages shall also include any and all costs, losses, taxes, liabilities, obligations, damages, lawsuits, deficiencies, claims, demands, and expenses (whether or not arising out of third-party claims), reasonable attorneys' fees and all amounts paid in investigation, defense or settlement of any of the foregoing.

(e) Cooperation. The indemnified party shall cooperate in all reasonable respects with the indemnifying party and the attorneys defending the indemnification claims in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom; provided, however, that the indemnified party may, at its own cost, participate in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom. The parties shall cooperate with each other in any notifications to insurers.

(f) Defense of Claims. If a claim for Damages (a "Claim") is made by a party entitled to indemnification hereunder against the indemnifying party, the party claiming such indemnification shall give written notice (a "Claim Notice") to the indemnifying party as soon as practicable after the party entitled to indemnification becomes aware of any fact, condition or event which may give rise to Damages for which indemnification may be sought under this Article 9. If any lawsuit or enforcement action is filed against any party entitled to the benefit of indemnity hereunder, written notice thereof shall be given to the indemnifying party as promptly as practicable (and in any event within thirty (30) calendar days after the service of the citation or summons). The failure of any indemnified party to give timely notice hereunder shall not affect rights to indemnification hereunder, except to the extent that the indemnifying party demonstrates actual damage caused by such failure. After such notice, if the indemnifying party shall acknowledge in writing to the indemnified party that the indemnifying party shall be obligated under the terms of its indemnity hereunder in connection with such lawsuit or action, then the indemnifying party shall be entitled, if it so elects, (1) to take control of the defense and investigation of such lawsuit or action, (2) to employ and engage attorneys of its own choice to handle and defend the same, at the indemnifying party's cost, risk and expense unless the named parties to such action or proceeding include both the indemnifying party and the indemnified party and the indemnified party has been advised in writing by counsel that there may be one or more legal defenses available to such indemnified party that are different from or additional to those available to the indemnifying party, and (3) to compromise or settle such claim, which compromise or settlement shall be made only with the written consent of the indemnified party, such consent not to be unreasonably withheld. If the indemnifying party fails to assume the defense of such claim within fifteen (15) calendar days after receipt of the Claim Notice, the indemnified party against which such claim has been asserted will (upon delivering notice to such effect to the indemnifying party) have the right to undertake, at the indemnifying party's cost and expense, the defense, compromise or settlement of such claim on behalf of and for the account and risk of the indemnifying party. In the event the indemnified party assumes the defense of the claim, the indemnified party will keep the indemnifying party reasonably informed of the progress of any such defense, compromise or settlement. The indemnifying party shall be liable for any settlement of any action effected pursuant to and in accordance with this Article 9 and for any final judgment (subject to any right of appeal), and the indemnifying party agrees to indemnify and hold harmless an indemnified party from and against any Damages by reason of such settlement or judgment.

(g) Product and Warranty Liability. The provisions of this Section shall cover, without limitation, all obligations and liabilities of whatsoever kind, nature or description relating, directly or indirectly, to product or service liability, litigation or claims against Parent, Sub or the Surviving Corporation in connection with, arising out of, or relating to products or services developed or sold by the Company, Parent, Sub or the Surviving Corporation in connection with the Business.

(h) Parent's Right of Offset. Anything in this Agreement to the contrary notwithstanding, Parent may withhold and set off against any Merger Consideration otherwise due to the Shareholder(s), any amount of Damages as to which the Company or Primary Executive Officer are obligated to pay Parent, Sub or a third party pursuant to any provision of this Agreement. In calculating the amount of Cash or Series D Convertible Preferred Shares which Parent may withhold and set off against under this Section hereof, the value of the Preferred Shares shall be on an as-converted basis at the time of Parent's Right of Offset.

(i) Brokers and Finders. Pursuant to the provisions of this Section, each of Parties shall indemnify, hold harmless and defend the other Parties from the payment of any and all broker's and finder's expenses, commissions, fees or other forms of compensation which may be due or payable from or by the indemnifying party, or may have been earned by any third party acting on behalf of the indemnifying party in connection with the negotiation and execution hereof and the consummation of the transactions contemplated hereby.

9.3 Additional Remedies for Parent's Defaults

(a) Repay Hold-Back. If the Parent fails to fund when due any portion of the $500,000 that is to be held-back in accordance with section 3.1(a) above, the Parent shall immediately issue promissory notes to the Shareholders for their pro rata share of the $500,000, which notes shall bear interest paid monthly at a rate of 12% interest annually, all due within 90 days.

(b) Pay Earn Out Consideration When Due. If the Parent fails to satisfy its obligations under section 11.2 to pay the Earn Out Cash when due, Parent shall immediately issue promissory notes to the Shareholders for their pro rata share of the Earn Out Cash, which notes shall bear interest paid monthly at a rate of 12% interest annually, all due within 90 days.

The remedies set forth in this section 9.3 are in addition to any other remedies the Company or Shareholders may have under Article IX and shall not be construed to limit any such remedies.

ARTICLE X

CLOSING

10.1 Closing Date and Location. The closing of the transactions contemplated herein (the "Closing") shall be held at 10:00 a.m. local time on the Closing Date at the offices of the Company (1) on the first business day following the date on which the last of the conditions set forth in Articles VIII and IX (other than the filing of the Merger Certificate) are satisfied or to the extent permissible, waived, or (2) on such other date and at such other time or place as is mutually agreed by the parties hereto.

10.2 Obligations to the Company. At the Closing, the Company shall deliver to Parent and Sub the following documents:

(a) A certificate of good standing from the State of California dated as of a date not more than ten (10) days prior to the Closing Date and certifying that the Company is duly qualified and in good standing as of the date of such certificate;

(b) The officers' certificate and closing certificate provided for in Section 8.4;

(c) The executed Certificates of Merger substantially in the form of Exhibit 2.2;

(d) Simultaneously with the execution of this Agreement, attached hereto and incorporated herein as <u>Exhibit 5.13</u> to this Agreement, and again on the Closing Date, the Company shall provide the Financial Statements for the year ended December 31, 2012;

(e) The following additional lists shall be provided at Closing:

(i) a list of all of the Company's accounts receivable, notes receivable, cash balances, deposits;
(ii) a list of all of the Company's inventory;
(iii) a list of all of the Company's fixed assets and any other real and company assets;
(iv) a list of all of the Company's intellectual property, tradenames and trademarks and any other intangible property ;
(v) a list of all of the Company's accounts payable and other liabilities and contingent liabilities;
(vi) a list of all of the Company's employees and the current compensation of each employee, all fringe benefits provided for each employee and all employee benefit plans.

(f) the Company's Financial Statements for the quarter ended March 31, 2013 and as of the Closing Date; and

(g) The executed key employment agreements provided for in Section 4.14.

10.3 <u>Obligations of Parent and Sub</u>. At the Closing, Parent and Sub shall deliver a) the officers' certificates and closing certificates provided for in Section 7.3, and (b) the executed Certificates of Merger to be filed with the Secretaries of State of the States of Delaware and California substantially in the forms attached as Exhibit 2.2.

ARTICLE XI

ACTIONS BY PARTIES AFTER THE CLOSING

11.1 Post-Closing Obligations. Concurrently with the execution and delivery hereof, Kurt Wolfgang agreed to sell all shares of the Company in exchange for cash and shares of Parent's stock and other consideration as set forth pursuant to this Agreement. Mr. Wolfgang, as the key executive of the Company (the "Key Executive") acknowledges and agrees that he has technical expertise associated with the Business and is well known in the industry. In addition, the Key Executive has valuable business contacts with clients and potential clients of the Business and with professionals in the industry. Since the Key Executive has the ability to compete with Parent or an Affiliate in the operation of the Business, the Company and Parent therefore desire that the Key Executive agrees to this Section of this Agreement. But for the Key Executive's agreement to these Sections of this Agreement, Parent or Company would not have entered into this Agreement. The Key Executive, in exchange for the consideration to be paid under this Agreement, is willing to agree to the terms of this Section. The Company (through the Surviving Corporation) and the Key Executive will, from and after the Closing Date:

(a) Cooperate with Parent to preserve intact the Company's key personnel and to keep available the services of all of its employees, agents, independent contractors, and consultants commensurate with the Company's Business;

(b) Cooperate with Parent to preserve intact the present customers of the Company and the goodwill of all customers and others with respect to the Business;

(c) Enter into an agreement with its Key Employees substantially in the form attached hereto as Exhibit 4.14 whereby the Key Employees agree, for a period of two (2) years from the Closing Date, and during the two (2) year period commencing on the Key Employee's separation from the Parent or an Affiliate, on their own behalf or on behalf of all other entity, not to hire, solicit, or seek to hire, any employee or consultant of Parent or its Affiliates or in any other manner attempt directly or indirectly to influence, induce or encourage any employee of Parent or its Affiliates to leave the employment of Parent or its Affiliates; and which shall include employees or consultants: (i) with continuing contracts with Parent or an Affiliate; (ii) retained, employed or engaged by Parent or an Affiliate but without continuing contracts; or (iii) whose contracts expire or otherwise terminate for any reason preceding or following the first day of the Non-Solicitation Period;

(d) Agree that after the Closing Date, the Company and Key Employees will not, and will use their best efforts to cause their employees, agents and Affiliates to not, except as expressly requested by Parent or otherwise required to carry out the provisions of this Agreement:

(i) Provide technical information or assistance relating to the Business to any person or organization other than Parent or persons authorized by Parent to receive such information or assistance;

(ii) Assist any other person or organization in engaging in the design, development, engineering or sale of goods or services competing with the Business at any time within three years of the date hereof; and

(iii) Directly or indirectly reveal to anyone the confidential information of Parent or the Business except as required by this Agreement or as expressly requested by Parent.

(iv) Enter into an agreement with its Key Employees, substantially in the form attached hereto as Exhibit 4.14, whereby the Key Employees agree that during the two (2) year period commencing on the Closing Date and during the two (2) year period commencing on the Key Employee's separation from Parent or an Affiliate, each Key Employee shall not, directly or indirectly (including through any Affiliate thereof, whether existing now or in the future), without the prior written consent of Parent, (i) engage or participate in a business, or otherwise perform services for third parties which are competitive with those performed or to be performed by Parent or any Affiliate ("Competitive Services") or (ii) own or operate any business which engages or participates in the same or similar business or businesses conducted or to be conducted by Parent or an Affiliate which performs Competitive Services; *provided, however*, that a Key Employee may hold an investment of no more than five (5) percent of the equity securities of any publicly-traded entity engaged in Competitive Services.

(f) As a guarantee of the Company's, and Mr. Wolfgang's covenants set forth above ("Additional Covenants"), Mr. Wolfgang agrees to forfeit any consideration not yet received, or, in the case of securities, not yet sold, in the event that the Company (through the Surviving Corporation), or Mr. Wolfgang materially breaches the Post Closing Obligations provided for in this Section. Company and Mr. Wolfgang also agree that Parent shall have the right to use any and all rights it may have through indemnification against the Company and Mr. Wolfgang to compensate for such damages or losses as a result of a breach of the Post-Closing Obligations.

11.2 Post-Closing Obligations of Parent. Parent will, from and after the Closing Date:

(a) Provide funds to the Company (through the Surviving Corporation) on such dates and in such amounts as described in section 3.5.

(b) if the Earn Out Consideration is earned pursuant to section 3.1(c), authorize the issuance of any Earn Out Shares due to the Shareholders in accordance with section 3.1(c) and shall deliver to Shareholders the certificates representing such Parent Shares, along with the Earn Out Cash, not later than twenty five (25) business days after the Shareholders' receipt of the Year End Statement, as defined in Section 3.3 provided, however, that if Parent fails to deliver the Shareholders the Year End Statement within sixty (60) business days of the First Year Period, the Earn Out Consideration shall be deemed earned and immediately payable.

(b) Parent shall not take any action to change the total number of authorized board seats of the Surviving Corporation or take any other action to remove the nominee nominated by the Company to the Surviving Corporation's Board of Directors during the 12-month period after the Closing Date.

(c) The Surviving Corporation's Board of Directors shall use reasonable, good faith efforts not to take, or cause the Surviving Company to take, any action that solely and deliberately prevents the Earn-Out Consideration from being earned by the Surviving Corporation.

11.3 Shareholders' Piggy-Back Registration Rights. The Shareholders shall have piggy-back registration rights with respect to the common stock underlying the Parent's Preferred Shares (the "Registrable Securities") then held by the Shareholders, subject to the limitation of the number of shares that may be registered in offerings pursuant to Rule 415 of the U.S. Securities Act of 1933 and the conditions set forth below. If, at any time after the date hereof, the Parent participates (whether voluntarily or by reason of an obligation to a third party) in the registration of any shares of the Parent's stock (other than a registration on Form S-8, Form S-4 or any other similar forms), the Parent shall give written notice thereof to the Shareholders and the Shareholders shall have the right, exercisable within thirty (30) business days after receipt of such notice, to demand inclusion of all or a portion of the Shareholder's Registrable Securities in such registration statement. If the Shareholder exercises such election, the Registrable Securities so designated shall be included in the registration statement at no cost or expense to the Shareholder (other than any costs or commissions which would be borne by the Shareholder under the terms of the Registration Rights Agreement); provided, however, that if there is a managing underwriter of the offering of shares referred to in registration statement and such managing underwriter advises the Parent in writing that the number of shares proposed to be included in the offering will have an adverse effect on its ability to successfully conclude the offering and, as a result, the number of shares to be included in the offering is to be reduced, the number of Registrable Securities of the Shareholder which were to be included in the registration (before such reduction) will be reduced pro rata with the number of shares included for all other parties whose shares are being registered. The Shareholders' rights under this Section shall expire at such time as the Shareholder can sell all of the Registrable Securities under Rule 144 without volume or other restrictions or limit.

11.4 Registration under the Securities Exchange Act of 1934. Parent will use best efforts to register its class of common stock pursuant to Section 12 of the Securities Exchange Act of 1934 as soon as practicable.

11.5 Escrow. The Escrow Fund shall be available to compensate Parent pursuant to its Right of Offset. In the event Parent issues any Earn -Out Shares, such cash and shares will be likewise issued in the name of the respective Shareholders and delivered to the Escrow Agent in the same manner as the Escrow Shares delivered at the Closing, and will become part of the Escrow Fund.

11.6 Lock Up Agreements. Each executive officer of the Parent (each, an "Executive") hereby agrees that during the Restriction Period, he or she shall be prevented from selling any shares until the date the Restriction Period terminates or until the date that the Executive is no longer employed with Parent or any of Parent's Subsidiaries, whichever is sooner. The Executive will not sell, transfer, hypothecate, pledge or otherwise dispose of any shares of Common Stock or Preferred Stock, or any options, warrants or other rights to purchase shares of Common Stock or any other security of the Parent which Executive owns or has a right to acquire as of the date hereof (the "Security"), other than in connection with an offer made to all shareholders of Parent in connection with a merger, consolidation or similar transaction involving the Parent.

"Restriction Period" shall mean that period of time commencing upon the Closing Date and ending on the date that is twelve months thereafter (annual anniversary) of the Closing Date.

Notwithstanding the foregoing restrictions on transfer, the Executive may, at any time and from time to time during the Restriction Period, transfer the Security (i) as bona fide gifts or transfers by will or intestacy, (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the Executive, provided that any such transfer shall not involve a disposition for value, (iii) to a partnership which is the general partner of a partnership of which the Executive is a general partner, provided, that, in the case of any gift or transfer described in clauses (i), (ii) or (iii), each donee or transferee agrees in writing to be bound by the terms and conditions contained herein in the same manner as such terms and conditions apply to the undersigned. For purposes hereof, “immediate family” means any relationship by blood, marriage or adoption, not more remote than first cousin.

ARTICLE XII

MISCELLANEOUS

12.1 Shareholders’ Agent.

(a) The Shareholders’ Agent shall be constituted and appointed as agent for and on behalf of the Company’s Shareholders to give and receive notices and communications, to authorize delivery to Parent of the Parent Shares or other property from the Escrow Fund in satisfaction of claims by Parent Indemnified Parties, to object to such deliveries, to make claims on behalf of the Shareholders pursuant to Section 9.2(b), to agree to, negotiate, enter into settlements and compromises of, and demand arbitration and comply with orders of courts and awards of arbitrators with respect to such claims, and to take all actions necessary or appropriate in the judgment of the Shareholders’ Agent for the accomplishment of the foregoing. Such agency may be changed by the holders of a majority in interest of the Escrow Fund from time to time upon not less than 10 days’ prior written notice to Parent. No bond shall be required of the Shareholders’ Agent, and the Shareholders’ Agent shall receive no compensation for his or her services. Notices or communications to or from the Shareholders’ Agent shall constitute notice to or from each of the Shareholders.

(b) The Shareholders’ Agent shall not be liable for any act done or omitted hereunder as Shareholder’ Agent while acting in good faith and in the exercise of reasonable judgment and any act done or omitted pursuant to the advice of counsel shall be conclusive evidence of such good faith. The Shareholders shall severally indemnify and hold the Shareholders' Agent harmless against any loss, liability or expense incurred without gross negligence or bad faith on the part of the Shareholders' Agent and arising out of or in connection with the acceptance or administration of his duties hereunder.

(c) The Shareholders' Agent shall have reasonable access to information about the Company and the reasonable assistance of the Company's officers and employees for purposes of performing his duties and exercising his rights hereunder, provided that the Shareholders' Agent shall treat confidentially and not disclose any nonpublic information from or about the Company to anyone (except on a need to know basis to individuals who agree to treat such information confidentially).

12.2 Actions of the Shareholders' Agent. A decision, act, consent or instruction of the Shareholders' Agent shall constitute a decision of all Shareholders for whom shares of Parent Shares otherwise issuable to them are deposited in the Escrow Fund and shall be final, binding and conclusive upon each such Shareholders, and the Escrow Agent and Parent may rely upon any decision, act, consent or instruction of the Shareholders' Agent as being the decision, act, consent or instruction of each and every such Shareholder. The Escrow Agent and Parent are hereby relieved from any liability to any person for any acts done by them in accordance with such decision, act, consent or instruction of the Shareholders' Agent.

12.3 Termination.

(a) Termination. This Agreement may be terminated at any time prior to Closing:

(i) By mutual written consent of Parent, Sub, the Company;

(ii) By Parent, Sub, or the Company: (i) if the Merger shall not have been consummated on or before ninety (90) days from the date of execution of this Agreement, provided that the right to terminate this Agreement pursuant to this clause (a) (ii) shall not be available to any party whose failure to perform any of its obligations under this Agreement resulted in, or has been the cause of a or a substantial cause of, the failure of the Merger to be consummated on or before such date, and provider further that if the Merger has not been consummated on or before ninety (90) days from the date of execution of this Agreement solely or primarily as a result of the failure of the conditions set forth in Sections 7.2 or 8.2 to be satisfied or waived, any party, by written notice to each other party, may extend such date up to one hundred fifty (150) days from the date of execution of this Agreement;

(iii) By the Company if (A) Parent fails to pay timely any two (2) of the Bridge Financing Payments set forth in clauses (i) through (vi) of section 4.1(a);;

(iv) By Parent or Sub if there is a material breach of any representation or warranty set forth in Articles V and VI hereof or any covenant or agreement to be complied with or performed by the Company or the Prime Executive Officer pursuant to the terms of this Agreement or the material failure of a condition set forth in Article IX to be satisfied (and such condition is not waived in writing by Parent or Sub) on or prior to the Closing Date, or the occurrence of any event which results or would result in the failure of a condition set forth in Article IX to be satisfied on or prior to the Closing Date, provided that Parent or Sub may not terminate this Agreement prior to the Closing Date if the Company has not had an adequate opportunity to cure such failure; or

(v) By the Company if there is a material breach of any representation or warranty set forth in Article VI hereof or of any covenant or agreement to be complied with or performed by Parent or Sub pursuant to the terms of this Agreement or the failure of a condition set forth in Article VII to be satisfied or the occurrence of a Material Adverse Effect upon Parent or Sub (and such condition is not waived in writing by the Company) on or prior to the Closing Date, or the occurrence of any event which results or would result in the failure of a condition set forth in Article VII to be satisfied on or prior to the Closing Date; provided that, the Company may not terminate this Agreement prior to the Closing Date if Parent or Sub has not had an adequate opportunity to cure such failure.

(vi) By the Company if Parent suspends its usual business activities or partially liquidates its business; or

(vii) By the Company if a Court having jurisdiction in the premises shall enter a decree or order for relief in respect of Parent or any of Parent's subsidiaries in an involuntary case under Title 11 of the United States Code entitled "Bankruptcy" (as now and hereinafter in effect, or any successor thereto, the "Bankruptcy Code") or any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed; or any other similar relief shall be granted under any applicable federal or state law; or (ii) an involuntary case shall be commenced against Parent or any of Parent's subsidiaries under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over Parent or any of Parent's subsidiaries or over all or a substantial part of its property shall have been entered; or the involuntary appointment of an interim receiver, trustee or other custodian of Parent or any of Parent's subsidiaries for all or a substantial part of its property shall have occurred; or a warrant of attachment, execution or similar process shall have been issued against any substantial part of the property of Parent or any of Parent's subsidiaries, and, in the case of any event described in this clause (ii), such event shall have continued for 60 days unless dismissed, bonded or discharged; or

(viii) By the Company if an order for relief shall be entered with respect to Parent or any of Parent's subsidiaries or Parent or any of Parent's subsidiaries shall commence a voluntary case under the Bankruptcy Code or any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or Parent or any of Parent's subsidiaries shall make an assignment for the benefit of creditors; or Parent or any of Parent's subsidiaries shall be unable or fail, or shall admit in writing its inability, to pay its debts as such debts become due; or the Board of Directors of Parent or any of Parent's subsidiaries (or any committee thereof) shall adopt any resolution or otherwise authorize action to approve any of the foregoing; or

(ix) By Parent or Sub if the holders of 5% or more of the issued and outstanding Company Shares exercise their right to dissent to the Merger in accordance with Section 14A:11 of the CGCL.

(b) In the Event of Termination. In the event of termination of this Agreement:

(i) Each party will redeliver all documents, work papers and other material of any other party relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to the party furnishing the same;

(ii) The provisions of the Mutual Non-Disclosure Agreement (the "Mutual Non-Disclosure Agreement"), dated as of January 29, 2013, by and between Parent and the Company shall continue in full force and effect;

(iii) Each party's right of termination under section 12.3 is in addition to any other right it may have under this Agreement or otherwise, and the exercise of a party's right of termination will not constitute an election of remedies. If this Agreement is terminated pursuant to Section 12.3(a), this Agreement will be of no further force or effect; provided, however, that (i) this Section 12.3(b)(iii) and Article 12 will survive the termination of this Agreement and will remain in full force and effect, and (ii) the termination of this Agreement will not relieve any party from any liability for any breach of this Agreement occurring prior to termination; and.

(iv) If Parent or Sub terminates this Agreement pursuant to Section 10.4(a), 12.3(a)(iv) or (ix), any and all Bridge Financing Payments shall be repaid by the Company to the Parent within ten (10) days of termination. If Company terminates this Agreement pursuant to Section 10.4(b), 12.3(a)(v), (vi), (vii) or (viii), Parent shall forfeit any and all Bridge Financing Payments. NO matter how the Agreement is terminated, the Company shall have no rights to any unpaid Bridge Financing Payments and all unpaid Bridge Financing Payments shall be immediately cancelled and of no further force or effect.

12.4 Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by any party without the prior written consent of the other parties.

Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, and no other person shall have any right, benefit or obligation under this Agreement as a third party beneficiary or otherwise.

12.5 Notices. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy, electronic or digital transmission method; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (e.g., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to:

If to the Company before the Closing Date, addressed to:

Kurt Wolfgang, CEO
Velocity Networks, Inc.
5155 W. Rosecrans Ave., Suite 100
Hawthorne, CA 90250

With copies to:

Mark Hiraide, Partner
Pettilon, Hiraide & Loomis
21515 Hawthorne Blvd., Suite 1260
Torrance, CA 90503

Brian Wygle, Managing Director
Lazarus Resources Group, LLP
2600 W. Olive Ave., 5th Floor
Burbank, CA 91505

If to Parent or Sub at any time or the Surviving Corporation, addressed to:

Axiologix, Inc.
Attn. Vincent Browne, CEO
1990 Main St., Suite 750
Sarasota, FL 34236

With a copy to:

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

12.6 Choice of Law. This Agreement shall be construed, interpreted and the rights of the parties determined in accordance with the laws of the State of Delaware (without reference to the choice of law provisions of Delaware law), except with respect to matters of law concerning the internal corporate affairs of any corporate entity which is a party to or the subject of this Agreement, and as to those matters the law of the jurisdiction under which the respective entity derives its powers shall govern.

12.7 Entire Agreement; Amendments and Waivers. This Agreement, the Mutual Non-Disclosure Agreement and the Employment Agreement(s), together with all exhibits and schedules hereto and thereto (including the Disclosure Schedule) constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. No amendment, supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

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

12.9 Expenses. Except as otherwise specified in this Agreement, each party hereto shall pay its own legal, accounting, out-of-pocket and other expenses incident to this Agreement and to any action taken by such party in preparation for carrying this Agreement into effect.

12.10 Invalidity. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

12.11 Titles. The titles, captions or headings of the Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

12.12 Cumulative Remedies. All rights and remedies of either party hereto are cumulative of each other and of every other right or remedy such party may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

12.13 Attorneys' Fees. If any party to this Agreement brings an action to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including without limitation reasonable attorneys' fees, incurred in connection with such action, including any appeal of such action.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on their respective behalf, by their respective officers thereunto duly authorized, all as of the day and year first above written.

PARENT:
AXIOLOGIX, INC.

By:

Name: Vincent Browne
Its: Chief Executive Officer

SUB:

AXIOLOGIX SUB, INC.

By: ______________________________

Name: Vincent Browne
Its: Chief Executive Officer

COMPANY:

VELOCITY NETWORKS, INC.

By: ______________________________

Name:
Its:

KURT WOLFGANG

By: ______________________________

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on their respective behalf, by their respective officers thereunto duly authorized, all as of the day and year first above written.

PARENT:
AXIOLOGIX, INC.

By:

Name: Vincent Browne
Its: Chief Executive Officer

SUB;

AXIOLOGIX SUB, INC.

By: ______________________________

Name: Vincent Browne
Its: Chief Executive Officer

COMPANY:

VELOCITY NETWORKS, INC.

By: ______________________________

Name: KURT WOLFGANG
Its: CEO

KURT WOLFGANG

By: ______________________________

CERTIFICATE OF DESIGNATION

OF

SERIES D CONVERTIBLE PREFERRED STOCK

OF

AXIOLOGIX, INC.

____

Axiologix, Inc., a Nevada corporation (the "Company") certifies that pursuant to the authority contained in ARTICLE III of its Articles of Incorporation, as amended (the "Articles of Incorporation"), the Board of Directors of the Company (the "Board of Directors"), by unanimous written consent in lieu of a meeting effective ___________, 2013, duly approved and adopted the following resolution, which resolution remains in full force and effect on the date hereof:

RESOLVED, that pursuant to the authority vested in the Board of Directors by the Articles of Incorporation, the Board of Directors does hereby designate, create, authorize and provide for the issue of a series of preferred stock, par value $.001 per share, which shall be designated as Series D Convertible Preferred Stock, and which shall have the voting powers, designations, preferences, limitations, restrictions, and relative rights as follows:

CERTIFICATE OF DESIGNATION OF
SERIES D CONVERTIBLE PREFERRED STOCK
OF AXIOLOGIX, INC.

1. **Designation, Amount, Par Value, Liquidation Value and Rank**.

a. The Preferred Stock authorized under this Certificate of Designation shall be designated as the Series D Convertible Preferred Stock (the "Series D Preferred"), and the number of shares so designated shall be **550,000**, subject to adjustment for any stock splits, stock dividends or similar transactions affecting the Series D Preferred, and which shall not be subject to increase without the consent of each holder of the Series D Preferred (each, a "Holder", and collectively, the "Holders"). Each share of Series D Preferred, par value $0.001 per share, shall have a liquidation value of **$10.00** per share (the "Liquidation Value").

b. The Series D Preferred shall, with respect to dividends and distributions upon liquidation, dissolution or winding up of the Company, rank *senior* to all classes of Common Stock and *pari passu* with any other series of Preferred Stock that is not, expressly by its terms, made senior to the Series D Preferred.

2. **Dividends**. The Holders of the Series D Preferred shall not be entitled to receive any dividend payment.

3. **Voting Rights**. Except as expressly provided otherwise herein, or as required by law, the holders of shares of Series D Preferred Stock shall vote together as a single class with the holders of the Common Stock, on the basis of one vote for each share of Series D Preferred Stock.

4. **Liquidation**.

a. Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a "Liquidation"), the holders of record of the Series D Preferred shall be entitled to receive, *p*rior to any distribution or payment made upon any shares of Common Stock, out of the assets of the Company and after any distribution or payment is made upon any series of Preferred Stock expressly senior in rank to the Series D Preferred, for each share of Series D Preferred, an amount per share equal to the Liquidation Value (determined on an "as converted" basis) and the holders of all of the outstanding Common Stock of the Company. If the assets of the Company shall be insufficient to pay in full all amounts due to the holders of the Series D Preferred and Common Stock then the entire assets of the Company shall be distributed to such holders ratably in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full.

b. The Company shall mail written notice of any such Liquidation, not less than 45 days prior to the payment date stated therein, to each Holder.

5. **Mechanics of Conversion**.

a. Holder's Delivery Requirements. Each share of Series D Preferred shall be convertible, at the option of the Holder thereof, at any time, and from time to time after twelve months from the date of issuance, into that number of fully paid and non-assessable shares of Common Stock as is determined by the Conversion Price in effect at the time of conversion, determined as hereinafter provided. The Conversion Price shall be the closing price per share of the Company's Common Stock on the trading day prior to the date the Conversion Notice is received by the Company (the "Conversion Price"). A Holder shall effect conversions by surrendering to the Company the certificate or certificates representing the shares of Series D Preferred to be converted, together with a copy of the form of conversion notice attached hereto as Exhibit A (the "Conversion Notice"). Each Conversion Notice shall specify the Holder, the number of shares of Series D Preferred to be converted and the date on which such conversion is to be effected, which date may not be prior to the date the Holder delivers such Conversion Notice by facsimile (the "Conversion Date"). If no Conversion Date is specified in a Conversion Notice the Conversion Date shall be the date that the Conversion Notice is deemed delivered pursuant to this Section. Subject to Section 5(b) hereof, each Conversion Notice, once given, shall be irrevocable.

b. Company's Response. Not later than three (3) Trading Days after any Conversion Date, the Company shall cause to be delivered to the Holder, or to such Holder's designee, (i) a certificate or certificates which shall contain the necessary restrictive legends and trading restrictions representing the number of shares of Common Stock being acquired upon the conversion of shares of Series D Preferred and (ii) if the Holder is converting less than all shares of Series D Preferred represented by the certificate or certificates tendered by the Holder with the Conversion Notice, one or more certificates representing the number of shares of Series D Preferred not converted.

c. Restriction on Conversion by Either the Holder(s) or the Company.

(i) All of the Common Stock issuances and restrictions set forth herein and in Section 5(d) shall be calculated for each individual Holder on a pro rata basis, based on each Holder's percentage ownership of Velocity Networks, Inc. as of the Closing Date of the acquisition of Velocity Networks, Inc. by the Company.

(ii) No more than $150,000 worth of Series D Preferred shall be converted in total by the Holders as a group during any one calendar month.

(iii) Notwithstanding anything herein to the contrary, in no event shall the Holder(s) or the Company have the right or be required to convert, as applicable, shares of Series D Preferred if as a result of such conversion the aggregate number of shares of Common Stock beneficially owned by such Holder(s) and its Affiliates and any other persons whose beneficial ownership of Common Stock would be aggregated with the shareholder(s) for purposes of Section 13(d) of the 1934 Act, would exceed 4.99% of the outstanding shares of the Common Stock following such exercise (including for such purpose the shares of Common Stock issuable upon such conversion). For purposes of this Section, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 5(c) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor Holder of Preferred Stock.

d. Restriction on Sales by the Holders. Beginning on the month after the Holder is able to utilize an exemption under SEC Rule 144, the Holder(s) as a group may sell a maximum amount of Common Shares per week not to exceed the daily VWAP of the Company's common stock in the prior week.

"VWAP" means, as of any date, the daily dollar volume-weighted average price for such security as reported by Bloomberg, LP through its "Historical Price Table Screen (HP)" with Market: Weighted Ave function selected (or comparable financial news service (U.S market only), or, if no dollar volume-weighted average price is reported for such security by Bloomberg, LP (or comparable financial news service (U.S market only), the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the "pink sheets" by the OTC Markets Group.

e. The Holder(s) shall deliver third party brokerage reports providing all the Holder(s) sales information on the Company's Common Stock ("Sales Reports") and the Holder(s) beneficial ownership reports to the Company prior to or concurrent with each Conversion Notice and on a monthly basis as soon as such reports are available. If the Sales Reports are not received by the Company in accordance with the above schedule, the Company has the right to disregard any subsequent Conversion Notice(s) until such Sales Reports are properly provided to the Company. In addition, if a Holder breaches Section 5(d) above, the Holder shall pay liquidated damages to the Company in an amount equal to fifty thousand dollars ($50,000) for each weekly sale violation; such amount can be paid in cash or through the return of that number of Series D Preferred Shares with a value equal to the total liquidated damages amount.

6. **Reservation of Shares.** The Company covenants that it will at all times reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of issuance upon conversion of the Series D Preferred and free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holders of Series D Preferred, not less than 100% of such number of shares of Common Stock as shall (subject to any additional requirements of the Company as to reservation of such shares set forth in the Purchase Agreement) be issuable (taking into account the adjustments of Section 7) upon the conversion of all outstanding shares of Series D Preferred (without regard to any limitations on conversion). The Company shall, from time to time in accordance with Nevada law, take all steps necessary to increase the authorized amount of its Common Stock if at any time the authorized number of shares of Common Stock remaining unissued shall not be sufficient to permit the conversion of all of the shares of the Series D Preferred. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

7. **Adjustment of Conversion Price**.

a. Common Stock Dividends; Common Stock Splits; Reclassification. If the Company, at any time after the Original Issue Date shall (a) subdivide outstanding shares of Common Stock into a larger or smaller number of shares or (b) issue by reclassification of shares of Common Stock any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding before such event and the denominator of which shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or re-classification.

b. Rounding. All calculations under this Section 7 shall be made to the nearest cent or the nearest l/l00th of a share, as the case may be.

c. Notice of Adjustment. Whenever the Conversion Price is adjusted pursuant to this Section 7 the Company shall promptly mail to the Holders a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Such notice shall be signed by the chairman, president or chief financial officer of the Company.

d. Change of Control; Compulsory Share Exchange. In case of (A) any Change of Control Transaction or (B) any compulsory share exchange pursuant to which the Common Stock is converted into other securities, cash or property (each, an "Event"), lawful provision shall be made so that the Holders shall have the right thereafter to convert the shares of Series D Preferred for shares of stock and other securities, cash and property receivable upon or deemed to be held by holders of Common Stock following such Event, and the Holders shall be entitled upon such Event to receive such amount of shares of stock and other securities, cash or property as the shares of the Common Stock of the Company into which the shares of Series D Preferred could have been converted immediately prior to such Event (without taking into account any limitations or restrictions on the convertibility of the Securities) would have been entitled. The provisions of this Section 7(d) shall similarly apply to successive Events.

e. Notice of Certain Events. If:

(i) the Company shall declare a dividend (or any other distribution) on its Common Stock;

(ii) the Company shall declare a special nonrecurring cash dividend on or a redemption of its Common Stock;

(iii) the Company shall authorize the granting to the holders of its Common Stock rights, options or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights;

(iv) the approval of any shareholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property; or

(v) the Company shall authorize the Liquidation of the affairs of the Company;

then the Company shall cause to be filed at each office or agency maintained for the purpose of the conversion of the Series D Preferred, and shall cause to be delivered to the Holders at the address specified herein, at least 30 (thirty) calendar days prior to the applicable record or effective date hereinafter specified, a notice (provided such notice shall not include any material non-public information) stating (a) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, or granting of options, rights or warrants, or if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distributions, redemption, rights, options or warrants are to be determined or (b) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of record of Common Stock shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided, however, that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. Nothing herein shall prohibit the Holders from converting shares of Series D Preferred held by such Holder during the 30-day period commencing on the date of such notice to the effective date of the event triggering such notice.

8. Transferability; Right of First Refusal. The holders of the Series D Preferred shall be entitled, at their option, to transfer the Series D Preferred to a third party, but only after giving the Company at least 90 days prior notice and a right of first refusal. The Company shall have a right of first refusal with respect to any offer to transfer the Series D Preferred to any third party(ies) undertaken by the holders, as follows. In the event that the holders propose to sell, assign or otherwise transfer ownership of the shares (a "Proposed Transaction"), then the holders shall send to the Company a notice in writing of all of the terms of the Proposed Transaction (such notice, the "Offer Notice"). The Offer Notice shall constitute an irrevocable offer to sell the securities which are the subject of the Proposed Transaction (the "Offered Securities") to the Company, on the basis described in the Proposed Transaction.

At any time within ten (10) business days after receipt by the Company of the Offer Notice (the "Option Period"), the Company may elect to accept the offer to purchase with respect to all of the Offered Securities under identical terms of the Proposed Transaction and shall give written notice of such election (the "Acceptance Notice") to the Company within the Option Period. The closing for any purchase of Offered Securities by the Company shall take place within thirty (30) days following the expiration of the Option Period. After the expiration of the Option Period, if the Company has not provided to the holders an Acceptance Notice for all of the Offered Securities under identical terms of the Proposed Transaction, then the holders may offer such Offered Securities on identical terms to third parties. However, in the course of negotiation with third parties, if the terms of the Proposed Transaction are materially modified, then the holders shall again send an Offer Notice to the Company outlining any such material modification of the Proposed Transaction (the "Revised Transaction") and shall grant the Company a new Offering Period in which to accept such Revised Transaction

9. No Redemption. The Series D Preferred is non-redeemable**.**

10. **Definitions**. For the purposes hereof, the following terms shall have the following meanings:

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Appraiser" means a nationally recognized or major regional investment banking firm or firm of independent certified public accountants of recognized standing.

"Common Stock" means the Company's common stock, $.001 par value per share, and stock of any other class into which such shares may hereafter have been reclassified or changed.

"Conversion Price" has the meaning set forth in Section 5(a).

"Liquidation Value" has the meaning set forth in Section 1 hereof.

"Original Issue Date" shall mean the date of the first issuance of any shares of the Series D Preferred, regardless of the number of transfers of any particular shares of Series D Preferred and regardless of the number of certificates which may be issued to evidence such Series D Preferred.

"Person" means a corporation, an association, a partnership, organization, a business, an individual, a government or political subdivision thereof or a governmental agency.

"Preferred Stock" means the preferred stock of the Company, par value $.001 per share.

"Underlying Shares" means the number of shares of Common Stock into which the Series D Preferred are convertible in accordance with the terms hereof.

11. **Notices**. Except as otherwise provided in the event of conversion of shares of Series D Preferred, all notices or other communications required hereunder shall be in writing and shall be deemed to have been received (a) upon hand delivery (receipt acknowledged) or delivery by telex (with correct answer back received) telecopy or facsimile (with transmission confirmation report) at the address or number designated below (if received by 6:00 p.m. EST where such notice is to be received), or the first business day following such delivery (if received after 6:00 p.m. EST where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur; and shall be regarded as

properly addressed if sent to (i) the Company, to Axiologix, Inc., 1990 Main St., Suite 750, Sarasota, FL 34236, facsimile (941) 309-5201, and (ii) if the Holder, at its respective addresses set forth in the books and records of the Company, or such other address as any of the above may have furnished to the other parties in writing by registered mail, return receipt requested.

12. **Lost or Stolen Certificates**. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any stock certificates representing the shares of Series D Preferred, and, in the case of loss, theft or destruction, of any indemnification undertaken by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of such Series D Preferred stock certificate(s), the Company shall execute and deliver new preferred stock certificate(s) of like tenor and date; provided, however, the Company shall not be obligated to re-issue preferred stock certificates if the Holder contemporaneously requests the Company to convert such Series D Preferred into Common Stock.

13. **Remedies Characterized; Other Obligations, Breaches and Injunctive Relief**. The remedies provided in this Certificate of Designation shall be cumulative and in addition to all other remedies available under this Certificate of Designation, at law or in equity (including a decree of specific performance and/or other injunctive relief), but not including the Subscription Agreement, whose terms, conditions and remedies shall not be a part of the rights of the Holders as holders of Series D Preferred. No remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit a Holder's right to pursue actual damages for any failure by the Company to comply with the terms of this Certificate of Designation. The Company covenants to each Holder of Series D Preferred that there shall be no characterization concerning this instrument other than as expressly provided herein. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by the Holder thereof and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holders of the Series D Preferred and that the remedy at law in the event of any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the Holders of the Series D Preferred shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

14. **Specific Shall Not Limit General; Construction**. No specific provision contained in this Certificate of Designation shall limit or modify any more general provision contained herein. This Certificate of Designation shall be deemed to be jointly drafted by the Company and all Holders and shall not be construed against any Person as the drafter hereof.

15. **Failure or Indulgence Not Waiver**. No failure or delay on the part of a Holder of Series D Preferred in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

16. **Fractional Shares**. Upon a conversion hereunder, the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the Per Share Market Value at such time. If the Company elects not, or is unable, to make such a cash payment, the Holder of a share of Series D Preferred shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

17. **Payment of Tax Upon Issue of Transfer**. The issuance of certificates for shares of the Common Stock upon conversion of the Series D Preferred Shares shall be made without charge to the Holders thereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificate, provided that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holders so converted, and the Company shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

18. **Shares Owned by Company Deemed Not Outstanding**. In determining whether the Holders of the outstanding shares of Series D Preferred have concurred in any direction, consent or waiver under this Certificate of Designation, shares of Series D Preferred which are owned by the Company or any other obligor thereof shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided, that any Series D Preferred owned by the Holders shall be deemed outstanding for purposes of making such a determination. Shares of the Series D Preferred so owned which have been pledged in good faith may be regarded as outstanding if (i) the pledgee establishes to the satisfaction of the Holders and the Company the pledgee's right so to act with respect to such shares and (ii) the pledgee is not the Company or any other obligor of the Company.

19. **Communications**. The holders of the Series D Preferred shall be entitled to receive, and the Company shall deliver pursuant to Section 11 hereof, all communications sent by the Company to the holders of the Common Stock.

20. **Reacquired Shares**. Any shares of Series D Preferred redeemed, purchased, converted or otherwise acquired by the Company in any manner whatsoever shall not be reissued as part of the Company's Series D Preferred and shall be retired promptly after the acquisition thereof. All such shares shall become, upon their retirement (and the filing of any certificate required in connection therewith pursuant to the General Corporation Law of the state of Nevada), authorized but unissued shares of Preferred Stock.

21. **Effect of Headings**. The section headings herein are for convenience only and shall not affect the construction hereof.

IN WITNESS WHEREOF, Axiologix, Inc. has caused this Certificate of Designation to be signed by its Chief Executive Officer and Secretary on this ___ day of ______, 2013.

By:_________________________
Name: Vincent Browne
Title: Chief Executive Officer and Secretary

EXHIBIT A

NOTICE OF CONVERSION
AT THE ELECTION OF HOLDER

(*To be Executed by the Registered Holder in order to Convert shares of Series D Preferred Stock)*

The undersigned hereby elects to convert the number of shares of Series D Convertible Preferred Stock indicated below, into shares of common stock, par value $.001 per share (the "Common Stock"), of Axiologix, Inc. (the "Company") according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the Holder for any conversion, except for such transfer taxes, if any.

Conversion calculations:

____
Date to Effect Conversion

____
Number of shares of Series D Preferred Stock to be Converted

____
Number of shares of Common Stock to be Issued

____
Applicable Conversion Price

____
Name of Person to whom Shares of Common Stock are to be Issued

____
Signature

____
Name

____
Address