

SECURITIES AND EXCHANGE COMMISSION

FORM SC 13D

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities

Filing Date: **2005-11-21**
SEC Accession No. **0000911420-05-000500**

([HTML Version](#) on [secdatabase.com](#))

FILED BY

COMVEST INVESTMENT PARTNERS II LLC

CIK: **1275683** | IRS No.: **010784781**
Type: **SC 13D**

Mailing Address
830 THIRD AVE
NEW YORK NY 10022

SUBJECT COMPANY

IT&E INTERNATIONAL GROUP

CIK: **1193940** | IRS No.: **770436157** | Fiscal Year End: **1231**
Type: **SC 13D** | Act: **34** | File No.: **005-81151** | Film No.: **051219066**
SIC: **8731** Commercial physical & biological research

| Mailing Address | Business Address |
|---|---|
| 505 LOMAS SANTA FE DRIVE, SUITE 200 SOLANA BEACH CA 92075 | 505 LOMAS SANTA FE DRIVE, SUITE 200 SOLANA BEACH CA 92075 858-366-0970 |

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

SCHEDULE 13D

Under the Securities Exchange Act of 1934

IT&E INTERNATIONAL GROUP
(Name of Issuer)

Common Stock, par value \$.001
(Title of Class of Securities)

45032A104
(CUSIP Number)

ComVest Investment Partners II LLC
One North Clematis Street, Suite 300
West Palm Beach, Florida 33401
(561) 868-6074

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications)

Copy to:

Alan I. Annex, Esq.
Greenberg Traurig, LLP
200 Park Avenue
New York, New York 10166

November 9, 2005

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box [].

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

(Page 1 of 12)

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

ComVest Investment Partners II LLC (01-0784781)

2 CHECK THE APPROPRIATE BOX IF MEMBER OF A GROUP*

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS*

WC

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT
TO ITEMS 2(d) or 2(e) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER
295,714,178

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

8 SHARED VOTING POWER
295,714,178

9 SOLE DISPOSITIVE POWER
295,714,178

10 SHARED DISPOSITIVE POWER
295,714,178

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

295,714,178

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* []

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

83.1%

14 TYPE OF REPORTING PERSON*

OO

*SEE INSTRUCTIONS BEFORE FILLING OUT!

CUSIP NO. 45032A104

SCHEDULE 13D Page 3 of 12 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

ComVest II Partners, LLC (01-6228703)

2 CHECK THE APPROPRIATE BOX IF MEMBER OF A GROUP*

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS*

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT
TO ITEMS 2 (d) or 2 (e)

[]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

0

8 SHARED VOTING POWER

295,714,178

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

9 SOLE DISPOSITIVE POWER

0

10 SHARED DISPOSITIVE POWER

295,714,178

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295,714,178

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OO

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CUSIP NO. 45032A104

SCHEDULE 13D Page 4 of 12 Pages

1 NAME OF REPORTING PERSON

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

Commonwealth Associates Group Holdings, LLC (01-0622406)

2 CHECK THE APPROPRIATE BOX IF MEMBER OF A GROUP*

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS*

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2 (d) or 2 (e) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

0

| | | |
|--|------------------------------|--|
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 8 9 10 | SHARED VOTING POWER 295,714,178 SOLE DISPOSITIVE POWER 0 SHARED DISPOSITIVE POWER 295,714,178 |
|--|------------------------------|--|

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295,714,178

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14 TYPE OF REPORTING PERSON*

OO

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CUSIP NO. 45032A104

SCHEDULE 13D Page 5 of 12 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

Michael S. Falk

2 CHECK THE APPROPRIATE BOX IF MEMBER OF A GROUP*

(a) []
(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS*

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) []

6 CITIZENSHIP OR PLACE OF ORGANIZATION

USA

7 SOLE VOTING POWER
0

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

8 SHARED VOTING POWER
295,714,178

9 SOLE DISPOSITIVE POWER
0

10 SHARED DISPOSITIVE POWER
295,714,178

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295,714,178

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83.1%

14 TYPE OF REPORTING PERSON*
IN

*SEE INSTRUCTIONS BEFORE FILLING OUT!

CUSIP NO. 45032A104

SCHEDULE 13D Page 6 of 12 Pages

1 NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

2 CHECK THE APPROPRIATE BOX IF MEMBER OF A GROUP*

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS*

AF

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)

[]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

USA

7 SOLE VOTING POWER

0

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

8 SHARED VOTING POWER

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83.1%

14 TYPE OF REPORTING PERSON*

IN

CUSIP NO. 45032A104

SCHEDULE 13D Page 7 of 12 Pages

ITEM 1. SECURITY AND ISSUER.

This Statement relates to senior secured convertible promissory notes and warrants to purchase shares (the "Shares") of the Common Stock, par value \$0.001 per share (the "Common Stock") of IT&E International Group, a Nevada corporation (the "Issuer") acquired by the Reporting Person on November 9, 2005 and to be acquired before December 31, 2005. The principal executive offices of the Issuer are located at 505 Lomas Santa Fe Drive, Suite 200, Solana Beach, CA 92075.

ITEM 2. IDENTITY AND BACKGROUND.

The name of the Reporting Person is ComVest Investment Partners II LLC, a Delaware limited liability company ("ComVest"). ComVest is a private investment company. The managing member of ComVest is ComVest II Partners LLC, a Delaware limited liability company ("ComVest II Partners"), the managing member of which is Commonwealth Associates Group Holdings, LLC, a Delaware limited liability company ("CAGH"). Michael Falk ("Falk") is the Chairman and principal member of CAGH. Robert Priddy ("Priddy") is a member of ComVest II Partners. Falk and Priddy are citizens of the United States of America.

The business address for ComVest and the other entities and individuals described in this Item 2 is One North Clematis Street, Suite 300, West Palm Beach, Florida 33401.

During the last five years, neither ComVest nor any other person enumerated in this Item 2, has been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

On November 9, 2005 (the "Initial Closing Date"), Issuer and ComVest signed a Securities Purchase Agreement (the "Purchase Agreement") and consummated the transactions contemplated thereby. Pursuant to the terms and conditions set forth in the Purchase Agreement, ComVest received (i) a Senior Secured Convertible Promissory Note in the principal amount of \$5,800,000 (the "Senior Secured Note") and (ii) warrants ("Warrants") to purchase up to

41,428,559 shares of Common Stock. As further provided in the Purchase Agreement, on or before December 31, 2005 (the "Second Closing") ComVest is obligated to invest up to an additional \$3,000,000 for the purchase of an additional Senior Secured Promissory Note in the principal amount of up to \$3,000,000 or up to 3,000 shares of Series D Convertible Preferred Stock (the "Series D Preferred Stock") and warrants to purchase 21,428,565 shares of Common Stock. The Issuer also granted ComVest an option to invest up to an additional \$5,000,000 for the purchase of up to 5,000 shares of Series D Preferred Stock convertible into 71,428,550 shares of Common Stock and Warrants for the purchase of up to 35,714,256 shares of Common Stock (the "Option"). In addition, ComVest and the Issuer entered into a Registration Rights Agreement on November 9, 2005 (the "Registration Rights Agreement").

The Senior Secured Note is convertible into shares of Series D Preferred Stock immediately upon the Issuer having a sufficient number of Series D Preferred Stock authorized for issuance.(1) The Series D

(1) In the event that the Senior Secured Note is not converted into Series D Preferred Stock, then the Senior Secured Note is payable in cash or Common Stock at the option of ComVest upon the earlier of (i) three (3) months following the date of the transaction, (ii) a merger or combination of the Issuer or the sale, transfer or other disposition of all or substantially all of the assets of the Issuer or (iii) the acquisition by a

CUSIP NO. 45032A104

SCHEDULE 13D Page 8 of 12 Pages

Preferred Stock will have the rights and preferences as set forth in the certificate of designation for such Series D Preferred Stock (the "Certificate of Designation"), which shall be filed with the Secretary of State for the State of Nevada. Each share of Series D Preferred Stock has a stated value of \$1,000 per share and can be converted into 14,285.7 shares of the Issuer's Common Stock, subject to customary antidilution provisions, as set forth in the Certificate of Designation.

The Senior Secured Notes and all other obligations of the Issuer under the Purchase Agreement are secured by substantially all of the assets of the Issuer (the "Collateral"), as set forth in that certain Security Agreement dated as of November 9, 2005 (the "Security Agreement"). Pursuant to the Security Agreement, ComVest holds a first priority perfected lien and security interest in the Collateral, which security interest shall rank senior in lien priority to any other existing or future indebtedness of the Issuer.

All warrants are subject to anti-dilution protection.

ITEM 4. PURPOSE OF TRANSACTION.

ComVest purchased the Shares for investment purposes and not with the view to sell in connection with any distribution thereof. Except in the ordinary course of business or as set forth below, the Reporting Person has no present intention or plans or proposals which relate to or could result in any of the matters referred to in paragraphs (a) through (j) of Item 4 of Schedule 13D.

The holders of a majority of the shares of Common Stock outstanding prior to the Initial Closing Date, have executed a written consent approving an amendment to the Issuer's articles of incorporation to reflect the designation and issuance of the Series D Preferred Stock on the terms set forth in the Certificate of Designation and to the increase in the number of authorized shares of Common Stock to 650,000,000, subject only to the applicable provisions of Rule 14c of the Securities Exchange Act of 1934.

ComVest, pursuant to the Purchase Agreement, has appointed Michael S. Falk and Cecilio M. Rodriguez as directors to the Issuer's Board of Directors, and will have the right to appoint three (3) additional directors. As a result, ComVest will have nominated five (5) out of the seven (7) members of the Issuer's Board of Directors. At least two (2) of the ComVest directors shall be qualified to serve as independent directors and satisfy the NASDAQ National Market requirements for independence and at least one (1) of the "independent" designees shall be appointed to the Issuer's Compensation Committee. The Issuer shall use its best efforts to have the ComVest designees nominated to and elected to the Issuer's Board of Directors.

The information provided in Item 3 is incorporated by reference herein.

Notwithstanding anything to the contrary contained herein, the Reporting Person reserves the right, depending on all relevant factors, to change its intention with respect to any and all of the matters referred to above.

single entity, person or a "group" within the meaning of Rule 13d-1 of the Exchange Act, of more than fifty percent (50%) of the voting power or capital stock of the Issuer (on a fully-diluted basis) or (iv) the issuance by the Issuer of Common Stock equivalents other than an exempt issuance, whereby the Issuer shall pay an amount equal to Fifty Percent (50%) of the net proceeds received by the Issuer from such sale (or a lesser amount if the aggregate outstanding principal and interest is less than 50% of the net proceeds) (the "Demand Date") the principal amount of the Senior Secured Note together with all accrued and unpaid interest thereon, unless the Senior Secured Note is sooner converted in accordance with its terms.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.

(a) Including the shares of Common Stock and the shares of Series D Preferred Stock (on an as converted basis) that ComVest acquired on the Initial Closing Date and as will be acquired subject to the Second Closing and the Option, ComVest has the beneficial ownership of 295,714,178 shares of Common Stock of the Issuer, representing 83.1% of the Issuer's stock. To the extent that ComVest does not exercise the Option, ComVest's beneficial ownership will be 188,571,372 shares of Common Stock of the Issuer, representing 75.8% of the Issuer's stock.

Falk and Priddy, by virtue of their status as managing members of ComVest II Partners (the managing member of ComVest) and as the principal members of ComVest and ComVest II Partners, may be deemed to have indirect beneficial ownership of the Shares owned by ComVest. However, Falk and Priddy disclaim any beneficial ownership of such Shares.

(b) Falk and Priddy, by virtue of their status as managing members of ComVest II Partners (the managing member of ComVest) and as the principal members of ComVest and ComVest II Partners, have the power to vote or to direct the vote and the power to dispose and to direct the disposition of the Shares owned by ComVest.

(c) Not applicable.

(d) Not applicable.

(e) Not applicable.

Item 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

Other than as set forth above, neither ComVest nor any other person named in Item 2 above has any contracts, arrangements, understandings or relationships (legal or otherwise) with any person with respect to any securities of the Issuer, including but not limited to any contracts, arrangements, understandings or relationships concerning the transfer or voting of such securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or losses, or the giving or withholding of proxies.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

1. Joint Filing Agreement, as required by Rule 13d-1 under the Securities Exchange Act of 1934.
2. Securities Purchase Agreement, dated as of November 9, 2005, by and between IT&E International Group and ComVest Investment Partners II LLC.

3. Form of Senior Secured Note.
4. Form of Warrant to purchase shares of Common Stock.
5. Registration Rights Agreement.
6. Security Agreement.

CUSIP NO. 45032A104

SCHEDULE 13D Page 10 of 12 Pages

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: November 21, 2005

ComVest Investment Partners II LLC

By: ComVest II Partners,
LLC, its managing member

By:
Name: Michael S. Falk
Title: Managing Member

Dated: November 21, 2005

ComVest II Partners, LLC

By:
Name: Michael S. Falk
Title: Managing Member

Dated: November 21, 2005

Commonwealth Associates Group Holdings, LLC

By:
Name: Michael S. Falk
Title: Chairman and Managing Member

Dated: November 21, 2005

Michael S. Falk, individually

Dated: November 21, 2005

Robert L. Priddy, individually

EXHIBIT INDEX

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3. Form of Senior Secured Note.
4. Form of Warrant to purchase shares of Common Stock.
5. Registration Rights Agreement.
6. Security Agreement.

JOINT FILING AGREEMENT

The undersigned hereby consent to the joint filing by any of them of a Statement on Schedule 13D and any amendments thereto, whether heretofore or hereafter filed, relating to the securities of IT&E International Group, and hereby affirm that this Schedule 13D is being filed on behalf of each of the undersigned.

Dated: November 21, 2005

ComVest Investment Partners II LLC

By: ComVest II Partners,
 LLC, its managing member

By:
 Name: Michael S. Falk
 Title: Managing Member

Dated: November 21, 2005

ComVest II Partners, LLC

By:
 Name: Michael S. Falk
 Title: Managing Member

Dated: November 21, 2005

Commonwealth Associates Group Holdings, LLC

By:

Name: Michael S. Falk

Title: Chairman and Managing Member

Dated: November 21, 2005

Michael S. Falk, individually

Dated: November 21, 2005

Robert L. Priddy, individually

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of November __, 2005, by and among IT&E International Group, a Nevada corporation (the "Company"), ComVest Investment Partners II LLC, a Delaware limited liability company ("ComVest"), and the purchasers set forth on the signature pages attached hereto (each a "Purchaser" and collectively with ComVest the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and in accordance with and in reliance upon the exemption from securities registration afforded by Section 4(2) of the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder (the "Securities Act"), including Regulation D ("Regulation D"), and/or upon such other exemption from the registration requirements of the Securities Act as may be available with respect to any or all of the investments to be made hereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser desires to purchase from the Company (collectively with the other Purchasers) as aggregate of (i) up to 11,500 shares of Series D Convertible Preferred Stock, stated value \$1,000 per share (the "Series D Preferred Stock"), or senior secured convertible notes (the "Senior Secured Notes") in an aggregate principal amount of up to Eleven Million Five Hundred Thousand Dollars (\$11,500,000), (ii) warrants (the "Warrants") to purchase up to 82,142,788 shares of common stock, \$0.001 par value per share ("Common Stock") and (iii) an option to purchase up to an additional 5,000 shares of Series D Preferred Stock and Warrants for the purchase of 35,714,256 shares of common stock for an aggregate purchase price of an additional Five Million Dollars \$5,000,000 within six months of the Initial Closing (as defined herein) on the same terms as set forth herein;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agrees as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have the meanings indicated in this Section 1.1:

(a) "Action" means any claim, action, suit, arbitration, inquiry, action or investigation by or before any Governmental Authority.

(b) "Affiliate" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified

Person.

(c) "Agreement" shall have the meaning set forth in the Preamble.

1

(d) "Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in The City of New York.

(e) "Certificate of Designation" means the Certificate of Designation of Rights and Preferences of Series D Convertible Preferred Stock of the Company to be filed with the Secretary of State of the State of Delaware in connection with the issuance of the Series D Preferred Stock in the form of Exhibit A attached hereto.

(f) "Claims" means any and all administrative, regulatory or judicial actions, suits, petitions, appeals, demands, demand letters, claims, Encumbrances, notices of noncompliance or violation, investigations, Actions, consent orders or consent agreements.

(g) "Code" means the Internal Revenue Code of 1986, as amended through the date hereof.

(h) "Company" shall have the meaning set forth in the Preamble.

(i) "Company Indemnified Party" shall have the meaning set forth in Section 4.10(b).

(j) "Company Intellectual Property" means Intellectual Property owned by the Company or any Subsidiary.

(k) "Company IP Agreements" means (a) licenses of Intellectual Property by the Company or any Subsidiary to any third party, (b) licenses of Intellectual Property by any third party to the Company or any Subsidiary, (c) agreements between the Company or any Subsidiary and any third party relating to the development or use of Intellectual Property, the development of data, or the modification, framing, linking, or advertisement with respect to Internet web sites and (d) consents, settlements, decrees, orders, injunctions, judgments or rulings to which the Company or any Subsidiary is a party, governing the use, validity or enforceability of Company Intellectual Property.

(l) "Company Software" means all Software (a) material to the operation of its business or (b) manufactured, distributed, sold, licensed or marketed by the Company or any Subsidiary.

(m) "Commission" means the Securities and Exchange Commission.

(n) "Common Stock" shall have the meaning set forth in the Recitals.

(o) "Common Stock Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

(p) "Company Counsel" means Foley & Lardner, LLP with offices located at 402 W. Broadway, Suite 2300, San Diego, California 92101-3542.

2

(q) "control" (including the terms "controlled by" and "under common control with"), with respect to the relationship between or among two or more Persons, means the possession, directly or indirectly or as trustee, personal representative or executor, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, as trustee, personal representative or executor, by contract, credit arrangement or otherwise.

(r) "Conversion Shares" means the shares of Common Stock issuable upon conversion of the Series D Preferred Stock.

(s) "Copyrights" means mask works, rights of publicity and privacy, and copyrights in works of authorship of any type, including Software, registrations and applications for registration thereof throughout the world, all rights therein provided by international treaties and conventions, all moral and common law rights thereto, and all other rights associated therewith.

(t) "Disclosure Schedule" means the Disclosure Schedule attached hereto, dated as of the date hereof, delivered by the Company to Purchasers in connection with this Agreement.

(u) "Encumbrance" means any security interest, pledge, hypothecation, mortgage, Encumbrance (including environmental and tax Encumbrances), violation, charge, lease, license, encumbrance, servient easement, adverse claim, reversion, reverter, preferential arrangement, restrictive covenant, condition or restriction of any kind, including any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership.

(v) "Effective Date" means the date that the Registration Statement is first declared effective by the Commission.

(w) "Exchange Act" means the Securities Exchange Act of 1934, as

amended, and the rules and regulations of the Commission promulgated thereunder.

(x) "Exempt Issuance" means the issuance of (a) shares of Common Stock options or shares of Common Stock issued upon the exercise of any such options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors (the "Board") of the Company or a majority of the members of a committee of non-employee directors established for such purpose, (b) securities upon the exercise of or conversion of any convertible securities, options or warrants issued and outstanding on the date hereof, provided that such securities have not been amended since the date of this Agreement, (c) the Securities issued or issuable hereunder, (d) issuances in connection with mergers, acquisitions, joint ventures or other transactions with an unrelated third party in a bona fide transaction the purpose of which is not fundraising, or (e) issuances at fair market value to the Company's suppliers, consultants and other providers of services and goods not to exceed \$100,000 to any one Person, and not to exceed an aggregate of \$250,000 in any fiscal year without the prior written consent of Purchasers.

(y) "GAAP" means United States generally accepted accounting principles and practices in effect from time to time applied consistently throughout the periods involved.

3

(z) "Governmental Authority" means any federal, national, supranational, state, provincial, local, or similar government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

(aa) "Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

(bb) "GT" means Greenberg Traurig, LLP with offices located at The Met Life Building, 200 Park Avenue, New York, New York 10166.

(cc) "Indebtedness" means, with respect to any Person, (a) all indebtedness of such Person, whether or not contingent, for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services, (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the Company or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (f) all obligations, contingent or otherwise, of

such Person under acceptance, letter of credit or similar facilities, (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of such Person or any warrants, rights or options to acquire such capital stock, valued, in the case of redeemable preferred stock, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (h) all Indebtedness of others referred to in clauses (a) through (g) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss, and (i) all Indebtedness referred to in clauses (a) through (g) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Encumbrance on property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness.

(dd) "Indemnified Party" shall mean a Company Indemnified Party or a Purchaser Indemnified Party, as the case may be;

(ee) "Indemnifying Party" shall mean Purchasers pursuant to Section 4.10(a) and the Company pursuant to Section 4.10(b), as the case may be

(ff) "Intellectual Property" means (i) patents, patent applications and statutory invention registrations, (ii) trademarks, service marks, domain names, trade dress, logos, trade names, corporate names and other identifiers of source or goodwill, including registrations and

4

applications for registration thereof and including the goodwill of its business symbolized thereby or associated therewith, (iii) mask works and copyrights, including copyrights in computer software, and registrations and applications for registration thereof, and (iv) confidential and proprietary information, including trade secrets, know how and invention rights.

(gg) "IRS" means the Internal Revenue Service of the United States.

(hh) "Law" means any federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law).

(ii) "Leased Real Property" means the real property leased by the Company or any Subsidiary as tenant, together with, to the extent leased by the Company or any Subsidiary, all buildings and other structures, facilities or improvements currently or hereafter located thereon, all fixtures, systems, equipment and items of personal property of the Company or any Subsidiary attached or appurtenant thereto and all easements, licenses, rights and appurtenances relating to the foregoing.

(jj) "Licensed Intellectual Property" means Intellectual Property licensed to the Company or any Subsidiary pursuant to the Company IP Agreements.

(kk) "Lock-up Agreements" means the agreements between certain executives of the Company and the Company in the form of Exhibit B attached hereto.

(ll) "Material Adverse Effect" means any circumstance, change in or effect on its business, the Company or any Subsidiary that, individually or in the aggregate with all other circumstances, changes in or effects on its business, the Company or any Subsidiary: (a) is or is reasonably likely to be materially adverse to its business, operations, assets or liabilities (including contingent liabilities), employee relationships, customer or supplier relationships, prospects, results of operations or the condition (financial or otherwise) of its business, the Company or any Subsidiary or (b) is reasonably likely to materially adversely effect the ability of any Purchaser to operate or conduct its business in the manner in which it is currently or contemplated to be operated or conducted by the Company or any Subsidiary.

(mm) "Optional Additional Investment" shall have the meaning set forth in Section 2.4.

(nn) "Patents" means United States, foreign and international patents, patent applications and statutory invention registrations, including reissues, divisions, continuations, continuations-in-part, extensions and reexaminations thereof, and all rights therein provided by international treaties and conventions.

(oo) "Person" means any individual, partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Exchange Act.

(pp) "Preferred Shares" means the shares of Series D preferred Stock issued to Purchasers pursuant to this Agreement.

(qq) "Preferred Stock" means the "blank check" preferred stock designated by the Company.

(rr) "Purchaser" and "Purchasers" shall have the meanings set forth in the Preamble.

(ss) "Purchaser Indemnified Party" shall have the meaning set forth in Section 4.10(a).

(tt) "Real Property" means the Leased Real Property.

(uu) "Registration Rights Agreement" means the Registration Rights Agreement, dated as of the date of this Agreement, among the Company and Purchasers, in the form of Exhibit C attached hereto.

(vv) "Registration Statement" means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale by Purchasers of the Shares and the Warrant Shares.

(ww) "Regulation D" shall have the meaning set forth in the Recitals.

(xx) "Regulations" means the Treasury Regulations (including Temporary Regulations) promulgated by the United States Department of Treasury with respect to the Code or other federal tax statutes.

(yy) "Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

(zz) "SEC Reports" shall have the meaning ascribed to such term in Section 3.1(g).

(aaa) "Securities" collectively means the Preferred Shares, the Conversion Shares, the Senior Secured Notes, the Warrants and the Warrant Shares.

(bbb) "Security Agreements" means the Security Agreements between the Company and Purchasers in the forms of Exhibit D attached hereto.

(ccc) "Securities Act" shall have the meaning set forth in the Recitals.

(ddd) "Senior Secured Notes" shall have the meaning set forth in the Recitals in the form of Exhibit E attached hereto.

(eee) "Series D Preferred Stock" shall have the meaning set forth in the Recitals.

(fff) "Software" means computer software, programs and databases in any form, including Internet web sites, web content and links, source code, object code, operating systems and specifications, data, databases, database management code, utilities, graphical user interfaces, menus, images, icons, forms, methods of processing, software engines, platforms and data formats, all versions, updates, corrections, enhancements and modifications thereof, and all related documentation, developer notes, comments and annotations.

(ggg) "Subsidiaries" means any and all corporations, partnerships, limited liability companies, joint ventures, associations and other entities controlled by the Company directly or indirectly through one or more intermediaries.

(hhh) "Tax" or "Taxes" means any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any government or taxing authority, including taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, or gains taxes; license, registration and documentation fees; and customs' duties, tariffs, and similar charges.

(iii) "Tax Returns" means any return, declaration, report, election, claim for refund or information return or other statement or form relating to, filed or required to be filed with any Tax authority for the Company's fiscal years ended after April 14, 2004 and thereafter, including any schedule or attachment thereto or any amendment thereof.

(jjj) "Total Purchase Price" shall be equal to Ten Million Dollars (\$10,000,000).

(kkk) "Trade Secrets" means trade secrets, know-how and other confidential or proprietary technical, business and other information, including manufacturing and production processes and techniques, research and development information, technology, drawings, specifications, designs, plans, proposals, technical data, financial, marketing and business data, pricing and cost information, business and marketing plans, customer and supplier lists and information, and all rights in any jurisdiction to limit the use or disclosure thereof.

(lll) "Trademarks" means trademarks, service marks, trade dress, logos, trade names, corporate names, URL addresses, domain names and symbols, slogans and other indicia of source or origin, including the goodwill of its business symbolized thereby or associated therewith, common law rights thereto, registrations and applications for registration thereof throughout the world, all rights therein provided by international treaties and conventions, and all other rights associated therewith.

(mmm) "Transaction Documents" means this Agreement, the Senior Secured Notes, the Certificate of Designation, the Warrants, the Security Agreements and the Registration Rights Agreement and any other documents or agreements executed in connection with the transactions contemplated hereunder.

7

(nnn) "Warrants" shall have the meaning set forth in the Recitals in the form of Exhibit F attached hereto.

(ooo) "Warrant Shares" means the shares of Common Stock issuable upon exercise of the Warrants.

1.2 Other Terms. Other terms may be defined elsewhere in the text of this Agreement and, unless otherwise indicated, shall have such meaning throughout this Agreement.

1.3 Interpretation and Rules of Construction. In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

(i) when a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an Article or Section of, or a Schedule or Exhibit to, this Agreement unless otherwise indicated;

(ii) references to the "knowledge" of the Company shall refer to the actual knowledge of any of the Company's officers or members of its Board or the knowledge that any such person would reasonably be expected to have assuming reasonable inquiry;

(iii) references to "due inquiry" shall mean that the Company shall have inquired of each of the members of the Board of Directors, members of executive management and any professional advisors;

(iv) the headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;

(v) whenever the words "include," "includes" or "including" are used in this Agreement, they are deemed to be followed by the words "without limitation";

(vi) the words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(vii) all terms defined in this Agreement have the defined

meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein;

(viii) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms;

(ix) any Law defined or referred to herein or in any agreement or instrument that is referred to herein means such Law or statute as from time to time amended, modified or supplemented, including by succession of comparable successor Laws;

8

(x) references to a Person are, in the case of individuals, also to his or her personal representatives, heirs and permitted assigns and, in the case of entities, also to its successors and permitted assigns; and

(xi) the use of "or" is not intended to be exclusive unless expressly indicated otherwise.

ARTICLE II. PURCHASE AND SALE

2.1 Purchase and Sale. The Company hereby agrees to sell and the Purchasers agrees to purchase up to Eleven Thousand Five Hundred (11,500) shares of Series D Preferred Stock or Senior Secured Notes and Warrants to purchase Common Stock in the aggregate purchase price of up to \$11,500,000 subject to the provisions of Section 2.2 below. Each of the Purchasers acknowledges and agrees that if on the date of the Initial Closing, or the Second Closing, as applicable, the Company's Series D Preferred Stock is not duly authorized, the Purchasers shall purchase and the Company shall issue Senior Secured Notes and Warrants.

2.2 Closing.

(a) The consummation of the initial sale of Senior Secured Notes (or Preferred Shares) and Warrants (the "Initial Closing") shall take place on or before November __, 2005 (the "Closing Date") and the second closing shall take place no later than December 31, 2005 ("Second Closing") by telecopy exchange of signature pages with originals to follow by overnight delivery, or in such other manner or at such place as the parties hereto may agree. There may be additional closings in connection with the Optional Investment in accordance with Section 2.4 (each an "Option Closing" and collectively "Option Closings"). The Initial Closing, the Second Closing and any Additional Closings each referred to as a "Closing Date" and collectively the "Closing Dates."

(b) At the Initial Closing, the Purchasers shall deliver to the

Company up to Eight Million Five Hundred Thousand Dollars (\$8,500,000), such amount representing the aggregate purchase price for (i) Eight Thousand Five Hundred (8,500) Preferred Shares or Senior Secured Notes in the principal amount of Eight Million Five Hundred Thousand Dollars \$8,500,000, and (ii) Warrants to purchase up to 60,714,234 shares of Common Stock, by certified check or wire transfer.

(c) At the Second Closing, the Purchasers shall deliver to the Company up to Four Million Five Hundred Thousand Dollars (\$4,500,000), such amount representing the aggregate purchase price for (i) Four Thousand Five Hundred (4,500) Preferred Shares or Senior Secured Notes in the principal amount of Four Million Five Hundred Thousand Dollars (\$4,500,000) and (ii) Warrants to purchase up to 32,142,830 shares of Common Stock, by certified check or wire transfer, provided however that in no event shall the aggregate amounts issued in the Initial Closing and the Second Closing (a) exceed 11,500 shares of Preferred Stock or Senior Secured Notes be in the aggregate principal amount greater than \$11,500,000, or (b) exceed 82,142,788 Warrants.

9

(d) If ComVest exercises its Option (as defined in Section 2.4), there shall be Option Closings, at which ComVest shall deliver to the Company up to an additional \$5,000,000, such amount representing the aggregate purchase price for up to Five Thousand (5,000) Preferred Shares and Warrants to purchase up to 35,714,25 shares of Common Stock, by certified check or wire transfer. ComVest may exercise the Option for a lesser investment amount and the number of Preferred Shares and shares underlying the Warrants shall be reduced proportionately.

2.3 Closing Conditions; Deliveries.

(a) At the Initial Closing, the Company shall deliver or cause to be delivered to Purchasers the following:

- (i) this Agreement duly executed by the Company;
- (ii) the Registration Rights Agreement duly executed by the Company;
- (iii) the Lock Up Agreements;
- (iv) the Security Agreements duly executed by the Company and each of its Subsidiaries;
- (v) the written consent of the shareholders holding a majority of the Common Stock outstanding in accordance with Section 2.3(i) below, which consent is in full force and effect and has not been modified, terminated or revoked;

(vi) the consent of the Board of Directors in accordance with Section 2.3(k) below, which consent is in full force and effect and has not been modified, terminated or revoked;

(vii) each of the executed Employment Agreements; and

(viii) evidence of cancellation of all Series A Preferred Stock.

(b) On each of the Closing Dates, the Company shall deliver or cause to be delivered to the Purchasers the following:

(i) a copy of the irrevocable instructions to the Company's transfer agent instructing the transfer agent to deliver, on an expedited basis, a certificate evidencing each of the Preferred Shares, each registered in the name of such Purchasers or a Senior Secured Promissory Note registered in the name of such Purchaser;

(ii) Warrants registered in the name of each Purchaser;

(iii) any material updates to the Disclosure Schedules;

(iv)

the certificates referred to in Section 2.3(e) (i) and 2.3(f) (i); and

(v) a legal opinion of Company Counsel, in the form reasonably acceptable to GT.

10

(c) On the Initial Closing, Purchasers shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by each Purchaser;

(ii) the Security Agreements duly executed by each Purchaser; and

(iii) the Registration Rights Agreement duly executed by each Purchaser.

(d) On each of the Closing Dates, each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) each Purchasers' respective portion of the Purchase

Price by wire transfer of immediately available funds to the account as specified in writing by the Company; and

(ii) the certificates referred to in Section 2.3(e)(ii) and 2.3(g)(ii).

(e) Accuracy of Representations and Warranties.

(i) Each representation and warranty contained in Section 3.1 shall be true on and as of each Closing with the same effect as though such representation and warranty had been made on and as of that date and the Company has delivered to Purchasers a certificate, executed by the Chief Executive Officer and the Chief Financial Officer of the Company, dated each of the Closing Dates, certifying to the fulfillment of the conditions specified in this Section 2.3(e)(i), and as to such other matters as may be reasonably requested by the Purchasers including, but not limited to certificates with respect to the Company's articles of incorporation, by-laws and Board of Directors' resolutions relating to the transactions contemplated hereby.

(ii) Each representation and warranty contained in Section 3.2 shall be true on and as of each Closing with the same effect as though such representation and warranty had been made on and as of that date and each of the Purchasers have delivered to the Company a certificate, executed by the Chief Executive Officer, Chief Financial Officer of each Purchaser (or in each Purchaser's individual capacity as applicable), dated each of the Closing Dates, certifying to the fulfillment of the conditions specified in this Section 2.3(e)(ii).

(f) Performance.

(i) The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by the Company prior to or at each of the Closings and the Company has delivered to Purchasers a certificate, executed by the Chief Executive Officer and the Chief Financial Officer of the Company, dated each of the Closing Dates, certifying to the fulfillment of the conditions specified in this Section 2.3(f)(i).

(ii) Each Purchaser shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by Purchaser prior to or at each of the Closings and each Purchaser has delivered to the Company a certificate, executed by the Chief Executive Officer or Chief Financial Officer of Purchaser (or in each Purchaser's individual capacity as applicable), dated each of the Closing Dates, certifying to the fulfillment of the conditions specified in

this Section 2.3(f) (ii).

(g) Due Diligence. As of the Initial Closing, each Purchaser shall, in its sole discretion, have completed its legal and financial due diligence and the results of such due diligence shall, in its sole discretion, be acceptable to each Purchaser and its legal counsel. The updates to the Disclosure Schedule delivered to each Purchaser in accordance with Section 2.3(b) (iii) shall not contain any exceptions that are deemed unacceptable by each Purchaser in its sole discretion, and such Disclosure Schedule shall be deemed to be materially accurate at each Closing, unless otherwise updated by the Company and delivered to such Purchaser at such Closing.

(h) Indebtedness. As of the Closing there shall be no Indebtedness, other than the Laurus Note as set forth in the SEC Reports and accounts payable, trade payables and capital lease obligations incurred in the ordinary course of business.

(i) Shareholder Approval. The shareholders holding a majority of the Common Stock outstanding of the Company shall have consented to in writing: (i) the designation and issuance of the Series D Preferred Stock on the terms set forth in the Certificate of Designation attached hereto, (ii) the increase in the number of authorized shares of Common Stock to 650,000,000 shares of Common Stock, (iii) the preparation, filing and mailing of an information statement in accordance with Schedule 14C of the Exchange Act, (iv) the reincorporation of the Company into the State of Delaware, (v) a reverse stock split to be declared by the Board of Directors in its sole discretion provided that such reverse stock split shall not exceed 1 for 25 and must take place within twelve (12) months after the date of such written consent, (vi) an increase in the number of shares reserved for issuance under the 2005 Equity Incentive Plan to 25,000,000 shares of Common Stock, (vii) the election of the five (5) Designees and (viii) the amendment to the Bylaws or articles of incorporation of the Company, as necessary, to reflect the foregoing.

(j) Senior Executives Employment Agreement. The employment agreements between the Company and each of Peter Sollenne, Kelly Alberts, Anthony Allocca and David Vandertie (the "Employment Agreements") shall have been entered into in the form attached hereto as Exhibit G.

(k) Board of Directors. The Board of the Company shall have approved and executed a resolution to increase the Board of Directors by three (3) members to six (6) and three (3) of the Designees (as defined below) shall have been duly elected and qualified, and the Board of Directors shall have approved this Agreement and all transactions and actions contemplated hereby, including but not limited to the preparation, filing and mailing of an information statement in accordance with Schedule 14C of the Exchange Act.

(1) Series A Conversion. All of the Series A Preferred Stock shall have been converted, such that there are no shares of Series A Preferred Stock or any other shares of preferred stock of the Company outstanding.

2.4 Optional Purchase

(a) ComVest shall have six-months from the date of the Initial Closing to invest an additional \$5,000,000 (the "Optional Investment") on the same terms as set forth herein (the "Option") for the purchase of up to Five Thousand (5,000) Preferred Shares and Warrants for the purchase of up to 35,714,255 shares of Common Stock.

(b) In the event that the Company requires additional cash to fund the purchase price of an acquisition, then the Company shall have the right to call that part of the Option needed to pay the cash purchase price upon 30 days prior written notice. If ComVest elects not to exercise the Option, in whole or in part, then the amount of the Option called by the Company, as set forth in the notice, shall be deemed void and of no further force or effect.

ARTICLE III. REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company and Subsidiaries.

Except as set forth under the corresponding section of the Disclosure Schedules which Disclosure Schedules shall be deemed a part hereof, the Company hereby makes the representations and warranties set forth below to each Purchaser:

(a) Authority, Organization and Qualification of the Company. The Company is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all necessary power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on its business as it has been and is currently conducted. The Company is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the properties owned or leased by it or the operation of its business makes such licensing or qualification necessary or desirable, except to the extent that the failure to be so licensed or qualified and in good standing would not (x) adversely affect the ability of the Company to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the other Transaction Documents or (y) adversely affect the ability of the Company and the Subsidiaries to conduct its business, and all such jurisdictions are set forth in Section 3.1(a) of the Disclosure Schedule. All corporate actions taken by the Company have been duly authorized, and the Company has not taken any action that in any respect conflicts with, constitutes a default under or results in a violation of any provision of its Certificate of Incorporation or By-laws. True and correct copies of the Certificate of Incorporation and By-laws of the Company, each as in effect on the date hereof, have been delivered by the Company to Purchasers.

(b) Subsidiaries. The Company has two non-operating, wholly-owned subsidiaries, IT&E International, a California corporation and Clinical Trials Assistance Acquisition Corporation, a Nevada corporation, each of which has no material assets or liabilities other than as listed in Section 3.1(b) of the Disclosure Schedule. Each of the agreements listed

13

in Section 3.1(b) of the Disclosure Schedule are valid and in full force and effect except to the extent they have previously expired in accordance with their terms or if the failure to be in full force and effect, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any Subsidiary has violated any provision of, or committed or failed to perform any act which with or without notice, lapse of time or both would constitute a default under the provisions of, any contract described above, except in each case for those violations and defaults which, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(c) Capitalization.

(i) The authorized capital stock of the Company, immediately prior to the Initial Closing, consists of 250,000,000 shares of Common Stock, par value \$0.001 per share, 49,669,708 shares of which are issued and outstanding. Under the Company's 2005 Equity Incentive Plan (the "Plan"), 7,500,000 shares may be issued pursuant to the Plan. Other than (a) as set forth in Section 3.1(c)(i) of the Disclosure Schedule, (b) the shares reserved for issuance under the Plan, (c) the shares of Common Stock issuable upon conversion of the promissory note in principal amount of \$5,000,000 held by Laurus Master Fund, Ltd. and (d) warrants to purchase 1,924,000 shares of Common Stock at an average exercise price of \$0.22 per share, and (e) the Company's obligation to issue to Millennix, Inc. a number of shares of the Company's Common Stock equal to \$2,500,000 divided by the average closing price per share of the Company's Common Stock as quoted on the over-the-counter bulletin board for the twenty (20) days ending on the date immediately prior to the closing date of the acquisition of assets from Millennix, Inc., and except as may be granted pursuant to this Agreement, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or stockholder agreements, or agreements of any kind for the purchase or acquisition from the Company of any of its securities.

(ii) All issued and outstanding shares of the Company's Common Stock and Preferred Stock (a) have been duly authorized, validly issued and are fully paid and nonassessable, and (b) were issued in compliance with all applicable state and federal laws concerning the issuance of securities.

(iii) When issued in compliance with the provisions of this Agreement and registered in the name of each respective Purchaser in the stock records of the Company, the Warrant Shares will be duly authorized, validly issued and fully paid and the Preferred Shares and the Conversion Shares when issued in accordance with the terms of the Company's articles of incorporation and Certificate of Designations, as the case may be, will be duly authorized, validly issued, fully paid and nonassessable, and in each case free of any Encumbrances other than (a) Encumbrances created by each respective Purchaser and (b) the Preferred Shares, Conversion Shares and Warrant Shares may be subject to restrictions on transfer under state and/or federal securities laws as set forth herein or as otherwise required by such laws at the time a transfer is proposed.

(iv) There are no outstanding contractual obligations of the Company to repurchase, redeem, otherwise acquire or issue any shares of Common Stock or

14

Preferred Stock or to provide funds to, or make any investment (in the form of a loan, capital contribution or otherwise) in, any other Person. There are no voting trusts, stockholder agreements, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the Warrants or Preferred Stock.

(v) The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of or otherwise pursuant to the Preferred Shares and upon the issuance of the Warrant Shares upon the exercise of or otherwise pursuant to the Warrants. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of or otherwise pursuant to the Preferred Shares and Warrant Shares upon the exercise of or otherwise pursuant to the Warrants in accordance with this Agreement, the Certificate of Designation and the Warrants is absolute, subject only to the terms and conditions set forth in this Agreement, the Certificate of Designation and the Warrants, regardless of the dilutive effect that such issuance may have on the ownership interests of other stockholders of the Company.

(vi) The terms, designations, powers, preferences and relative, participating and optional or special rights, and the qualifications, limitations and restrictions of each series of Preferred Stock of the Company (other than the Series D Preferred Stock) are as stated in the Company's articles of incorporation, filed on or prior to the date hereof. The terms, designations, powers, preferences and relative, participating and optional or special rights, and the qualifications, limitations and restrictions of the Series D Preferred Stock are as stated in the Certificate of Designation.

(d) Corporate Books and Records. Except as set forth in Section 3.1(d) of the Disclosure Schedule, the minute books of the Company and the Subsidiaries contain accurate records of all meetings and accurately reflect all other actions taken by the stockholders, Boards of Directors and all committees of the Boards of Directors of the Company and the Subsidiaries. To the extent requested, true and accurate copies of all such minute books and of the stock register of the Company and the Subsidiaries have been provided by the Company to Purchasers.

(e) No Conflicts. Assuming that all consents, approvals, authorizations and other actions set forth in Section 3.1(f) of the Disclosure Schedule have been obtained and all filings and notifications listed in Section 3.1(e) of the Disclosure Schedule have been made and any applicable waiting period has expired or been terminated, the execution, delivery and performance of this Agreement and the other Transaction Documents by the Company do not and will not (i) violate, conflict with or result in the breach of any provision of the articles of incorporation or by-laws (or similar organizational documents) of the Company or the Subsidiary, (ii) conflict with or violate (or cause an event which could have a Material Adverse Effect as a result of) any Law or Governmental Order applicable to the Company, any Subsidiary or any of their assets, properties or businesses, or (iii) except as set forth in Section 3.1(e)(iii) of the Disclosure Schedule, conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any Encumbrance on any of the Securities or any of the assets or properties of the Company or any Subsidiary pursuant to

any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which the Company or any Subsidiary is a party or by which any of the Securities or any of the assets or properties of the Company or any Subsidiary is bound or affected, except, in the case of clause (c), to the extent that such conflicts, breaches, defaults or other matters would not (i) adversely affect the ability of the Company to carry out its obligations under, and to consummate the transactions contemplated by, this Agreement and the other Transaction Documents or (ii) adversely affect the ability of the Company and the Subsidiaries to conduct its business.

(f) Governmental Consents and Approvals. Except as set forth in Section 3.1(f) of the Disclosure Schedule, the execution, delivery and performance of this Agreement and each Transaction Document by the Company do not and will not require any consent, approval, authorization or other order of, action by,

filing with or notification to, any Governmental Authority. The Company knows of no reason why all the consents, approvals and authorizations necessary for the consummation of the transactions contemplated by this Agreement will not be received.

(g) SEC Reports; Financial Statements. The Company has filed all reports required to be filed by it under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law to file such material) (the foregoing materials, including the exhibits thereto, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with GAAP, except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(h) Material Changes. Since the date of the latest financial statements included within the SEC Reports, except as specifically disclosed in the SEC Reports, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or required to be disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property

to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans. The Company does not have pending before

the Commission any request for confidential treatment of information.

(i) Litigation. Except as set forth in Section 3.1(i) of the Disclosure Schedule (which, with respect to each Action set forth therein, sets forth the parties, nature of the proceeding, date and method commenced, amount of charges or other relief sought and, if applicable, paid or granted), there are no Actions by or against the Company or any Subsidiary (or by or against the Company or any Affiliate thereof and relating to its business, the Company or any Subsidiary) or affecting any of the Assets or its business pending before any Governmental Authority (or, to the best knowledge of the Company after due inquiry, threatened to be brought by or before any Governmental Authority). None of the matters set forth in Section 3.1(i) of the Disclosure Schedule has or has had a Material Adverse Effect or could affect the legality, validity or enforceability of this Agreement, any Ancillary Agreement or the consummation of the transactions contemplated hereby or thereby. Except as set forth in Section 3.1(i) of the Disclosure Schedule, none of the Company, the Subsidiaries or any of their respective assets or properties, including the Assets, is subject to any Governmental Order (nor, to the best knowledge of the Company after due inquiry, are there any such Governmental Orders threatened to be imposed by any Governmental Authority) which has or has had a Material Adverse Effect or could affect the legality, validity or enforceability of this Agreement, any other Transaction Document or the consummation of the transactions contemplated hereby or thereby.

(j) Labor Relations. No material labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company which could reasonably be expected to result in a Material Adverse Effect.

(k) Compliance.

(i) Except as set forth in Section 3.1(k)(i) of the Disclosure Schedule and to the best knowledge of the Company, after due inquiry, the Company and the Subsidiaries have each conducted and continue to conduct its business in accordance with all Laws and Governmental Orders applicable to the Company or any Subsidiary or the Assets, and to the knowledge of the Company, after due inquiry, neither the Company nor any Subsidiary is in material violation of any such Law or Governmental Order.

(ii) Section 3.1(k)(ii) of the Disclosure Schedule sets forth a brief description of each Governmental Order applicable to the Company, any Subsidiary or the Assets, and no such Governmental Order has or has had a Material Adverse Effect or could affect the legality, validity or enforceability of this Agreement, any Ancillary Agreement or the consummation of the transactions contemplated hereby or thereby.

(iii) To the best knowledge of the Company, after due inquiry, none of the Company, any Subsidiary or any officer, director, employee, agent or representative of the Company or any Subsidiary has furthered or supported any foreign boycott in

violation of the Anti-Boycott laws and regulations of the United States promulgated pursuant to the Export Administration Act of 1979 (50 U.S.C.A. App. ss. 2407, and regulations promulgated thereunder).

(l) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not have or reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of Actions relating to the revocation or modification of any Material Permit.

(m) Material Contracts. Except as set forth in Section 3.1(m) of the Disclosure Schedule, neither the Company nor any Subsidiary is a party to or bound by any "material contracts" (as such term is defined in Item 601(b)(10) of Regulation S-K of the Commission) with respect to the Company or any Subsidiary. All contracts described in this Section 3.1(m) are valid and in full force and effect except to the extent they have previously expired in accordance with their terms or if the failure to be in full force and effect, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any Subsidiary has violated any provision of, or committed or failed to perform any act which with or without notice, lapse of time or both would constitute a default under the provisions of, any contract described above, except in each case for those violations and defaults which, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(n) Title to Assets. Neither the Company nor any Subsidiary own any real property. The Company and the Subsidiaries have good and marketable title to personal property owned by them that is material to its business of the Company and the Subsidiaries, in each case free and clear of all Encumbrances, except for Encumbrances as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and Encumbrances for the payment of federal, state or other taxes, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases of which the Company and the Subsidiaries are in material compliance.

(o) Patents and Trademarks. Except as would not, individually or in the aggregate, have a Material Adverse Effect:

(i) Section 3.1(o)(i) of the Disclosure Schedule sets forth a true and complete list of (A) all patents and patent applications,

registered trademarks and trademark registration applications, registered copyrights and copyright registration applications, and domain names included in the Company Intellectual Property, and (B) all material Company IP Agreements excluding licenses for the use of Company Software to customers of the Company or its Subsidiaries in the ordinary course of business.

18

(ii) To the best knowledge of the Company, after due inquiry, the operation of its business as currently conducted or as contemplated to be conducted, the use of the Company Intellectual Property and Licensed Intellectual Property in connection therewith and the Company's and the Subsidiaries' transmission, use, linking and other practices related to the operation of their web sites in connection with its business, the content thereof and the advertisements contained therein, do not infringe, misappropriate or otherwise violate the Intellectual Property or other proprietary rights, including rights of privacy, publicity and endorsement, of any third party, and no Actions or Claims are pending or threatened against the Company or any Subsidiary alleging any of the foregoing.

(iii) To the best knowledge of the Company, after due inquiry, the Company or a Subsidiary is the exclusive owner of the entire and unencumbered right, title and interest in and to the Company Intellectual Property, and the Company or a Subsidiary has a valid right to use the Company Intellectual Property and Licensed Intellectual Property as currently conducted or as contemplated to be conducted.

(iv) Except as disclosed in Section 3.1(o)(iv) of the Disclosure Schedule, no Company Intellectual Property, or to the best knowledge of the Company after due inquiry, any Licensed Intellectual Property, is subject to any outstanding decree, order, injunction, judgment or ruling restricting the use of such Intellectual Property or that would impair the validity or enforceability of such Intellectual Property.

(v) The Company Intellectual Property and the Licensed Intellectual Property include all of the Intellectual Property used in the ordinary day-to-day conduct of the Company's business, and there are no other items of Intellectual Property that are material to the ordinary day-to-day conduct of its business. The Company Intellectual Property, or to the best knowledge of the Company, any Licensed Intellectual Property, are subsisting, valid and enforceable, and has not been adjudged invalid or unenforceable in whole or part.

(vi) No Actions or Claims have been asserted or are pending or, to the best knowledge of the Company after due inquiry, threatened against the Company or any Subsidiary (i) based upon or challenging or

seeking to deny or restrict the use by the Company or any Subsidiary of any of the Company Intellectual Property or Licensed Intellectual Property, (ii) alleging that any services provided by, processes used by, or products manufactured or sold by the Company or any Subsidiary infringe or misappropriate any Intellectual Property right of any third party or (iii) alleging that the Licensed Intellectual Property is being licensed or sublicensed in conflict with the terms of any license or other agreement.

(vii) To the best knowledge of the Company, no Person is engaging in any activity that infringes the Company Intellectual Property or Licensed Intellectual Property. Except as set forth in Section 3.1(o)(vii) of the Disclosure Schedule, neither the Company nor any Subsidiary has granted any license or other right to any third party with respect to the Company Intellectual Property or Licensed Intellectual Property except to the customers of its business to whom the Company or a Subsidiary has

19

licensed such Company Intellectual Property or Licensed Intellectual Property in the ordinary course of business. The consummation of the transactions contemplated by this Agreement and the other Transaction Documents will not result in the termination or impairment of any of the Company Intellectual Property.

(viii) To the best knowledge of the Company, after due inquiry, the Company Software is free of all viruses, worms, trojan horses and other material known contaminants. The Company Software does not incorporate any GNU or "open" source code or object code under which the Company Software is subject to the GNU general public license or GNU lesser general public license. To the best knowledge of the Company, after due inquiry, the Company or a Subsidiary has obtained all approvals necessary for exporting the Company Software outside the United States and importing the Company Software into any country in which the Company Software is now sold or licensed for use, and all such export and import approvals in the United States and throughout the world are valid, current, outstanding and in full force and effect. No rights in the Company Software have been transferred to any third party except to the customers of its business to whom the Company or a Subsidiary has licensed such Company Software in the ordinary course of business. The Company or a Subsidiary has the right to use all software development tools, library functions, compilers, and other third party software that are material to its business or that are required to operate or modify the Company Software.

(ix) The Company and the Subsidiaries have taken reasonable steps in accordance with normal industry practice to maintain the confidentiality of the trade secrets and other confidential Intellectual Property used in connection with its business. To the best knowledge of the

Company after due inquiry, (i) there has been no misappropriation of any material trade secrets or other material confidential Intellectual Property used in connection with its business by any Person; (ii) no employee, independent contractor or agent of the Company or any Subsidiary has misappropriated any trade secrets of any other Person in the course of performance as an employee, independent contractor or agent of its business; and (iii) no employee, independent contractor or agent of the Company or any Subsidiary is in default or breach of any term of any employment agreement, nondisclosure agreement, assignment of invention agreement or similar agreement or contract relating in any way to the protection, ownership, development, use or transfer of Intellectual Property.

(x) To the best knowledge of the Company, after due inquiry, the Company's or any Subsidiary's operation of any web sites used in connection with its business, and content thereof and data processed, collected, stored or disseminated in connection therewith, do not violate any applicable Law, including European Directive 95/46/EC, and any Person's right of privacy or publicity. The Company or its Subsidiary (i) has obtained all necessary permits, approvals, consents, authorizations or licenses to lawfully operate its web sites and to use its data and (ii) is operating its web sites and using its data in accordance with the scope of such permits, approvals, consents, authorizations or licenses. The Company and its Subsidiaries have taken reasonable steps in accordance with normal industry practice to secure their web sites and data, and any portion thereof, from unauthorized access by any Person.

20

(p) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in its businesses in which the Company and the Subsidiaries are engaged. To the best of Company's knowledge, such insurance contracts and policies are accurate and complete. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(q) Employee Benefits.

(i) Section 3.1(q) (i) of the Disclosure Schedule lists (A) all employee benefit plans, bonus, stock option, stock purchase, restricted stock, incentive, deferred compensation, retiree medical or life insurance, supplemental retirement, severance or other benefit plans, programs or arrangements, and all employment, termination, severance or other contracts or agreements, to which the Company or any Subsidiary is a party, with respect to which the Company or any Subsidiary has any obligation or which

are maintained, contributed to or sponsored by the Company or any Subsidiary for the benefit of any current or former employee, officer or director of the Company or any Subsidiary and (B) any contracts, arrangements or understandings between the Company or any of its Affiliates and any employee of the Company or any Subsidiary (collectively, the "Plans").

(ii) Each Plan has been operated in all material respects in accordance with its terms and the requirements of all applicable Laws. The Company and its Subsidiaries have performed all material obligations required to be performed by it under, is not in any material respect in default under or in material violation of, and the Company has no knowledge of any material default or violation by any party to, any Plan. No action is pending or, to the knowledge of the Company, threatened with respect to any Plan (other than claims for benefits in the ordinary course) and, to the knowledge of the Company, no fact or event exists that could give rise to any such action.

(r) Taxes.

(i) Except as set forth in Section 3.1(r)(i) of the Disclosure Schedule, (A) all Tax Returns required to be filed by or with respect to the Company and each Subsidiary (including the consolidated federal income Tax Return of the Company and any state, local or other Tax Return that includes the Company or any Subsidiary on a consolidated, combined or unitary basis) have been timely filed; (B) all Taxes required to be shown on such Tax Returns or otherwise due in respect of the Company or any Subsidiary have been timely paid; (C) all such Tax Returns are true, correct and complete in all material respects; (D) no adjustment relating to such Tax Returns has been proposed formally or informally by any Governmental Authority (insofar as either relates to the activities or income of the Company or any Subsidiary or could result in liability of the Company or any Subsidiary on the basis of joint and/or several liability) and, to the best knowledge of the Company after due inquiry, no basis exists for any such adjustment; (E) there are no pending Actions or, to the best knowledge of the Company

after due inquiry, Actions threatened for the assessment or collection of Taxes against the Company or any Subsidiary or (insofar as either relates to the activities or income of the Company or any Subsidiary or could result in liability of the Company or any Subsidiary on the basis of joint and/or several liability) any Person that was included in the filing of a Tax Return with the Company on a consolidated, combined or unitary basis; (F) to the best knowledge of the Company, after due inquiry, all sales and license transactions between the Company and the Company or any Subsidiary, between the Company and any Subsidiary and between any of the Subsidiaries, have been conducted on an arm's-length basis; (G) there are no Tax liens on

any assets of the Company or any Subsidiary; (H) neither Seller nor any Affiliate is a party to any agreement or arrangement that would result, separately or in the aggregate, in the actual or deemed payment by the Company or a Subsidiary of any "excess parachute payments" within the meaning of section 280G of the Code (without regard to Section 280G(b) (4) of the Code); (I) no acceleration of the vesting schedule for any property that is substantially unvested within the meaning of the regulations under Section 83 will occur in connection with the transactions contemplated by this Agreement; (J) from and after April 14, 2004, the Company and each Subsidiary have been and continue to be members of the affiliated group (within the meaning of Section 1504(a) (1) of the Code) for which the Company files a consolidated return as the common parent, and has not been includible in any other consolidated return for any taxable period for which the statute of limitations has not expired; (K) none of the Company or the Subsidiaries has been a United States real property holding corporation within the meaning of Section 897(c) (2) of the Code during the applicable period specified in Section 897(c) (1) (A) (ii) of the Code; (L) the Company and Subsidiary have each properly and timely withheld, collected and deposited all Taxes that are required to be withheld, collected and deposited under applicable Law; (M) none of the Company or Subsidiaries is doing business in or engaged in a trade or business in any jurisdiction in which it has not filed all required Tax Returns, and no notice or inquiry has been received from any jurisdiction in which Tax Returns have not been filed by the Company or any Subsidiary to the effect that the filing of Tax Returns may be required; (N) neither the Company nor any Subsidiary has been at any time a member of any partnership or joint venture or the holder of a beneficial interest in any trust for any period for which the statute of limitations for any Tax has not expired and (O) neither the Company nor any Subsidiary is subject to any accumulated earnings tax, personal holding company Tax or similar Tax.

(ii) Except as set forth with reasonable specificity in Section 3.1(r) (ii) of the Disclosure Schedule, (A) there are no outstanding waivers or agreements extending the statute of limitations for any period with respect to any Tax to which the Company or any Subsidiary may be subject; (B) there are no requests for information currently outstanding that could affect the Taxes of the Company or any Subsidiary; (C) there are no proposed reassessments of any property owned by the Company or any Subsidiary or other proposals that could increase the amount of any Tax to which the Company or any Subsidiary would be subject; (D) no power of attorney that is currently in force has been granted with respect to any matter relating to Taxes that could affect the Company or any Subsidiary; (E) none of the Company or the Subsidiaries (1) has or is projected to have an amount includible in its income for the current taxable year under Section 951 of the Code, (2) has been a passive foreign investment company within the meaning of

Section 1296 of the Code, (3) has an unrecaptured overall foreign loss within the meaning of Section 904(f) of the Code or (4) has participated in or cooperated with an international boycott within the meaning of section 999 of the Code and (F) none of the Company or the Subsidiaries has, to an extent that would cause a tax liability to the Company, any (1) income reportable for a period ending after the Closing but attributable to a transaction (e.g., an installment sale) occurring in, or a change in ---- accounting method made for, a period ending on or prior to the Closing that resulted in a deferred reporting of income from such transaction or from such change in accounting method (other than a deferred intercompany transaction), or (2) deferred gain or loss arising out of any deferred intercompany transaction.

(iii) Section 3(r)(iii) of the Disclosure Schedule (A) lists all income, franchise and similar income-type Tax Returns (federal, state, local and foreign) filed with respect to each of the Company and the Subsidiaries for taxable periods ended on or after April 14, 2004, (B) indicates the most recent income, franchise or similar Tax Return for each relevant jurisdiction for which an audit has been completed or the statute of limitations has lapsed and (C) indicates all Tax Returns that currently are the subject of audit.

(iv) To the extent reasonably requested by any Purchaser, the Company has delivered to such Purchaser correct and complete copies of all federal, state and foreign income, franchise and similar Tax Returns, examination reports and statements of deficiencies assessed against or agreed to by the Company or any Subsidiary since April 14, 2004.

(v) To the extent reasonably requested by any Purchaser, the Company has delivered to such Purchaser a true and complete copy of any tax-sharing or allocation agreement or arrangement involving the Company or any Subsidiary and a true and complete description of any such unwritten or informal agreement or arrangement.

(vi) Except as set forth in Section 3.1(r)(vi) of the Disclosure Schedule, the Company has established reserves and allowances to satisfy all liabilities for Taxes relating to the Company and the Subsidiaries for all taxable periods through the Closing (without regard to the materiality thereof).

(s) Tangible Personal Property. Section 3.1(s) of the Disclosure Schedule sets forth a list of all material Tangible Personal Property having a value of over \$50,000 as of the date therein specified. All tangible personal property of the Company is reflected in the balance sheet of the Company. All of the tangible personal property of the Company is in reasonably serviceable operating condition and repair (ordinary wear and tear excepted).

(t) Title to Owned and Leased Real Property.

(i) Neither the Company nor any Subsidiary currently, and in the past, has owned any real property.

23

(ii) As of the date hereof, except as set forth in Section 3.1(t)(ii) of the Disclosure Schedule, the Company and each Subsidiary has a valid leasehold interest in the Leased Real Property.

(iii) The Leased Real Property has not suffered any material damage by fire, casualty or otherwise which has not heretofore been repaired and restored in all material respects.

(iv) Except as set forth in Section 3.1(t)(iv) of the Disclosure Schedule, there is no default (or event that, with or without the giving of notice or the lapse of time or both, could constitute a default) that exists under the leases for the Leased Real Property.

(u) Transactions With Affiliates and Employees. None of the officers or directors of the Company and, to the knowledge of the Company, none of the employees of the Company is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of \$60,000 in any twelve (12) month period other than (i) for payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) for other employee benefits, including stock option agreements under any stock option plan of the Company.

(v) Sarbanes-Oxley Act. The Company is in substantial compliance with the applicable provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and the rules and regulations promulgated thereunder, that are effective and intends to comply substantially with other applicable provisions of the Sarbanes-Oxley Act, and the rules and regulations promulgated thereunder, upon the effectiveness of such provisions.

(w) Certain Fees. No brokerage or finder's fees or commissions are or will be payable by the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by this Agreement, except as set forth in Section 3.1(w) of the Disclosure Schedule. No Purchaser shall have any obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by this Agreement.

(x) Private Placement. Assuming the accuracy of each respective Purchaser's representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to such Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of any trading market.

24

(y) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Shares, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become subject to the Investment Company Act.

(z) Registration Rights. Except as set forth in Section 3.1(z) of the Disclosure Schedule, no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company.

(aa) Application of Takeover Protections. The Company and its Board have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the articles of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to Purchasers as a result of Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation the Company's issuance of the Securities and Purchasers' ownership of the Securities.

(bb) Disclosure. The Company understands and confirms that Purchasers will rely on the foregoing representations and covenants in effecting transactions in securities of the Company. All disclosure provided to Purchasers regarding the Company, its business and the transactions contemplated hereby, including the Schedules to this Agreement, furnished by or on behalf of the Company with respect to the representations and warranties made herein are true and correct with respect to such representations and warranties and do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(cc) No Integrated Offering. Assuming the accuracy of each Purchaser's representations and warranties set forth in Section 3.2, neither the

Company, nor any of its affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of the Securities Act or any applicable shareholder approval provisions, including, without limitation, under the rules and regulations of any exchange or automated quotation system on which any of the securities of the Company are listed or designated.

(dd) General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to Purchasers.

(ee) Foreign Corrupt Practices. Neither the Company, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company, has (i) directly or

25

indirectly, used any corrupt funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(ff) Accountants. The Company's accountants are set forth in Section 3.1(ff) of the Disclosure Schedule. Such accountants expressed their opinion with respect to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and the Company expects their opinion with respect to the financial statements for the year ended December 31, 2005 are independent accountants as required by the Securities Act.

(gg) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each Purchaser is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated hereby. The Company further acknowledges that each Purchaser is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any advice given by any Purchaser or any of its representatives or agents in connection with this Agreement and the transactions contemplated hereby is merely incidental to such Purchaser's purchase of the Securities. The Company further represents to each Purchaser that the Company's

decision to enter into this Agreement has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

3.2 Representations and Warranties of each Purchaser. Each Purchaser hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows:

(a) Organization; Authority. Purchaser is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with full right, corporate or partnership power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations thereunder. The execution, delivery and performance by Purchaser of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate or similar action on the part of Purchaser. Each Transaction Document to which it is a party has been duly executed by Purchaser, and, assuming this Agreement constitutes the valid and binding obligation of the Company and when delivered by Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of Purchaser, enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws relating to or affecting the rights of creditors' generally and by general equitable principles (regardless of whether such enforceability is considered in a Action in equity or at law).

26

(b) Investment Intent. Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account for investment purposes only and not with a view to or for distributing or reselling such Securities or any part thereof, has no present intention of distributing any of such Securities and has no arrangement or understanding with any other persons regarding the distribution of such Securities (this representation and warranty not limiting Purchaser's right to sell the Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). Purchaser is acquiring the Securities hereunder in the ordinary course of its business. Purchaser does not have any agreement or understanding, directly or indirectly, with any Person to distribute any of the Securities.

(c) Rule 144. Purchaser understands that the Securities must be held indefinitely unless such Securities are registered under the Securities Act or an exemption from registration is available. Purchaser acknowledges that it is familiar with Rule 144, and that Purchaser has been advised that Rule 144 permits resales only under certain circumstances. Purchaser understands that to the extent that Rule 144 is not available, Purchaser will be unable to sell any

Securities without either registration under the Securities Act or the existence of another exemption from such registration requirement.

(d) Purchaser Status. At the time Purchaser was offered the Securities, it was, and at the date hereof it is, and on each date on which it exercises any Warrants, it will be either: (i) an "accredited investor" as defined in Rule 501(a) (1), (a) (2), (a) (3), (a) (7) or (a) (8) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act. Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act.

(e) Experience of Purchaser. Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(f) General. Purchaser understands that the Securities are being offered and sold in reliance on a transactional exemption from the registration requirements of federal and state securities laws and the Company is relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments and understandings of Purchaser set forth herein in order to determine the applicability of such exemptions and the suitability of Purchaser to acquire the Securities. Purchaser understands that no United States federal or state agency or any government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

(g) General Solicitation. Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in this Section 3.2.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions. (a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in

connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion and shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights of a Purchaser under this Agreement and the Registration Rights Agreement.

(b) Each Purchaser agrees to the imprinting, so long as is required by this Section 4.1(b), of a legend on any of the Securities in the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THESE SECURITIES ARE SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN SECURITIES PURCHASE AGREEMENT, A CERTAIN LOCK-UP AGREEMENT AND A CERTAIN REGISTRATION RIGHTS AGREEMENT, ALL OF WHICH ARE DATED NOVEMBER __, 2005 AND ARE AVAILABLE FOR INSPECTION AT THE OFFICES OF THE COMPANY.

(c) Certificates evidencing the Preferred Shares, Conversion Shares and Warrant Shares shall not contain any legend (including the legend set forth in Section 4.1(b)), (i) following a sale of such Preferred Shares, Conversion Shares or Warrant Shares pursuant to an effective registration statement (including the Registration Statement), or (ii) following any sale of such Preferred Shares, Conversion Shares or Warrant Shares pursuant to Rule 144, or (iii) if such Preferred Shares, Conversion Shares or Warrant Shares are eligible for sale under Rule 144(k), or (iv) if such legend is not required under applicable requirements of the Securities Act

(including judicial interpretations and pronouncements issued by the Staff of the Commission); provided, however, that in each of instances (ii) through (iv) above, (A) each Purchaser shall have provided representations that such Purchaser is permitted to dispose of such Preferred Shares, Conversion Shares and/or Warrant Shares without limitation as to amount or manner of sale pursuant to Rule 144 under the Securities Act and (B) such certificates evidencing the

Preferred Shares, Conversion Shares and/or Warrant Shares shall have been surrendered along with a notice requesting removal of any legend and requesting the issuance of new certificates free of the legend to replace those surrendered. The Company shall cause its counsel to issue a legal opinion to, or otherwise instruct, the Company's transfer agent promptly after receipt of a request for legend removal in accordance with this Section 4.1(c) if required by the Company's transfer agent to effect the removal of the legend hereunder.

4.2 Integration. Except as otherwise contemplated by this Agreement, the Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities to a Purchaser or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any exchange or quotation service on which any of the securities of the Company are listed or quoted such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.3 Description of the Senior Secured Notes and Security Agreement.

The following summary of the Senior Secured Notes and Security Agreement is provided for illustrative purposes only. To the extent there are any inconsistencies between the summary below and the Senior Secured Notes and/or Security Agreement, such agreements shall control.

(a) Demand Right. At the request of any Purchaser, the Company shall pay Purchaser the outstanding principal amount of the Senior Secured Notes, together with all accrued and unpaid interest thereon, in cash or Common Stock, at the option of such Purchaser (in accordance with Section (b) below) on the earliest to occur (the "Demand Date") of three (3) months following the Closing Date, or (ii) a merger or combination of the Company or the sale, transfer or other disposition of all or substantially all of the assets of the Company or (iii) the acquisition by a single entity, person or a "group" within the meaning of Rule 13d-1 of the Exchange Act, of more than fifty percent (50%) of the voting power or capital stock of the Company (on a fully-diluted basis), or (iv) the Company issues Common Stock or a security exercisable or convertible into Common Stock, the Company shall pay such Purchaser up to 50% of the net proceeds received by the Company from such sale, unless the Note has previously been converted.

(b) Payment in Common Stock. In accordance with the demand in Section (a) above, such Purchaser may request that the payment be made in whole or in part in Common Stock, at a conversion price of \$0.07 per share, to the extent the Company has sufficient Common Stock available for issuance.

(c) Interest. The Senior Secured Notes shall bear interest ("Interest") at a rate per annum as follows:

| | |
|-------------------------------------|---------------|
| Month 1 of the Senior Secured Notes | No interest |
| Month 2 of the Senior Secured Notes | No interest |
| Month 3 of the Senior Secured Notes | No interest |
| Month 4 of the Senior Secured Notes | 12% per annum |

Interest shall be payable quarterly in cash. If any Event of Default (as defined in the Senior Secured Notes) has occurred and is continuing, the Senior Secured Notes shall bear interest at a rate of the then-applicable Interest plus four percent (4%) per annum until such time as such Event of Default has been cured.

(d) Automatic Conversion. Each \$1,000 of principal amount of the Notes shall automatically convert into one (1) share of Series D Preferred Stock as soon as the Company has sufficient Series D Convertible Preferred Shares available for issuance.

(e) Prepayment. The Senior Secured Notes may be prepaid, in whole or in part, at any time without penalty or premium, upon ten (10) days' prior written notice to the Purchasers. In the event the Company issues any Exempt Issuance of securities during the term of the Senior Secured Notes, the Company shall use at least fifty percent (50%) of the proceeds therefrom to prepay the Senior Secured Notes; provided, however, that the Preferred Shares have been redeemed, in whole, in accordance with its terms.

(f) Security and Ranking. The Senior Secured Notes and all other obligations of the Company under this Agreement and the other Transaction Documents shall be secured by substantially all of the assets of the Company, as described in the Security Agreement (collectively, the "Collateral"), dated as of even date herewith, by and between each Purchaser and the Company. As an inducement to each Purchaser to purchase the Senior Secured Notes and the other Securities described herein and execute and enter into this Agreement, and to secure prompt payment of the Senior Secured Notes and the discharge in full of the Company's obligations under this Agreement and under the Senior Secured Notes, this Agreement and the other Transaction Documents, the Company shall grant to the Purchasers a first priority perfected lien and security interest in the Collateral, which security interest shall rank senior in lien priority to any other existing or future Indebtedness.

4.4 Certain Covenants of the Company.

(a) Affirmative Covenants. The Company covenants that, so long as any portion of any Senior Secured Note, Warrants or the Preferred Shares is outstanding, it shall take the following actions:

(i) The Company shall use the proceeds from the sale of the Preferred Shares, the Senior Secured Notes, and the Warrants to repay the Laurus Note in full, to consummate certain acquisitions acceptable to the

Purchasers holding a majority of the Series D Preferred Stock (or the Purchasers holding a majority in principal amount of the Senior Secured Notes outstanding), and for working capital purposes.

30

(ii) The Company shall have received the written consent of the shareholders holding a majority of the shares outstanding in accordance with Section 2.3(i) ("Shareholder Approval") to the following actions: (a) the designation and issuance of the Series D Preferred Stock on the terms set forth in the Certificate of Designation attached hereto, (b) the reincorporation of the Company into the State of Delaware, (c) a reverse stock split to be declared by the Board of Directors in its sole discretion provided that such reverse stock split shall not exceed 1 for 25 and must take place within twelve (12) months after the date of such written consent, (d) an increase in the number of shares reserved for issuance under the 2005 Equity Incentive Plan to 25,000,000 shares of Common Stock, (e) an increase in the number of authorized shares of Common Stock to 650,000,000 shares, (f) the election of the five (5) Designees and (g) the preparation, filing and mailing of an information statement in accordance with Schedule 14C of the Exchange Act. Within fourteen (14) days after the Initial Closing the Company shall file a Preliminary Information Statement on Schedule 14C informing each of the other stockholders of the Company of the foregoing actions, and file a Definitive Information Statement within ten (10) days thereafter. On the date that is twenty-one (21) days after the date the Definitive Information Statement on Schedule 14C is mailed to the Company's shareholders, the Company shall effect the reincorporation into the State of Delaware and file the Certificate of Designations in the State of Delaware. The parties acknowledge and agree that the Company shall be merged with and into a Delaware corporation and such Delaware corporation shall be the successor in interest and successor issuer to the Company and that all the rights and obligations of the Company under this Agreement and each of the other Transaction Documents shall become the rights and obligations of the Delaware corporation by virtue of the reincorporation and upon the effective date of the reincorporation.

(iii) The Company shall increase the number of members of the Board of the Company by an additional two (2) members to seven (7) (in addition to the increase in Section 2.3(k)), and all of the Designees shall be duly elected and qualified.

(iv) If an Event of Default occurs, the Company shall, if so requested by any Purchaser, promptly provide the following information:

(A) Annual Financial Statements. Unless filed with the Commission through EDGAR and publicly available through the EDGAR system, copies of the consolidated balance sheet of the Company and its Subsidiaries, as of the end of the immediately preceding fiscal

year and the related consolidated statements of income, stockholders' equity and cash flows for such fiscal year, prepared in accordance with generally accepted accounting principles and certified by a firm of independent public accountants of recognized national standing or such other independent public accountants, in either case, as unanimously selected by the Board; provided, however, that, to the extent the information in this Section 4.4(a)(iv)(A) is requested by any Purchaser, any Purchaser shall hold and treat all such information confidential;

(B) Quarterly Financial Statements. Unless filed with the Commission through EDGAR and publicly available through the EDGAR system,

31

copies of the consolidated balance sheet of the Company and its Subsidiaries, and the related consolidated statements of income, stockholders' equity and cash flows, unaudited but prepared in accordance with generally accepted accounting principles, such consolidated balance sheet, consolidated statements of income, stockholders' equity and cash flows to be as of the end of each quarter following the end of the immediately preceding fiscal year, in each case with comparative statements for the prior fiscal year; provided, however, that, to the extent the information in this Section 4.4(a)(iv)(B) is requested by any Purchaser, any Purchaser shall hold and treat all such information confidential;

(C) Accountant's Letters. Copies of each accountant's management letter and other written report submitted to the Company by its independent public accountants in connection with an annual or interim audit of the books of the Company or any of its Subsidiaries;

(D) Notices. Copies of notices of all Actions that could materially and adversely affect the Company or any of its Subsidiaries; and

(E) Other Information. Any other information regarding the business, prospects, financial condition, operations, property or affairs of the Company as any Purchaser may reasonably request;

(v) The Company shall maintain and cause each of its Subsidiaries to maintain their respective corporate existence unless the Board unanimously approves otherwise;

(vi) The Company shall obtain and maintain and cause each of its Subsidiaries to maintain as to their respective properties and

businesses, with financially sound and reputable insurers, insurance against such casualties and contingencies and of such types and in such amounts as is customary for companies similarly situated;

(vii) The Company shall permit and cause each of its Subsidiaries to permit any Purchaser and such persons as Purchasers may designate, at such Purchaser's expense, to visit and inspect any of the properties of the Company and its Subsidiaries, examine their books and take copies and extracts therefrom, discuss the affairs, finances and accounts of the Company and its Subsidiaries with their officers, employees and public accountants (and the Company hereby authorizes said accountants to discuss with any Purchaser and its designees such affairs, finances and accounts), and consult with and advise the management of the Company and its Subsidiaries as to their affairs, finances and accounts, all at reasonable times and upon reasonable notice during normal business hours and provided that such Purchaser or its designees have executed a confidentiality agreement in substance and form reasonably acceptable to the Company; provided, however, that in no event (other than an Event of Default) shall the Company be required to provide any Purchaser or its designees with any information about the Company that is not publicly available;

32

(viii) The Company shall comply, and cause each Subsidiary to comply, with all applicable Laws, noncompliance with which could materially adversely affect its business or condition, financial or otherwise;

(ix) The Company shall keep, and cause each Subsidiary to keep, adequate records and books of account, in which complete entries will be made in accordance with generally accepted accounting principles consistently applied, reflecting all financial transactions of the Company and such Subsidiary, and in which, for each fiscal year, all proper reserves for depreciation, depletion, obsolescence, amortization, taxes, bad debts and other purposes in connection with its business shall be made; and

(x) Within no more than five (5) days following an Event of Default (as defined in the Senior Secured Notes), the Company shall notify Purchasers of such Event of Default, the circumstances causing such default and the proposed course of action to be taken by the Company to cure such default.

(b) Negative Covenants. The Company covenants that, so long as any portion of the Senior Secured Notes or any Preferred Shares is outstanding, it shall not take any of the following actions without the prior written consent of the Purchasers holding a majority of the Series D Preferred Stock (or the Purchasers holding a majority in principal amount the Senior Secured Notes

outstanding), which may not be withheld unreasonably:

(i) Redeem or repurchase any shares of Common Stock Equivalents of the Company, except for (A) repurchases contemplated by this Agreement, or (B) repurchases or redemptions from employees, directors or consultants of the Company in accordance with agreements existing as of the date hereof or is otherwise approved by the Board of Directors for the repurchase or redemption of shares of Common Stock Equivalents in connection with any termination of service to the Company or any of its Subsidiaries;

(ii) Except to the extent required to comply with its obligations hereunder or with applicable Law, the Company shall not, nor shall it permit any of its Subsidiaries to, amend its respective articles of organization, by-laws or regulations, or similar organic documents;

(iii) the Company shall not, nor shall it permit any of its Subsidiaries to, incur or guarantee any Indebtedness or enter into any "keep well" or other agreement to maintain any financial statement condition of another Person or enter into any arrangement having the economic effect of any of the foregoing, other than (A) short-term indebtedness and "keep well" or similar assurances for the benefit of customers, in each case in the ordinary course of business consistent with past practice or (B) long-term Indebtedness in connection with the refunding of existing Indebtedness at a lower cost of funds;

(iv) Declare or pay any dividend on any class of Common Stock Equivalents of the Company (except dividends payable solely in Common Stock Equivalents in connection with a stock split or similar transaction of the Company);

33

(v) Enter into any transactions with Affiliates of the Company other than in the ordinary course of business;

(vi) Merge or consolidate with any other entity or have a transaction in which any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of greater than fifty percent (50%) of the shares of Common Stock then outstanding of the Company, on a fully diluted basis, ordinarily entitled to vote in the election of directors;

(vii) Sell all or substantially all of the assets of the Company;

(viii) Liquidate, dissolve or wind-up the operations of the

Company;

(ix) Apply for, or consent to, the appointment of a receiver, trustee or liquidator for the Company or any Subsidiary or any of their respective properties ; and

(x) Enter into any agreement to do any of the foregoing.

4.5 Non-Public Information. The Company covenants and agrees that neither it nor any other Person acting on its behalf will provide any Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto such Purchaser shall have executed a written agreement regarding the confidentiality and use of such information; provided, however, that the parties acknowledge and agree that any Purchaser may be provided material, non-public information by one or more of the directors designated by such Purchasers in accordance with Section 4.6 and that the Company shall not be in breach of this Section 4.5 by virtue of any such disclosure. The Company understands and confirms that each Purchaser shall be relying on the foregoing representations in effecting transactions in securities of the Company.

4.6 Board Composition. Purchasers shall have the right to designate a total of five (5) representatives (the "Designees") out of seven (7) for election to the Company's Board, all of whom shall not have been involved in any of the events set forth in Item 401(f) of Regulation S-K during the preceding ten (10) year and shall be qualified to serve as directors of a reporting company under the Exchange Act as determined by a majority of the members of a committee of non-employee directors established for such purpose and at least two of whom shall satisfy the Nasdaq National Market requirements for an "independent director." At least one of such "independent" Designees shall be appointed to the Company's Compensation Committee, and any future increases in the compensation of the Chief Executive Officer, or additional grants of options to the Chief Executive Officer, shall only be approved by unanimous consent of the Company's Compensation Committee. The remaining two (2) directors shall be Peter Sollene and Kelly Alberts. The Board of the Company shall have been increased by a total of four (4) members in accordance with Sections 2.3(1) and 4.4(a)(iii) and the Company shall use its best efforts to have the Designees nominated and elected to the Board.

4.7 Certain Transactions. Each Purchaser and its Affiliates agree not to engage in any "going private" transaction (including, without limitation, selling all or substantially all of the

Company's assets, merging the Company, or any other transaction with similar economic effects) with the Company, without the prior written consent of ComVest.

4.8 Indemnification.

(a) The Company shall indemnify and hold harmless each Purchaser, its officers, directors, employees, agents and consultants (each, a "Purchaser Indemnified Party"), from and against any and all costs, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees) (together, the "Losses") which may be suffered or incurred by such Purchaser Indemnified Party by reason of (i) any material misrepresentation or breach of warranty by the Company in this Agreement or the other Transaction Documents or (ii) any material default of any obligation, agreement or covenant of the Company under this Agreement or the other Transaction Documents, in each case so long as such Losses were not caused by the gross negligence or willful misconduct of such Purchaser Indemnified Party.

(b) Each Purchaser shall indemnify and hold harmless the Company and its officers, directors, employees, agents and consultants (each, a "Company Indemnified Party"), from and against any and all Losses which may be suffered or incurred by such Company Indemnified Party by reason of any material misrepresentation or breach of warranty by such Purchaser in this Agreement or the other Transaction Documents, so long as such Losses were not caused by the gross negligence or willful misconduct of such Company Indemnified Party.

(c) An Indemnified Party shall give the Indemnifying Party notice of any matter which an Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement, within thirty (30) days of such determination, stating the amount of the Loss, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises.

(d) If an Indemnified Party shall receive notice of any action, audit, claim, demand or assessment (each, a "Third Party Claim") against it which may give rise to a claim for Loss under this Section 4.8, within thirty (30) days of the receipt of such notice, the Indemnified Party shall give the Indemnifying Party notice of such Third Party Claim; provided, however, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Section 4.8 except to the extent that such failure results in a detriment to the Indemnifying Party and shall not relieve the Indemnifying Party from any other liability that it may have to any Indemnified Party other than under this Section 4.8. The Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within ten (10) days of the receipt of such notice from the Indemnified Party. If the Indemnifying Party elects to undertake any such defense against a Third Party Claim, the Indemnified Party may participate in such defense at its own expense. The Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is

reasonably required by the Indemnifying Party. If the Indemnifying Party elects to direct the defense of any such claim or proceeding, the Indemnified Party shall not

pay, or permit to be paid, any part of such Third Party Claim unless the Indemnifying Party consents in writing to such payment or unless the Indemnifying Party withdraws from the defense of such Third Party Claim liability or unless a final judgment from which no appeal may be taken by or on behalf of the Indemnifying Party is entered against the Indemnified Party for such Third Party Claim. If the Indemnified Party assumes the defense of any such claims or proceeding pursuant to this Section 4.8(d) and proposes to settle such claims or proceeding prior to a final judgment thereon or to forgo any appeal with respect thereto, then the Indemnified Party shall give the Indemnifying Party prompt written notice thereof and the Indemnifying Party shall have the right to participate in the settlement or assume or reassume the defense of such claims or proceeding.

4.9 Reservation of Common Stock. As of the date that the Certificate of Designations is filed with the governmental agency of the applicable jurisdiction, the Company will have reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue the Conversion Shares pursuant to any conversion of the Preferred Shares and the Warrant Shares pursuant to any exercise of the Warrants.

ARTICLE V.
MISCELLANEOUS

5.1 Fees and Expenses. On each of the Closing Dates, the Company shall pay ComVest a closing fee (the "Closing Fee") equal to two and a half percent (2.5%) of the gross proceeds of the Purchase Price of each Closing, by check or wire transfer. In addition, the Company shall reimburse ComVest for its actual out-of-pocket expenses incurred in connection with the this transaction including, without limitation, the reasonable fees and disbursements of the ComVest's counsel and due diligence expenses, not to exceed \$200,000, and in addition the Company shall also retain ComVest Advisors LLC as a financial advisor, as set forth in Section 5.2 below.

5.2

ComVest Advisors LLC Advisory Agreement. The Company shall enter into a Financial Advisory and Consulting Agreement with ComVest Advisors LLC at a monthly fee of \$22,000, in the form attached hereto as Exhibit H (the "ComVest Advisory Agreement"). The Company may reduce the monthly fee to \$10,000 with 30 days notice, and terminate the ComVest Advisory Agreement once the Purchasers (or any affiliates or members) cease to own more than 33% of the Common Stock of the Company purchased in this transaction.

5.3 Rights Upon Termination. So long as the Purchasers have proceeded in good faith to consummate this Agreement and the transactions contemplated hereby, in the event the Company elects not to consummate this transaction for any reason prior to November __, 2005, the Company shall pay to ComVest a financial advisory and structuring fee (the "Advisory Fee") equal to Three Hundred Fifty Thousand Dollars (\$350,000) which shall, at the sole option of ComVest, be payable in cash or shares of Common Stock valued at \$0.10 per share of Common Stock. Upon the Company's election to terminate this transaction, ComVest shall have ten (10) days in which to make an election to receive either cash or shares of Common Stock from the Company. Any Advisory Fee that becomes due shall be payable to ComVest within five (5) days following ComVest's receipt of notice from the Company that the Company has elected not

36

to consummate this transaction. Any Advisory Fee paid pursuant to this Section 5.3 shall be in addition to any expenses and costs payable by the Company to ComVest in accordance with Section 5.1 hereof. The Company hereby acknowledges that, in the event the Company is required to pay the Advisory Fee in accordance with this Section 5.3, the Company shall be deemed to have received advisory services from ComVest in consideration of such Advisory Fee. In the event the Purchasers do not consummate the transactions contemplated hereby by November __, 2005 or otherwise terminate this Agreement prior to such date despite the Company's good faith attempts to consummate the transactions contemplated hereby, the terms of this Section 5.3 shall expire and be of no further force or effect and the Company shall have no further obligation to pay the Advisory Fee.

5.4 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.5 Notices. All notices, requests, consents, and other communications under this Agreement shall be in writing and shall be delivered by hand, sent via a reputable nationwide overnight courier service or mailed by first class certified or registered mail, return receipt requested, postage prepaid:

If to the Company, at 505 Lomas Sante Fe Drive, Suite 200, Solana Beach, California 92075, Attention: Chief Financial Officer, or at such other address or addresses as may have been furnished in writing by the Company to Purchaser, with copies to Foley & Lardner, 402 W. Broadway, Suite 2300, San Diego, California 92101, Attention Adam C. Lenain; or

If to ComVest, at One North Clematis Street, Suite 300, West Palm Beach, Florida 33324, Attention: Carl Kleidman, or at such other address or addresses as may have been furnished to the Company in writing by ComVest, with

a copy to Greenberg Traurig, LLP, The MetLife Building, 200 Park Avenue, New York, New York 10166, Attention: Alan I. Annex, Esq. If to any other Purchaser, at the address set forth on the signature page attached hereto.

If to the other Purchasers, to the address set forth on the signature pages attached hereto.

Notices provided in accordance with this Section 5.5 shall be deemed delivered upon personal delivery, one business day after being sent via a reputable nationwide overnight courier service, or three business days after deposit in the mail.

5.6 Amendments; Waivers. No provision of this Agreement may be waived or amended except in a written instrument signed, in the case of an amendment, by the Company and each Purchaser or, in the case of a waiver, by the party against whom enforcement of any such waiver is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement

37

hereof, nor shall any delay or omission of either party to exercise any right hereunder in any manner impair the exercise of any such right.

5.7 Construction. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

5.8 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser. Each Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions hereof that apply to such Purchaser.

5.9 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.8.

5.10 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of

New York, without regard to the principles of conflicts of law thereof. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or Action, any claim that it is not personally subject to the jurisdiction of any such court or that such Action is improper or inconvenient venue for such Action. Each party hereby irrevocably waives personal service of process and consents to process being served in any such Action by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. The parties hereby waive all rights to a trial by jury. If either party shall commence an Action to enforce any provisions of the Transaction Documents, then the prevailing party in such Action shall be reimbursed by the other party for its attorneys' fees and other costs and expenses reasonably incurred with the investigation, preparation and prosecution of such Action.

5.11 Survival. All agreements, representations, and warranties contained herein shall survive the execution and delivery of this Agreement and the closing of the transactions contemplated hereby until thirty (30) days after the delivery of the Company's audited financials for the period ended December 31, 2006, except for any agreements, representations, covenants,

38

warranties or otherwise, contained in Article IV, each of which shall remain in effect until there are no Securities outstanding.

5.12 Execution. This Agreement may be executed in two (2) or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile signature page were an original thereof.

5.13 Severability. If any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining terms and provisions of this Agreement shall not in any way be affected or impaired thereby and the parties will attempt to agree upon a valid, legal and enforceable provision that is a reasonable substitute

therefor, and upon so agreeing, shall incorporate such substitute provision in this Agreement.

5.14 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) the Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights.

5.15 Remedies. In addition to being entitled to exercise all rights provided herein, including without limitation Section 5.3 or granted by law, including recovery of damages, the Purchasers will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations described in the foregoing sentence and hereby agrees to waive in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to the Purchasers pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

(Signature Page Follows)

39

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

COMPANY:
IT & E INTERNATIONAL GROUP

By:

Name:

Title:

PURCHASERS:

COMVEST INVESTMENT PARTNERS II LLC

Investment Amount:

By:

Name:

Title:

PURCHASERS (continued):

[entity name]

Investment Amount:

By:

Name:

Title:

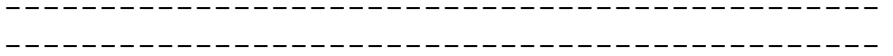
Address:

[individual name]

Investment Amount:

Print Name:

Address:



SENIOR SECURED CONVERTIBLE PROMISSORY NOTE

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), NOR UNDER ANY APPLICABLE STATE SECURITIES LAWS. THIS SECURITY HAS BEEN ACQUIRED FOR INVESTMENT AND THIS SECURITY MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION OF IT UNDER THE ACT OR AN OPINION OF COUNSEL OR OTHER EVIDENCE ACCEPTABLE TO THE MAKER THAT SUCH SALE OR TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE ACT. THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT UPON THE CONDITIONS SPECIFIED IN THIS NOTE AND THE SECURITIES PURCHASE AGREEMENT, DATED OCTOBER __, 2005 (THE "PURCHASE AGREEMENT"), AND NO TRANSFER OF THIS SECURITY SHALL BE VALID OR EFFECTIVE UNLESS AND UNTIL SUCH CONDITIONS SHALL HAVE BEEN COMPLIED WITH. THE TRANSFERABILITY OF THIS SECURITY IS SUBJECT TO THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE PURCHASE AGREEMENT, A COPY OF WHICH WILL BE PROVIDED TO THE HOLDER HEREOF UPON WRITTEN REQUEST TO THE MAKER.

IT & E INTERNATIONAL GROUP

SENIOR SECURED CONVERTIBLE PROMISSORY NOTE

THIS SENIOR SECURED NOTE IS MADE AND DELIVERED PURSUANT TO THE PURCHASE AGREEMENT AND SUBJECT TO THE TERMS AND CONDITIONS THEREOF. THIS SENIOR SECURED NOTE IS SECURED BY THE COLLATERAL DESCRIBED IN A CERTAIN SECURITY AGREEMENT, DATED AS OF EVEN DATE HERewith (THE "SECURITY AGREEMENT").

October __, 2005

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FOR VALUE RECEIVED, IT & E INTERNATIONAL GROUP, a Nevada corporation (the "Maker"), promises to pay, in cash or Common Stock at the option of the Holder (in accordance with Section 4 hereof), to the order of [COMVEST INVESTMENT PARTNERS II LLC, a Delaware limited liability company] or its registered assigns (the "Holder") upon a written request of the Holder, on or before a date which shall be the earlier of (i) three (3) months following the Closing Date, (ii) a merger or combination of the Company or the sale, transfer or other disposition of all or substantially all of the assets of the Company or (iii) the acquisition by a single entity, person or a "group" within the meaning of Rule 13d-1 of the Exchange Act, of more than fifty percent (50%) of the voting power or capital stock of the Company (on a fully-diluted basis) or (iv) the issuance by the Maker of Common Stock Equivalents other than an Exempt Issuance, whereby the Maker shall pay an amount equal to Fifty Percent (50%) of the net proceeds received by the Maker from such sale (or a lesser amount if the aggregate outstanding principal and interest is less than 50% of the net proceeds) (the "Demand Date") the principal amount of _____ Million _____ Dollars (\$_____) together with all accrued

and unpaid interest thereon, unless this Note is sooner converted in accordance with the terms set forth herein. All capitalized terms used but not defined herein shall have the meaning set forth in the Purchase Agreement.

1. Interest Rate. The unpaid balance of the principal amount of this Note shall accrue simple interest (the "Interest") at a rate (the "Interest Rate") per annum as follows:

| | |
|---|---------------|
| Month 1 of the Senior Secured Note | No interest |
| Month 2 of the Senior Secured Note | No interest |
| Month 3 of the Senior Secured Note | No interest |
| Month 4 and thereafter of the Senior Secured Note | 12% per annum |

Interest shall begin accruing as of the date that is three (3) months after the date hereof through the Demand Date. Interest shall accrue on a monthly basis and on the date of a conversion, if applicable, and shall be computed on the basis of a 365-day year, for the actual number of days involved. If any Event of Default has occurred and is continuing, the Senior Secured Note shall bear interest at a rate of the then-applicable Interest plus four percent (4%) per annum until such time as such Event of Default has been cured.

2. Payment of Principal Amount and Interest. Accrued Interest shall be due and payable on a monthly basis. Such payments shall be made either by wire transfer or by delivery to the Holder of a check payable to the Holder.

3. Conversion into Preferred Stock and Common Stock.

(a) Series D Preferred Stock. This Note shall automatically convert into shares of Series D Convertible Preferred Stock without any action required by either the Maker or the Holder as soon as the Maker has sufficient Series D Convertible Preferred Shares authorized for issuance ("Automatic Conversion"). Initially the Note shall be converted into shares of Series D Convertible Preferred Stock based upon the Preferred Conversion Ratio (for purposes hereof "Preferred Conversion Ratio" shall mean the quotient arrived at by dividing the principal amount of this Note plus any accrued Interest by the Preferred Conversion Price) subject to adjustment as hereinafter provided, and the "Preferred Conversion Price" initially shall be \$1,000. Promptly after the date of Automatic Conversion, Holder shall deliver this Note to the Company for cancellation in exchange for a certificate representing the applicable number of shares of Series D Preferred Stock.

(b) Interest Payments. Any unpaid accrued Interest shall be paid to the Holder on the date of the Automatic Conversion by wire transfer.

(c) Common Stock. On the Demand Date, and to the extent that the Maker has sufficient shares of Common Stock available for issuance, the Holder may request that payment be made in whole or in part in shares of Common Stock, based upon the Common Conversion Ratio (for purposes hereof "Common Conversion Ratio" shall mean the quotient arrived at by dividing the principal

amount of this Note plus any accrued Interest by the Conversion Price) subject to adjustment as hereinafter provided, and the "Common Conversion Price" initially shall be \$0.07 per share, (the "Common Conversion Price"). Promptly after the

2

date of the request from the Holder, Holder shall deliver this Note to the Company for cancellation in exchange for a certificate representing the applicable number of shares of Common Stock.

4.

Adjustment Provisions. The Preferred Conversion Price and the Common Conversion Price and number and kind of shares or other securities to be issued upon conversion determined pursuant to this Note shall be subject to adjustment from time to time upon the happening of certain events, as follows:

(a) Reclassification. If the Maker at any time shall, by reclassification or otherwise, change the Common Stock into the same or a different number of securities of any class or classes, this Note, shall thereafter be deemed to evidence the right to convert this Note into an adjusted number of such securities and kind of securities as would have been issuable as the result of such change with respect to the Common Stock (i) immediately prior to, or (ii) immediately after, such reclassification or other change at the sole election of the holder of this Note.

(b) Stock Splits, Combinations and Dividends. If the shares of Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, or if a dividend is paid on the Common Stock or any preferred stock issued by the Maker in shares of Common Stock, the Conversion Price shall be proportionately reduced in case of subdivision of shares or stock dividend or proportionately increased in the case of combination of shares, in each such case by the ratio which the total number of shares of Common Stock outstanding immediately after such event bears to the total number of shares of Common Stock outstanding immediately prior to such event.

(c) Share Issuances. If and whenever the Maker issues or sells, or in accordance with Section 5(c) hereof is deemed to have issued or sold, any shares of Common Stock for an effective consideration per share of less than the then Common Stock Conversion Price (as defined herein) or for no consideration then, the Conversion Price shall be adjusted pursuant to this Section 5(c). Such adjustment shall be made whenever shares of Common Stock or an instrument convertible into Common Stock are issued (except (i) pursuant to Sections 4(a) or (b) above; (ii) for an Exempt Issuance). For purposes of this Section an "Exempt Issuance" shall mean the issuance of (a) shares of Common Stock options or shares of Common Stock issued upon the exercise of any such options to employees, officers or directors of the Maker pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Maker or a majority of the members of a committee of

non-employee directors established for such purpose, (b) securities upon the exercise of or conversion of any convertible securities, options or warrants issued and outstanding on the date of issuance, provided that such securities have not been amended, (c) the securities issued or issuable hereunder or pursuant to the Securities Purchase Agreement between the Maker and the holder, dated as of the date hereof, (d) issuances in connection with mergers, acquisitions, joint ventures or other transactions with an unrelated third party in a bona fide transaction the purpose of which is not fundraising, or (e) issuances at fair market value to the Maker's suppliers, consultants and other providers of services and goods not to exceed \$100,000 to any one Person, and not to exceed an aggregate of \$250,000 in any fiscal year without the prior written consent of the holder. For purposes hereof, the issuance of any security of the Maker convertible into or

3

exercisable or exchangeable for Common Stock shall result in an adjustment to the Conversion Price upon the issuance of such securities pursuant to the formula below.

If the Maker issues any additional shares of Common Stock or Preferred Stock for a consideration per share less than the rate at which the Note is convertible into Common Stock or the Note is convertible into Series D Preferred Shares, based upon the then applicable Common Conversion Price or Preferred Conversion Price, as the case may be, then the Common Conversion Price or the Preferred Conversion Price, as the case may be, shall be adjusted by multiplying the then applicable Common Conversion Price or Preferred Conversion Price, as the case may be, by the following fraction:

$$A + B$$
$$(A + B) + [((C - D) \times B) / C]$$

A = The total amount of common shares (in the case of a dilutive common stock issuance) or the total amount of the preferred shares (in the case of a dilutive preferred stock issuance) issuable upon conversion of the Note, as the case may be.

B = Actual common shares (in the case of a dilutive common stock issuance) or preferred shares (in the case of a dilutive preferred stock issuance) sold in the offering

C = Common Conversion Price (in the case of a dilutive common stock issuance) or Preferred Conversion Price (in the case of a dilutive preferred stock issuance), as the case may be

(d) Computation of Consideration. For purposes of any computation respecting consideration received pursuant to Section 4(c) above, the following shall apply:

(i) in the case of the issuance of shares of Common Stock for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions, discounts or other expenses incurred by the Maker for any underwriting of the issue or otherwise in connection therewith;

(ii) in the case of the issuance of shares of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as determined in good faith by the Board of Directors of the Maker (irrespective of the accounting treatment thereof); and

(iii) upon any such exercise, the aggregate consideration received for such securities shall be deemed to be the consideration received by the Maker for the issuance of such securities plus the additional minimum consideration, if any, to be received by the Maker upon the conversion or exchange thereof (the

consideration in each case to be determined in the same manner as provided in subsections (i) and (ii) of this Section 4(d)).

(e) If, at any time after any adjustment of the Conversion Price shall have been made pursuant to Section 4(c) as the result of any issuance of warrants, rights or convertible securities, and either (1) such warrants or rights, or the rights of conversion or exchange in such other convertible securities, shall expire, and all or a portion of such warrants or rights, or the right of conversion or exchange with respect to all or a portion of such other convertible securities, as the case may be, shall not have been exercised, or (2) the consideration per share for which shares of Common Stock are issuable pursuant to such warrants or rights, or such other convertible securities, shall be increased or decreased by virtue of provisions therein contained, then such previous adjustments shall be rescinded and annulled and the additional shares of Common Stock which were deemed to have been issued by virtue of the computation made in connection with the adjustment so rescinded and annulled shall no longer be deemed to have been issued by virtue of such computation. Thereupon, a recomputation shall be made of the effect of such rights or options or other convertible securities on the then outstanding Warrants, but not on any then outstanding Warrant Shares, on the basis of (x) treating the number of additional shares of Common Stock or other property, if any, theretofore actually issued or issuable pursuant to the previous exercise

of any such warrants or rights or any such right of conversion or exchange, as having been issued on the date or dates of any such exercise and for the consideration actually received and receivable therefor, and (y) treating any such warrants or rights or any such other convertible securities which then remain outstanding as having been granted or issued immediately after the time of such increase or decrease of the consideration per share for which shares of Common Stock or other property are issuable under such warrants or rights or other convertible securities.

(f) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 4, the Maker at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of the Series D Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Maker shall, upon the written request at any time of any holder of the Series D Preferred Stock, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Ratio at the time in effect and (iii) the number of shares of Common Stock and the type and amount, if any, of other property which at the time would be received upon the conversion of the Series D Preferred Stock.

5. Protective Provisions. So long as this Note is outstanding the Maker shall not, without first obtaining the approval (by vote or written consent), as provided by the Delaware General Corporation Law of the holders of at least fifty percent (50%) of the then outstanding Notes of this kind:

(a) alter, amend or repeal (whether by merger, consolidation or otherwise) the rights, preferences or privileges of the Series D Preferred Stock, or any capital stock of the Maker so as to affect adversely the Series D Preferred Stock or this Note;

5

(b) alter, amend or repeal, the Articles of Incorporation or By-laws, in a manner that would adversely affect the voting power of the Series D Preferred Stock or any other rights or privileges of the holders of the Series D Preferred Stock or this Note;

(c) create any new class or series of capital stock having a preference over the Series D Preferred Stock as to distribution of assets upon liquidation, dissolution or winding up of the Maker ("Senior Securities");

(d) create any new class or series of capital stock ranking pari passu with the Series D Preferred Stock as to distribution of assets upon liquidation, dissolution or winding up of the Maker ("Pari Passu Securities");

(e) issue any Senior Securities or Pari Passu Securities;

(f) issue or sell any shares of Common Stock or securities convertible into Common stock for no consideration or for a consideration per share less than the then in effect Conversion Ratio, except that, no adjustment to the Conversion Ratio will be made in the case of an Exempt Issuance;

(g) increase the par value of the Common Stock;

(h) directly or indirectly pay or declare any dividend, make any distribution upon, redeem or repurchase any shares of capital stock (except a dividend on, or distribution upon, the Series D Preferred Stock or pursuant to a stock option or award under a plan approved by the Board of Directors); (ii) agree to any provision in any agreement that would impose any restriction on our ability to honor the exercise of any rights of the holders of the Series D Preferred Stock or this Note; or

(i) enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any of its affiliates, unless such transaction is (i) in the ordinary course of business, and (ii) upon fair and reasonable terms no less favorable to the Maker than it would obtain in a comparable arm's length transaction with a person which is not an affiliate.

6. Additional Covenants. The Maker shall, if so requested by Holder, promptly provide the following information:

(a) Annual Financial Statements. Unless filed with the Securities and Exchange Commission (the "Commission") through EDGAR and publicly available through the EDGAR system, copies of the consolidated balance sheet of the Maker and its subsidiaries, as of the end of the immediately preceding fiscal year and the related consolidated statements of income, stockholders' equity and cash flows for such fiscal year, prepared in accordance with generally accepted accounting principles and certified by a firm of independent public accountants of recognized national standing or such other independent public accountants, in either case, as unanimously selected by the Board;

6

(b) Quarterly Financial Statements. Unless filed with the Commission through EDGAR and publicly available through the EDGAR system, copies of the consolidated balance sheet of the Corporation and its subsidiaries, and the related consolidated statements of income, stockholders' equity and cash flows, unaudited but prepared in accordance with generally accepted accounting principles, such consolidated balance sheet, consolidated statements of income, stockholders' equity and cash flows to be as of the end of each quarter following the end of the immediately preceding fiscal year, in each case with comparative statements for the prior fiscal year; provided, however, that, to

the extent the information in this Section 6 is requested by the Holder, Holder shall hold and treat all such information confidential;

(c) Accountant's Letters. Copies of each accountant's management letter and other written report submitted to the Maker by its independent public accountants in connection with an annual or interim audit of the books of the Maker or any of its subsidiaries;

(d) Notices. Copies of notices of all actions that could materially and adversely affect the Maker or any of its subsidiaries; and

(e) Other Information. Any other information regarding the business, prospects, financial condition, operations, property or affairs of the Maker as Holder may reasonably request.

7. Security Interest. This Note shall be senior in lien priority to all other Indebtedness (existing or future) of the Maker (other than Permitted Liens (as defined in the Security Agreement)) and shall be secured by a first priority perfected lien and security interest in the Collateral (as defined in the Security Agreement).

8. Events of Default. This Note shall become due and payable upon any of the following events, herein called "Events of Default":

(a) failure of the Maker to pay the principal amount, interest or any other amounts due under this Note as and when due;

(b) a material breach by the Maker, or the material failure by the Maker to perform, any representation, warranty, covenant or agreement made by the Maker in this Note or any other Transaction Document, or any related instrument, document or agreement (subject to any applicable cure periods);

(c) Maker's application for, or Maker's consent to, the appointment of a receiver, trustee or liquidator for the Maker or any of its properties;

(d) filing by the Maker of a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors;

(e) the entry against the Maker of a court order approving a petition filed against it under the federal bankruptcy laws by a creditor other than the Holder, which order shall not have been vacated or set aside or otherwise terminated within sixty (60) days;

(f) with respect to any instrument or agreement for borrowed

money to which the Maker is or becomes a party, (i) an event of default has occurred and has been declared by any third party to such instrument or agreement, the amount of the declared default exceeds Fifty Thousand Dollars (\$50,000), and such third party has accelerated any payments due under such instrument or agreement or (ii) an event of default has occurred and has been declared by any third party to such instrument or agreement, the amount of the declared default exceeds Three Hundred Thousand Dollars (\$300,000), provided, that the foregoing shall not constitute a default if the Maker, with advise of its legal counsel, has made a good faith determination that such amount is not due and that the Maker has valid and reasonable defenses against non-payment of such amount.

(g) the Maker agrees to pay in full settlement of any litigation, proceeding or action, or a judgment is entered by a court of competent jurisdiction with respect to any litigation, proceeding or action involving the Maker (other than any settlement entered into or judgment entered with respect to obligations incurred by the Maker in the ordinary course of business and which were accrued for on the balance sheet of the Maker in the ordinary course of business), of at least Three Hundred Thousand Dollars (\$300,000) in any one instance or One Million Dollars (\$1,000,000) in the aggregate, in each case that is not covered by any insurance maintained by the Maker.

9. Transferability. Subject to compliance with applicable federal and state securities laws, this Note shall be transferable solely in accordance with Section 5.8 of the Purchase Agreement. In no event may the Holder assign this Note separate from an assignment of its rights under the Security Agreement. Any such transfer shall be effected by the presentation of this Note to the Maker for transfer, accompanied by a duly completed and executed Assignment Form in the form attached hereto as Exhibit A, and an opinion of counsel of the Holder in form reasonably satisfactory to the Maker that the transfer may be properly made under an exemption from registration under the Securities Act and applicable state securities laws. Any transfer made in violation of this Section 6 shall be void.

10. Definitions. As used in this Note, the following term shall have the following meaning:

"Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in The City of New York.

11. Notices. Any notice, request or other communication required or permitted hereunder shall be in writing, and shall be deemed delivered upon personal delivery or facsimile transmission, one (1) business day after being sent via a reputable nationwide overnight courier services, or two (2) business days after deposit in the mail addressed as follows:

If to the Maker:

IT & E International Group
505 Lomas Santa Fe Drive, Suite 200
Solana Beach, California 92075
Attention: Chief Executive Officer
Facsimile No.: (858) 366-0961

With copies to:

Foley & Lardner, LLP
402 W. Broadway, Suite 2300
San Diego, California 92101
Attention: Adam C. Lenain, Esq.
Facsimile No.: (619) 234-3510

If to the Holder: [change address for other holders]

COMVEST INVESTMENT PARTNERS II LLC
One North Clematis Street
Suite 300
West Palm Beach, Florida 33324
Attention: Carl Kleidman
Facsimile No.:

With a copy to: [for ComVest note only]

Greenberg Traurig, LLP
The MetLife Building
200 Park Avenue, 14th Floor
New York, NY 10166
Attention: Alan I. Annex, Esq.
Facsimile No.: (212) 801-6400

Either party may change by notice the address to which notices to it are to be addressed.

12. Successors and Assigns. All covenants, agreements and undertakings in this Note by or on behalf of any of the parties shall bind and inure to the benefit of the respective successors and assigns of the parties.

13. Governing Law. This Note shall be governed by, construed under and interpreted and enforced in accordance with laws of the State of New York, without giving effect to principles of choice of law. Any action or proceeding arising out of or relating to this Note shall be commenced in a federal or state court having competent jurisdiction in the State of New York, and for the purpose of any such action or proceeding, each of the parties and any assignees thereof submits to the personal jurisdiction of the State of New York. The parties hereby irrevocably consent to the exclusive personal jurisdiction of any

state or federal court for New York County in the State of New York or the Southern District of New York. The parties hereby

waive any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

14. Remedies. The Maker stipulates that the remedies at law of the Holder in the event of any default or threatened default by the Maker in the performance of or compliance with any of the terms of this Note are not and will not be adequate, and that such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

15. Amendments. The terms and provisions of this Note may not be modified, altered or amended except in accordance with Section 8.1 of the Security Agreement.

16. Headings. The descriptive headings of the several paragraphs of this Note are inserted for purposes of reference only, and shall not affect the meaning or construction of any of the provisions hereof.

IN WITNESS WHEREOF, the Maker has executed this Note and has delivered it to the Holder, on the day and year first above written.

IT & E INTERNATIONAL GROUP

By:

Name:

Title:

EXHIBIT A

ASSIGNMENT

FOR VALUED RECEIVED, the undersigned Holder of the attached Senior Secured Note (the "Note") issued by IT & E International Group (the "Maker")

hereby sells, assigns and transfers unto the persons below, all right, title and interest of the undersigned in and to the obligations evidenced by the Note, and does hereby irrevocably constitute and appoint _____ attorney-in-fact to transfer the Note on the books of the Maker with full power of substitution in the premises.

Dated:

Signature:

Fill in for new Registration of Note:

Name of Noteholder

Address of Noteholder:

WARRANT

NEITHER THIS WARRANT NOR ANY SECURITY INTO WHICH IT IS CONVERTIBLE HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), NOR UNDER ANY APPLICABLE STATE SECURITIES LAWS. THIS WARRANT HAS BEEN ACQUIRED FOR INVESTMENT AND NEITHER THIS WARRANT NOR ANY SECURITY INTO WHICH IT IS CONVERTIBLE MAY BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION OF THEM UNDER THE ACT OR AN OPINION OF COUNSEL OR OTHER EVIDENCE ACCEPTABLE TO THE COMPANY THAT SUCH SALE OR TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE ACT. NEITHER THIS WARRANT NOR ANY SECURITY INTO WHICH IT IS CONVERTIBLE MAY BE TRANSFERRED EXCEPT UPON THE CONDITIONS SPECIFIED IN THIS WARRANT AND THE SECURITIES PURCHASE AGREEMENT, DATED AS OF EVEN DATE HERewith, AND NO TRANSFER OF THIS WARRANT OR ANY SECURITY INTO WHICH IT IS CONVERTIBLE SHALL BE VALID OR EFFECTIVE UNLESS AND UNTIL SUCH CONDITIONS SHALL HAVE BEEN COMPLIED WITH. THE TRANSFERABILITY OF THIS WARRANT AND ANY SECURITY INTO WHICH IT IS CONVERTIBLE IS SUBJECT TO THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE PURCHASE AGREEMENT.

WARRANT

TO PURCHASE COMMON STOCK OF
IT & E INTERNATIONAL GROUP

THIS WARRANT IS MADE AND DELIVERED PURSUANT TO A CERTAIN SECURITIES PURCHASE AGREEMENT, DATED AS OF EVEN DATE HERewith, AND SUBJECT TO THE TERMS AND CONDITIONS THEREOF.

Certificate No. _____

Date of Issuance: November __, 2005

Expiration Date: November __, 2009

This Warrant is issued to COMVEST INVESTMENT PARTNERS II LLC (the "Holder") by IT & E INTERNATIONAL GROUP, a Nevada corporation (the "Company"), pursuant to the terms of that certain Securities Purchase Agreement (the "Purchase Agreement") of even date herewith, in connection with the Company's issuance to the Holder of this Warrant, a Senior Secured Note or the Preferred Shares, as the case may be, for an aggregate purchase price of Seven Million Dollars (\$7,000,000), in reliance upon an exemption from registration pursuant to Section 4(2) of the Securities Act;

THIS CERTIFIES THAT, for value received, the receipt and sufficiency of which is hereby acknowledged:

Subject to the conditions set forth herein and in the Purchase Agreement, the Holder, with an address at One North Clematis Street, Suite 300, West Palm Beach, Florida 33324, is entitled, upon surrender of this Warrant at the principal office of the Company, to subscribe for and

purchase from the Company, for a period of four (4) years after the date hereof and ending at 5:00 p.m. Eastern Standard Time on November __, 2009 (the "Exercise Period"), up to 49,999,958 shares of Common Stock at the Per Share Exercise Price (the "Warrant Shares"). All capitalized terms used but not defined herein shall have the meaning set forth in the Purchase Agreement.

This Warrant is subject to the following provisions, terms and conditions:

1. Definitions.

1.1 "Business Day" means any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in The City of New York.

1.2 "Common Stock" shall mean the shares of common stock, par value \$0.001, of the Company.

1.3 "Commission" shall mean the U.S. Securities and Exchange Commission or any other governmental authority at the time administering the Securities Act.

1.4 "Company" shall have the meaning specified in the introduction to this Warrant, and shall include any corporation or business entity resulting from the merger, consolidation or conversion of the Company.

1.5 "Current Price per Share" shall mean the average of the closing sales prices, if available, or the average of the bid and asked prices for the Warrant Shares, Common Stock or Marketable Securities, as the case may be (or their successors) on the principal market therefor for the five (5) full Trading Days preceding the day which is two (2) Business Days prior to the day of exercise, or if no such price is available, then a price that is mutually agreed upon by the Holder and the Company. If the Holder and the Company cannot agree upon a mutually acceptable price, then such price shall be determined by a written appraisal of a recognized firm of investment bankers who shall be selected by the Company and shall be reasonably acceptable to the holders of a majority of the Warrants. The determination of such independent appraiser shall be conclusive and binding on the Holder and the Company.

1.6 "Exempt Issuance" means the issuance of (a) shares of Common Stock options or shares of Common Stock issued upon the exercise of any such options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose, (b) securities upon the exercise of or conversion of any convertible securities, options or warrants

issued and outstanding as of the date hereof, provided that such securities have not been amended since the date hereof, (c) the securities issued or issuable hereunder, or pursuant to the Securities Purchase Agreement between the Company and the Holder, dated as of the date hereof, (d) issuances in connection with mergers, acquisitions, joint ventures or other transactions with an unrelated third party in a bona fide transaction the purpose of which is not fundraising, or (e) issuances at fair market value to the Company's suppliers, consultants and other providers of services and goods not to exceed \$100,000 to any one Person, and not to

exceed an aggregate of \$250,000 in any fiscal year without the prior written consent of the Holder.

1.7 "Fair Market Price per Share" shall mean the fair value, as determined by a majority of the full Board of Directors of the Company in good faith, which determination shall be described in a duly adopted board resolution certified by the Company's Secretary or Assistant Secretary, of any potential dilutive issuance described in Section 5(c).

1.8 "Marketable Securities" shall mean securities of a corporation subject to the informational and reporting requirements of the Securities Exchange Act of 1934, as amended, that are listed and actively traded on a nationally-recognized stock exchange or inter-dealer quotation system in the United States.

1.9 "Per Share Exercise Price" shall be \$0.10, as may be adjusted in accordance with Section 5 hereof.

1.10 "Registration Statement" shall be (i) any registration statement that the Company shall file with the Commission in accordance with Section 2(a) of the Registration Rights Agreement, covering all or part of the Shares and Warrant Shares, or (ii) the registration statement that the Company may file (or has filed) with the Commission in accordance with Section 2(b) of the Registration Rights Agreement, covering all or a part of the Shares and the Warrant Shares so long as such registration statement is declared effective prior to the time the registration statement contemplated by Section 2(a) of the Registration Rights Agreement is declared effective; provided, however, that if any registration statement filed under Section 2(b) of the Registration Rights Agreement covers only a portion of the Shares and the Warrant Shares, then "Registration Statement" shall mean both registration statements described in subparagraphs (i) and (ii) above.

1.11 "Securities Act" shall mean the Securities Act of 1933, as amended, or any similar or successor federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Securities Act shall include a reference to the comparable section, if any, of any such similar or successor

federal statute.

1.12 "Warrant" shall mean and include this Warrant and any Warrant or Warrants hereafter issued as a consequence of the exercise or transfer of this Warrant in whole or in part.

1.13 "Trading Days" shall mean any days during the course of which the Company's Common Stock is listed and traded with the OTC Electronic Bulletin Board or such similar organization if the OTC Electronic Bulletin Board is no longer reporting such information.

2. Payment upon Exercise; Issuance of Certificates; No Fractional Shares.

(a) This Warrant may be exercised during the Exercise Period, in whole or in part, by the surrender of this Warrant with the election at the end hereof (the "Election") duly executed to the Company, during normal business hours on any Business Day, at the address and

in the manner set forth in Section 11 hereof, or at such other place as is designated in writing by the Company. Such executed Election must be accompanied by payment in an amount equal to the applicable Per Share Exercise Price multiplied by the number of Warrant Shares for which this Warrant is being exercised. Such payment may be made by check payable to the order of the Company. The Company agrees that the Warrant Shares so purchased shall be and are deemed to be issued to the Holder or its designee (subject to the transfer restrictions applicable to this Warrant) as the record owner of such Warrant Shares as of the close of business on the date on which this Warrant shall have been surrendered and payment shall have been made as aforesaid.

(b) Certificates for the Warrant Shares so purchased, representing the aggregate number of securities specified in the Election, shall be delivered to the Holder or its designee within a reasonable time, not exceeding ten (10) Business Days after this Warrant shall have been duly exercised. The stock certificate or certificates so delivered shall be in such denominations as may be requested by the Holder and shall be registered in the name of the Holder or such other name as shall be designated by the Holder (subject to the transfer restrictions applicable to this Warrant). The Company shall pay all expenses and charges payable in connection with the preparation, execution and delivery of stock certificates pursuant to this Section 2, except that, in case such stock certificates shall be registered in a name or names other than the Holder or the Holder's designee, funds sufficient to pay all stock transfer taxes which shall be payable in connection with the execution and delivery of such stock certificates shall be paid by the Holder to the Company at the time of delivery of such stock certificates by the Company.

(c) This Warrant shall be exercisable only for a whole number

of Warrant Shares. No fractions of such securities, or scrip for any such fraction of securities, shall be issued upon the exercise of this Warrant. The Company shall pay a cash adjustment in respect of such fractional interest in an amount equal to the Current Price per Share of one share of Warrant Shares at the time of such exercise multiplied by such fraction computed to the nearest whole cent.

3. Cashless Exercise. At any time during the Exercise Period, the Company agrees that:

(a) The Holder may exercise this Warrant by surrendering it to the Company and receiving, in exchange therefor, the number of shares of Common Stock then purchasable upon exercise of that portion of the Warrant to be exercised less the number of shares of Common Stock equal to the quotient of the aggregate Per Share Exercise Price of all such shares underlying that portion of the Warrant to be exercised divided by the Current Price per Share.

(b) Concurrent with the occurrence of any event described in Section 5(a) for cash, the Holder may exercise this Warrant by surrendering it to the Company in exchange for the amount of cash per share the Holder would be entitled to receive after the happening of such event if this Warrant had been exercised immediately prior to the close of business on such record date or effective date, as applicable, less the applicable Per Share Exercise Price.

(c) Concurrent with the occurrence of any event described in Section 5(a) for Marketable Securities, the Holder may exercise this Warrant by surrendering it to the Company

in exchange for the applicable amount of such Marketable Securities the Holder would be entitled to receive after the happening of such event if this Warrant had been exercised immediately prior to the close of business on such record date or effective date, as applicable, less the number of such Marketable Securities equal to the quotient of the aggregate Per Share Exercise Price of all shares underlying this Warrant divided by the Current Price per Share of such Marketable Securities.

4. Redemption

(a) The Company shall have the right, upon the affirmative vote of a majority of the independent non-employee members of the Board of Directors, as "independent" is defined in Rule 10A-3 of the Exchange Act of 1934, approving the Warrant Redemption subject to the prior satisfaction of the conditions precedent set forth in Section (b), upon delivery of written notice to the Holder or its assigns ("Redemption Notice"), to redeem any then unexercised portion, in whole or in part, of this Warrant (a "Warrant Redemption"). The Warrant Redemption may be exercised by the Company by delivering the payment of the Warrant Redemption Price (as defined below) for

the number of Warrant Shares issuable upon exercise of the Warrant being redeemed to the Holder of its assigns at the address of the Holder or its assigns provided to the Company, together with the Redemption Form attached hereto, duly completed and signed. The Warrant Shares issuable upon exercise of the Warrant being redeemed under this Section (a) shall be and are deemed to be redeemed by the Company as of the close of business on the latest date on which the Redemption Form is delivered to the Holder or its assigns (which must be at least five business days after the Redemption Notice is given) and payment made therefor. Upon receipt of the payment and the duly completed and signed Redemption Form, the holder shall deliver this Warrant to the Company within three business days thereafter for cancellation of that number of Warrants being redeemed. The Warrant Redemption Price shall mean \$.001 per Warrant Share issuable upon exercise of the Warrant being redeemed.

(b) The Company's right to redeem this Warrant as described above is subject to the satisfaction of the following conditions:

(i) The closing price of the Common Stock is at least \$0.30 for twenty (20) consecutive trading days immediately preceding the date on which the Redemption Notice is delivered to the Holder or its assigns.

(ii) The Company has achieved pre-tax income per share of Common Stock (calculated on a fully-diluted basis after giving effect to the issuance of the Common Stock underlying the Series D Preferred Stock and using the Treasury Method for options and warrants) of at least \$.015 per share for the prior trailing four quarters (excluding any non-recurring extraordinary expenses).

(iii) The number of Warrants that may be called by the Company during any thirty (30) day period shall not be exercisable for a number of shares of Common Stock that exceeds the average weekly trading volume during the prior four (4) weeks.

5. Adjustment Provisions. The Per Share Exercise Price and number and kind of shares or other securities to be issued upon conversion determined pursuant to this Warrant shall be subject to adjustment from time to time upon the happening of certain events while this conversion right remains outstanding, as follows:

(a) Reclassification. If the Company at any time shall, by reclassification or otherwise, change the Common Stock into the same or a different number of securities of any class or classes, this Warrant shall thereafter be deemed to evidence the right to purchase an adjusted number of such securities and kind of securities as would have been issuable as the result of such change with respect to the Common Stock (i) immediately prior to, or (ii) immediately after, such reclassification or other change at the sole election of the Holder.

(b) Stock Splits, Combinations and Dividends. If the shares of Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, or if a dividend is paid on the Common Stock or any preferred stock issued by the Company in shares of Common Stock, the Per Share Exercise Price shall be proportionately reduced in case of subdivision of shares or stock dividend or proportionately increased in the case of combination of shares, in each such case by the ratio which the total number of shares of Common Stock outstanding immediately after such event bears to the total number of shares of Common Stock outstanding immediately prior to such event.

(c) Anti-Dilution Provisions. The Per Share Exercise Price shall be subject to adjustment from time to time as provided in this Section 5. In the event that any adjustment of the Per Share Exercise Price as required herein results in a fraction of a cent, such Per Share Exercise Price shall be rounded up or down to the nearest cent.

(i) Adjustment of the Per Share Exercise Price. If and whenever the Company issues or sells, or in accordance with Section 5(c) hereof is deemed to have issued or sold, any shares of Common Stock for an effective consideration per share of less than the then Per Share Exercise Price or for no consideration (such lower price, the "Base Share Price" and such issuances collectively, a "Dilutive Issuance"), then, the Per Share Exercise Price shall be reduced to equal such Base Share Price. Such adjustment shall be made whenever shares of Common Stock or an instrument convertible into Common Stock ("Common Stock Equivalents") are issued.

(ii) Effect on Exercise Price of Certain Events. For purposes of determining the adjusted Exercise Price under Section 5(c) hereof, the following will be applicable:

(A) Issuance of Rights or Options. If the Company in any manner issues or grants any warrants, rights or options, whether or not immediately exercisable, to subscribe for or to purchase Common Stock or (such warrants, rights and options to purchase Common Stock or Common Stock Equivalents are hereinafter referred to as "Options") and the effective price per share for which Common Stock is issuable upon the exercise of such Options is less than the Per Share Exercise Price ("Below Base Price Options"), then the maximum total number of shares of Common Stock issuable upon the exercise of all such Below Base Price

Options (assuming full exercise, conversion or exchange of Common Stock Equivalents, if applicable) will, as of the date of the issuance or grant of such Below Base Price Options, be deemed to be outstanding and to have been issued and sold by the Company for such price per share and the maximum consideration payable to the Company upon such

exercise (assuming full exercise, conversion or exchange of Common Stock Equivalents, if applicable) will be deemed to have been received by the Company. For purposes of the preceding sentence, the "effective price per share for which Common Stock is issuable upon the exercise of such Below Base Price Options" is determined by dividing (i) the total amount, if any, received or receivable by the Company as consideration for the issuance or granting of all such Below Base Price Options, plus the minimum aggregate amount of additional consideration, if any, payable to the Company upon the exercise of all such Below Base Price Options, plus, in the case of Common Stock Equivalents issuable upon the exercise of such Below Base Price Options, the minimum aggregate amount of additional consideration payable upon the exercise, conversion or exchange thereof at the time such Common Stock Equivalents first become exercisable, convertible or exchangeable, by (ii) the maximum total number of shares of Common Stock issuable upon the exercise of all such Below Base Price Options (assuming full conversion of Common Stock Equivalents, if applicable). No further adjustment to the Exercise Price will be made upon the actual issuance of such Common Stock upon the exercise of such Below Base Price Options or upon the exercise, conversion or exchange of Common Stock Equivalents issuable upon exercise of such Below Base Price Options.

(B) Issuance of Common Stock Equivalents. If the Company in any manner issues or sells any Common Stock Equivalents, whether or not immediately convertible (other than where the same are issuable upon the exercise of Options) and the effective price per share for which Common Stock is issuable upon such exercise, conversion or exchange is less than the Exercise Price, then the maximum total number of shares of Common Stock issuable upon the exercise, conversion or exchange of all such Common Stock Equivalents will, as of the date of the issuance of such Common Stock Equivalents, be deemed to be outstanding and to have been issued and sold by the Company for such price per share and the maximum consideration payable to the Company upon such exercise (assuming full exercise, conversion or exchange of Common Stock Equivalents, if applicable) will be deemed to have been received by the Company. For the purposes of the preceding sentence, the "effective price per share for which Common Stock is issuable upon such exercise, conversion or exchange" is determined by dividing (i) the total amount, if any, received or receivable by the Company as consideration for the issuance or sale of all such Common Stock Equivalents, plus the minimum aggregate amount of additional consideration, if any, payable to the

Company upon the exercise, conversion or exchange thereof at the time such Common Stock Equivalents first become exercisable, convertible or exchangeable, by (ii) the maximum total number of shares of Common

Stock issuable upon the exercise, conversion or exchange of all such Common Stock Equivalents. No further adjustment to the Exercise Price will be made upon the actual issuance of such Common Stock upon exercise, conversion or exchange of such Common Stock Equivalents.

(C) If, at any time after any adjustment of the Exercise Price shall have been made pursuant to Section 5(c)(ii)(A) or 5(c)(ii)(B) as the result of any issuance of warrants, rights or convertible securities, and either (1) such warrants or rights, or the rights of conversion or exchange in such other convertible securities, shall expire, and all or a portion of such warrants or rights, or the right of conversion or exchange with respect to all or a portion of such other convertible securities, as the case may be, shall not have been exercised, or (2) the consideration per share for which shares of Common Stock are issuable pursuant to such warrants or rights, or such other convertible securities, shall be increased or decreased by virtue of provisions therein contained, then such previous adjustments shall be rescinded and annulled and the additional shares of Common Stock which were deemed to have been issued by virtue of the computation made in connection with the adjustment so rescinded and annulled shall no longer be deemed to have been issued by virtue of such computation. Thereupon, a recomputation shall be made of the effect of such rights or options or other convertible securities on the then outstanding Warrants, but not on any then outstanding Warrant Shares, on the basis of (x) treating the number of additional shares of Common Stock or other property, if any, theretofore actually issued or issuable pursuant to the previous exercise of any such warrants or rights or any such right of conversion or exchange, as having been issued on the date or dates of any such exercise and for the consideration actually received and receivable therefor, and (y) treating any such warrants or rights or any such other convertible securities which then remain outstanding as having been granted or issued immediately after the time of such increase or decrease of the consideration per share for which shares of Common Stock or other property are issuable under such warrants or rights or other convertible securities.

(D) Change in Option Price or Conversion Rate. If there is a change at any time in (i) the amount of additional consideration payable to the Company upon the exercise of any Options; (ii) the amount of additional consideration, if any, payable to the Company upon the exercise, conversion or exchange of any Common Stock Equivalents; or (iii) the rate at which any Common Stock Equivalents are convertible into or exchangeable for Common Stock (in each such case, other than under or by reason of provisions designed to protect against dilution), the

Exercise Price in effect at the time of such change will be readjusted to the Exercise Price which would have been in effect at such time had such Options or Common Stock Equivalents still outstanding provided for such changed additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold.

(E) Calculation of Consideration Received. If any Common Stock, Options or Common Stock Equivalents are issued, granted or sold for cash, the consideration received therefor for purposes of this Warrant will be the amount received by the Company therefor, before deduction of reasonable commissions, underwriting discounts or allowances or other reasonable expenses paid or incurred by the Company in connection with such issuance, grant or sale. In case any Common Stock, Options or Common Stock Equivalents are issued or sold for a consideration part or all of which shall be other than cash, the amount of the consideration other than cash received by the Company will be the fair market value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Company will be the fair market value (closing bid price, if traded on any market) thereof as of the date of receipt. In case any Common Stock, Options or Common Stock Equivalents are issued in connection with any merger or consolidation in which the Company is the surviving corporation, the amount of consideration therefor will be deemed to be the fair market value of such portion of the net assets and business of the non-surviving corporation as is attributable to such Common Stock, Options or Common Stock Equivalents, as the case may be. The fair market value of any consideration other than cash or securities will be determined in good faith by an investment banker or other appropriate expert of national reputation selected by the Company and reasonably acceptable to the holder hereof, with the costs of such appraisal to be borne by the Company.

(iii) Exceptions to Adjustment of Exercise Price.

Notwithstanding the foregoing, no adjustment will be made under this Section 5 in respect of an Exempt Issuance.

(d) Written Notice. The Company shall give written notice to the Holder within ten (10) days following the consummation of any transaction within the scope of this Section 5 and provide in such written notice a brief description of the terms and conditions of such transaction.

(e) Minimal Adjustments. No adjustment in a Per Share Exercise Price need be made if such adjustment would result in a change in such Per Share Exercise Price of less than one cent (\$0.01). Any adjustment of less than one cent (\$0.01) which is not made shall be carried forward and shall be made at the time of and together with any subsequent adjustment which, on a cumulative basis, amounts to an adjustment of one cent (\$0.01) or more in a Per Share Exercise Price.

6. Issue Tax. The issuance of certificates for the Warrant Shares upon the exercise of this Warrant shall be made without charge to the Holder for any issuance tax in respect thereof, provided that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the Holder .

7. Transferability and Assignment. Except as set forth in this Section 6 hereof and subject to compliance with applicable federal and state securities laws, and to the extent applicable, the parties may not assign their rights and obligations under this Warrant except in accordance with Section 5.8 of the Purchase Agreement. In the event the Holder proposes to effect an assignment, the Holder must present this Warrant to the Company for transfer, accompanied by a duly completed and executed Form of Assignment (as provided at the end hereof), the transferee must agree to be bound by the terms of this Warrant as if such transferee were an original holder of this Warrant, and the Holder must deliver to the Company an opinion of counsel of the Holder in form reasonably satisfactory to the Company that the transfer may be properly made under an exemption from registration under the Securities Act and applicable state securities laws. Upon any registration of transfer, the Company shall execute and deliver a new Warrant certificate to the person entitled thereto. In the event the Warrant is transferred, the subsequent holder shall have no greater rights than those afforded the Holder hereunder. Any transfer made in violation of this Section 6 shall be void.

8. Reservation of Warrant Shares. The Company shall, at all times when this Warrant shall be outstanding, reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the exercise of this Warrant, such number of its duly authorized shares of capital stock as shall from time to time be sufficient to effect the exercise of this Warrant. Alternatively, the Company shall take all action necessary to cause it to be authorized to issue all necessary shares issuable upon exercise of this Warrant. All shares of capital stock which may be issued in connection with the exercise of this Warrant will, upon issuance by the Company, be validly issued, fully paid and non-assessable.

9. Mutilated or Missing Warrant Certificate. In case the certificate evidencing this Warrant shall be mutilated, lost, stolen or destroyed, the Company shall, at the request of the Holder, issue and deliver in exchange and substitution for and upon cancellation of the mutilated certificate, or in lieu of and in substitution for the certificate lost, stolen or destroyed, a new Warrant certificate of like tenor and representing the equivalent rights and interests, but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of such Warrant. Applicants for such substitute Warrant certificate shall also comply with such other reasonable requirements and pay such other reasonable charges as the Company may prescribe. The Holder shall pay all taxes and all other expenses and charges payable in connection with the preparation, execution and delivery of Warrants pursuant to this Section 8.

10. No Rights as a Shareholder. Nothing contained herein shall be construed as conferring upon the Holder or its transferees any rights as a shareholder of the Company, including the right to vote, receive dividends, consent or receive notices as a shareholder in respect of any meeting of shareholders for the election of directors of the Company or any other matter.

11. Legend. The Warrant Shares issued upon exercise of this Warrant shall be subject to a stop transfer order and the certificate or certificates evidencing such Warrant Shares shall bear the following legend:

"THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THESE SECURITIES ARE SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN SECURITIES PURCHASE AGREEMENT, A CERTAIN LOCK-UP AGREEMENT AND A CERTAIN REGISTRATION RIGHTS AGREEMENT, ALL OF WHICH ARE DATED NOVEMBER __, 2005 AND ARE AVAILABLE FOR INSPECTION AT THE OFFICES OF THE COMPANY."

12. Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be mailed by certified mail, return receipt requested, or by Federal Express, Express Mail or similar overnight delivery or courier service or delivered (in person or by telecopy, telex or similar telecommunications equipment) against receipt to the party to whom it is to be given, (i) if to the Company, addressed to IT & E International Group, Inc., 505 Lomas Sante Fe Drive, Suite 200, Solana Beach, California 92075, Attention: Chief Financial Officer, Facsimile No. (858) 366-0961, with copies to: Foley & Lardner, LLP, 402 W. Broadway, Suite 2300, San Diego, California 92101, Attn: Adam C. Lenain, Facsimile No. (619) 234-3510 (ii) if to the Holder, at the address set forth above, or (iii) in either case, to such other address as the party shall have furnished in writing in accordance with the provisions of this Section 11. Notice to the estate of any party shall be sufficient if addressed to the party as provided in this Section 11. Any notice or other communication given by certified mail shall be deemed given at the time of certification thereof, except for a notice changing a party's address which shall be deemed given at the time of receipt thereof. Any notice given by other means permitted by this Section 11 shall be deemed given at the time of receipt thereof.

13. Governing Law. This Warrant shall be construed in accordance with the laws of the State of New York, without regard to principles governing conflicts of law. Any action or proceeding arising out of or relating to this Warrant shall be commenced in a federal or state court having competent jurisdiction in the State of New York, and for the purpose of any such action or proceeding, each of the Company and the Holder and any assignee of the Holder submits to the personal jurisdiction of the State of New York. The parties hereby irrevocably

consent to the exclusive jurisdiction of any state or federal court for New York County in the State of New York or the Southern District of New York. The parties hereby waive any objection to venue and any objection based on a more convenient forum in any action instituted under this Warrant.

14. Remedies. The Company stipulates that the remedies at law of the Holder in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate, and that such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

15. Amendments; Waivers. The terms and provisions of this Warrant may be amended, modified, waived or altered only in writing signed by the Company and the Holder, and any such amendment effected pursuant to this Section 15 shall be binding upon the successors and assigns of the parties.

16. Headings. The descriptive headings of the several sections of this Warrant are inserted for purposes of reference only, and shall not affect the meaning or construction of any of the provisions hereof.

[Signature Page to Warrant]

Dated: November __, 2005

IT & E INTERNATIONAL GROUP

By:

Name:

Title:

ACKNOWLEDGED AND ACCEPTED:

By:

Name:

Title:

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the attached Warrant.)

FOR VALUE RECEIVED, _____ hereby sells, assigns, and transfers unto _____ Warrants to purchase _____ shares of _____ of IT & E International Group (the "Company"), together with all right, title, and interest therein, and does hereby irrevocably constitute and appoint _____ attorney to transfer such Warrant on the books of the Company, with full power of substitution.

Dated:

Signature:

NOTICE

The signature on the foregoing Assignment must correspond to the name as written upon the face of this Warrant in every particular, without alteration or enlargement or any change whatsoever.

To: IT & E International Group
505 Lomas Santa Fe Drive, Suite 200
Solana Beach, California 92075

ELECTION TO EXERCISE

The undersigned hereby exercises his or its rights to purchase _____

Warrant Shares covered by the within Warrant certificate and tenders payment herewith in the amount of \$_____ in accordance with the terms thereof, and requests that certificates for such securities be issued in the name of, and delivered to:

(Print Name, Address and Social Security or Tax Identification Number)

The undersigned also hereby represents that the representations and warranties provided by the undersigned in Section 3.2 of the Purchase Agreement are true and correct in all material respects as if made on and as of the date hereof.

Signature:

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement"), dated November __, 2005, is entered into by and between IT & E INTERNATIONAL GROUP, a Nevada corporation (the "Company") and COMVEST INVESTMENT PARTNERS II LLC, a Delaware limited liability company ("ComVest") and the purchasers set forth on the signature pages attached hereto (each a "Purchaser" and collectively with ComVest, the "Purchasers"), as a material inducement for the Purchasers to purchase (i) senior secured notes (each a "Senior Secured Note") in an aggregate principal amount up to of \$11,500,000 (ii) up to 11,500 of shares of convertible preferred stock, stated value \$1,000 per share (the "Series D Preferred Stock"), (iii) warrants (the "Warrant") to purchase up to 81,142,788 shares of common stock, par value \$0.001 per share ("Common Stock") and (iv) and the six month option to invest an additional \$5,000,000 on the same terms as (i), (ii) and (iii) ("the ComVest Option") in accordance with the terms of that certain Securities Purchase Agreement, dated on or about the date hereof (the "Purchase Agreement"). All capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Purchase Agreement.

NOW, THEREFORE, the Company and ComVest hereby agree as follows:

1. Definitions. In addition to those terms defined elsewhere in this Agreement, the following terms shall have the following meanings wherever used in this Agreement:

"Act" shall mean the Securities Act of 1933, as amended, and any successor statute from time to time.

"Costs and Expenses" shall mean all of the costs and expenses relating to any subject Registration Statement, including but not limited to registration, filing and qualification fees, reasonable blue sky expenses, costs of listing any shares of Common Stock on any national securities exchange automated quotation system, printing expenses, fees and disbursements of counsel and accountants to the Company, and reasonable fees and disbursements of counsel to ComVest (such fees and disbursements not to exceed \$25,000 per Registration); provided, however, that underwriting discounts and commissions attributable solely to the securities registered for the benefit of ComVest, fees and disbursements of any additional counsel to ComVest, and all other expenses attributable solely to ComVest shall be borne by ComVest.

"Excluded Registration Statement" shall mean a registration statement relating solely to the registration of the sale of securities (i) other than for cash, (ii) to participants in a Company stock plan or employee

benefit plan, agreement or arrangement, and (iii) in a transaction covered by Rule 145 under the Act or the resale of securities issued in such a transaction.

"Existing Registration Rights Agreements" shall mean: (i) the Registration Rights Agreement dated October 18, 2004 with Laurus Master Fund Ltd.; (ii) the Company's agreement

with Peter Solenne, Kelly Alberts, Anthony Allocca and David Vandertie to register the resale of their outstanding shares on the Registration Statement, subject to the Lock-Up Agreement dated as of even date herewith; and (iii) the piggy-back registration rights that have been granted to the shareholders of Millennix, Inc., subject to the Lock-Up Agreement dated as of even date herewith.

"Lock-Up Agreement" shall mean each of the Lock-Up Agreements to be entered into by the Company and each of Peter Solenne, Kelly Alberts, Anthony Allocca, David Vandertie, Gene Resnick, Margaret Barbetti, Russell Sobel, and John Garizio.

"Registrable Securities" shall mean all shares of Common Stock underlying the Warrants, and the shares of Common Stock underlying the Preferred Stock held from time to time by the Purchasers, and in each case including the Optional Registrable Securities, if any; provided, however, that such Registrable Securities shall cease to be Registrable Securities at such time as all such Registrable Securities (i) are sold pursuant to any registration statement filed by the Company with the SEC, pursuant to Rule 144 promulgated under the Act or pursuant to any other exemption from registration under the Act or (ii) may be sold, subject to any applicable volume limitations, in open market transactions pursuant to any applicable exemption from the registration requirements of the Act, including without limitation Rule 144(k) promulgated thereunder (or any successor thereto).

"Optional Registrable Securities" shall mean the shares underlying the Warrants and Preferred Stock issued in connection with the ComVest Option.

"Registration" shall mean any registration or proposed registration of Registrable Securities pursuant to a Registration Statement in respect to the sale of any Registrable Securities.

"Registration Period" shall mean the period (i) beginning upon the earlier of declaration of effectiveness of the Registration Statements provided for in Section 2 hereof or declaration of effectiveness of any Registration Statement provided for in Section 3 hereof that includes Registrable Securities and (ii) ending on the earlier of the date that all Registrable Securities have ceased to be Registrable Securities and the second anniversary of the date of this Agreement.

"Registration Statement" shall mean any registration statement filed or to be filed by the Company with the SEC.

"SEC" shall mean the United States Securities and Exchange Commission, or any successor agency or agencies performing the functions thereof.

"Warrant Registrable Securities" shall mean the shares of Common Stock issuable upon exercise of the Warrants or any shares issued in exchange for or replacement thereof, from time to time.

2

2. Registration.

(a) Mandatory Registration. The Company shall prepare, and, within fifteen (15) calendar days from the earlier to occur of: (i) the exercise in full of the ComVest Option, or (ii) the expiration of the ComVest Option (the "Filing Date"), file with the SEC a Registration Statement on Form S-3 (or, if Form S-3 is not then available, on such form of Registration Statement as is then available to effect a registration of the Registrable Securities, subject to the consent of ComVest, which consent will not be unreasonably withheld) covering the resale of the Registrable Securities, which Registration Statement, to the extent allowable under the 1933 Act and the rules and regulations promulgated thereunder (including Rule 416), shall state that such Registration Statement also covers such indeterminate number of additional shares of Common Stock as may become issuable upon conversion of or otherwise pursuant to the Preferred Stock and exercise of the Warrants to prevent dilution resulting from stock splits, stock dividends or similar transactions. The number of shares of Common Stock initially included in such Registration Statement shall be no less than an amount equal to the sum of the number of shares of Common Stock that are then issuable upon conversion of the Preferred Stock (based on the Conversion Price), and the number of shares of Common Stock that are then issuable upon exercise of the Warrants, without regard to any limitation on ComVest's ability to convert the Preferred Stock or exercise the Warrants but in each case that relates to Registrable Securities. The Company acknowledges that the number of shares initially included in the Registration Statement represents a good faith estimate of the maximum number of shares issuable upon conversion of the Preferred Stock and upon exercise of the Warrants but in each case that relates to Registrable Securities. ComVest acknowledges and agrees that such initial Registration Statement to be filed on or prior to the Filing Date shall include shares in accordance with the registration rights set forth in subsection (ii) and (iii) of the definition of Existing Registration Rights Agreements, subject to the Lock-Up Agreements being entered into by such parties.

(b) Payments by the Company. The Company shall use its best efforts to obtain effectiveness of the Registration Statement as soon as practicable. If (i) the Registration Statement(s) covering the Registrable

Securities required to be filed by the Company pursuant to Section 2(a) hereof is not filed by the Filing Date or declared effective by the SEC within three months from the Filing Date, or (ii) after the Registration Statement has been declared effective by the SEC, sales of all of the Registrable Securities cannot be made pursuant to the Registration Statement, subject to Section 2(d) below, then the Company will make payments to ComVest in such amounts and at such times as shall be determined pursuant to this Section 2(c) as partial relief for the damages to ComVest by reason of any such delay in or reduction of their ability to sell the Registrable Securities (which remedy shall not be exclusive of any other remedies available at law or in equity). The Company shall pay to ComVest a cash fee of \$100,000 per month, or part thereof, until such time as the Registration Statement is declared effective by the SEC, or the suspension is lifted by the SEC. Such amounts shall be paid in cash.

(c) Eligibility for Form S-3, SB-2 or S-1; Conversion to Form S-3. The Company represents and warrants that it meets the requirements for the use of Form S-3, SB-2 or S-1 for registration of the resale by the Purchasers. The Company agrees to file all reports required to be filed by the Company with the SEC in a timely manner so as to remain eligible or become eligible, as the case may be, and thereafter to maintain its eligibility, for the use of Form S-3. If the Company is not currently eligible to use Form S-3, not later than five (5) business

3

days after the Company first meets the registration eligibility and transaction requirements for the use of Form S-3 (or any successor form) for registration of the offer and sale by the Purchasers, the Company shall file a Registration Statement on Form S-3 (or such successor form) with respect to the Registrable Securities covered by the Registration Statement on Form SB-2 or Form S-1, whichever is applicable, filed pursuant to Section 2(a) (and include in such Registration Statement on Form S-3 the information required by Rule 429 under the 1933 Act) or convert the Registration Statement on Form SB-2 or Form S-1, whichever is applicable, filed pursuant to Section 2(a) to a Form S-3 pursuant to Rule 429 under the 1933 Act and cause such Registration Statement (or such amendment) to be declared effective no later than six (6) months after the Filing Date. In the event of a breach by the Company of the provisions of this Section 2(c), the Company will be required to make payments pursuant to Section 2(b) hereof.

(d) Allowed Delay. If (i) there is material non-public information regarding the Company which the Company's Board of Directors (the "Board") reasonably determines not to be in the Company's best interest to disclose and which the Company is not otherwise required to disclose, or (ii) there is a significant business opportunity (including, but not limited to, the acquisition or disposition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or other similar transaction) available to the Company which the Board reasonably determines not to be in the Company's

best interest to disclose and which the Company would be required to disclose under a Registration Statement, then the Company may postpone or suspend filing or effectiveness of such Registration Statement for a period not to exceed thirty (30) consecutive days, provided that the Company may not postpone or suspend its obligation under this Section 2(d) for more than sixty (60) days in the aggregate during any twelve (12) month period (each, an "Allowed Delay").

3. Registration Procedures. In the case of each Registration effected by the Company in which Registrable Securities or Optional Registrable Securities are to be sold for the account of ComVest, the Company will use its good faith reasonable efforts to:

(a) furnish to Greenberg Traurig LLP (counsel to ComVest) copies of all Registration Statements or prospectuses or any amendments or supplements thereto proposed to be filed with the SEC, which documents will be subject to review by such counsel before filing solely with regard to any information contained therein which pertains to ComVest;

(b) prepare and file with the SEC such amendments and supplements to such Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective during the Registration Period (or, with respect to Registration Statement filed in accordance with Section 3 hereof, for such shorter or longer period covered thereby) and to comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during such period;

(c) furnish to ComVest electronic copies of such Registration Statement, each amendment and supplement thereto, the prospectus included in such Registration Statement (including each preliminary prospectus) and such other documents as the Purchasers may reasonably require in order to facilitate the disposition of the Registrable Securities held by the Purchasers;

4

(d) register or qualify such Registrable Securities or Optional Registrable Securities under such other securities or blue sky laws of such states as may be reasonably required and do any and all other acts and things which may be reasonably necessary or advisable to enable the Purchasers to consummate the disposition of the Registrable Securities in such jurisdictions (provided that the Company will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph, (ii) subject itself to taxation in any such jurisdiction, or (iii) consent to general service of process in any such jurisdiction);

(e) notify the Purchasers, at any time when a prospectus relating to a Registration Statement is required to be delivered under the Act, of the

happening of any event as a result of which the prospectus included in a Registration Statement contains an untrue statement of a material fact or omits to state any fact necessary to make the statements therein not materially misleading, and prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchaser(s) of Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not materially misleading; and

(f) effective not later than the effectiveness of the subject Registration Statement, cause all subject Registrable Securities to be listed for trading on each national securities exchange or automated quotation system on which the Common Stock is then listed, if any.

4. Indemnification by the Company.

(a) In the event that the Company has failed to use its reasonable best efforts and has otherwise failed to act in good faith to effect the registration of the Registrable Securities or Optional Registrable Securities in accordance with Section 2(a) and (b) hereof and the SEC has failed to declare effective any such Registration Statement by the Effective Date, then the Company shall pay ComVest a cash payment in accordance with Section 2(b). In the event the Company otherwise materially breaches or materially fails to perform, as applicable, any representation, warranty or covenant contained in this Agreement, the Company shall indemnify the Purchasers from and against any expenses, claims, losses, costs, charges or liabilities of any kind, including amounts paid in settlement and reasonable attorneys' fees (collectively, the "Losses"), which may be incurred by the Purchasers as a result of any such failure or breach, with such indemnification to be made within thirty (30) days of receipt of written request therefor.

(b) The Company shall indemnify and hold harmless each Purchaser and, each of their respective directors, legal counsel and accountants for ComVest, and any underwriter (as defined in the Act) for any Losses to which any Purchaser or any other such indemnified person becomes subject, under the Act or any rule or regulation thereunder, insofar as such Losses (i) are caused by any untrue statement or alleged untrue statement of any material fact contained in any preliminary prospectus (if used prior to the Effective Date of the Registration Statement), or contained, on the Effective Date thereof, in any Registration Statement of which Registrable Securities were the subject, the prospectus contained therein, any amendment or supplement thereto, or (ii) arise out of or are based upon the omission or alleged

omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (iii) arise out of any violation by the Company of the Act or any rule or regulation thereunder

applicable to the Company and relating to actions or omissions otherwise required of the Company in connection with such Registration Statement. The Company shall reimburse the Purchasers and any such other indemnified person for any legal or other expenses reasonably incurred by the Purchasers or such other indemnified person in connection with investigating, defending or settling any such Loss; provided, however, that the Company shall not be liable to any such Persons in any such case to the extent that any such Loss arises out of or is based upon (i) any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information furnished to the Company in writing by such person expressly for inclusion in any of the foregoing documents or (ii) the use by the Purchasers of an outdated or defective prospectus after the delivery to the Purchasers of written notice from the Company that the prospectus is outdated or defective. This indemnity shall not apply to amounts paid in settlement of any such Loss if such settlement is effected without the consent of the Company.

5. Indemnification by the Purchasers. The Purchasers shall indemnify and hold harmless the Company, each of its directors, each of its officers who has signed a Registration Statement, legal counsel and accountants for the Company, each person (if any) who controls the Company within the meaning of the Act and any underwriter (as defined in the Act) for the Company, against any Losses to which the Company or any other such indemnified person may become subject under the Act or any rule or regulation thereunder or otherwise to the extent that such Losses (or related actions) (i) are caused solely by any untrue statement or alleged untrue statement of any material fact contained in any preliminary prospectus (if used prior to the effective date of the Registration Statement), or contained, on the Effective Date thereof, in any Registration Statement of which such Purchaser's Registrable Securities were the subject, the prospectus contained therein, any amendment or supplement thereto, or (ii) arise out of or are based solely upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with information furnished to the Company by the respective Purchaser, in writing, expressly for inclusion in any of the foregoing documents; provided, however, that the aggregate liability of any Purchaser shall not be greater than the net proceeds received by such Purchaser upon the sale of the Registrable Securities giving rise to such indemnification obligation. This indemnity shall not apply to amounts paid in settlement of any such Loss or related Action if such settlement is effected without the consent of such Purchaser.

6. Additional Provisions.

(a) Each Purchaser and each other person indemnified pursuant to Section 5 above shall, in the event that it receives notice of the commencement of any Action against it which is based upon an alleged act or omission which, if proven, would result in the Company's having to indemnify it pursuant to Section 5 above, promptly notify the Company, in writing, of the commencement of such Action and permit the Company, if the Company so notifies such Purchaser or other indemnified person within thirty (30) days after receipt by the Company of

notice of the commencement of the Action, to assume the defense of such Action with counsel

6

reasonably satisfactory to such Purchaser; provided, however, that such Purchaser or other indemnified person shall be entitled to retain its own counsel at its own expense. The omission to notify the Company promptly of the commencement of any such Action shall not relieve the Company of any liability to indemnify such Purchaser or such other indemnified person, as the case may be, under Section 6 above, from and after the Company's receipt of such notice, except to the extent that the Company shall suffer any Losses by reason of such failure to give notice, and shall not relieve the Company of any other liabilities which it may have under this or any other agreement.

(b) The Company and each other person indemnified pursuant to Section 6 above shall, in the event that it receives notice of the commencement of any Action against it which is based upon an alleged act or omission which, if proven, would result in any Purchaser having to indemnify it pursuant to Section 6 above, promptly notify each Purchaser or other indemnified person, in writing, of the commencement of such Action and permit each Purchaser, if such Purchaser so notifies the Company within thirty (30) days after receipt by such Purchaser of notice of the commencement of the Action, to assume the defense of such Action with counsel reasonably satisfactory to the Company; provided, however, that the Company or other indemnified person shall be entitled to retain its own counsel at the Company's expense. The omission to notify any Purchaser promptly of the commencement of any such Action shall not relieve the Purchasers of liability to indemnify the Company or such other indemnified person, as the case may be, under Section 6 above, from and after such Purchaser's receipt of such notice, except to the extent that the subject Holder shall suffer any Losses by reason of such failure to give notice, and shall not relieve such Purchaser of any other liabilities which it may have under this or any other agreement.

(c) No indemnifying party, in the defense of any such Action, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such Action. Each indemnified party shall furnish such information regarding itself or the Action in question as an indemnifying party may reasonably request in writing and as shall be reasonably required in connection with defense of such Action resulting therefrom.

(d) If a court of competent jurisdiction determines that the foregoing indemnity provided under Sections 5 and 6 above is unavailable, or is insufficient to hold harmless an indemnified party, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a

result of such Losses (A) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other, or (B) if the allocation provided by clause (A) above is not permitted by applicable law, or provides a lesser sum to the indemnified party than the amount hereinafter calculated, in such proportion as is appropriate to reflect not only the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other, but also the relative fault of the indemnifying party and the indemnified party, as well as any other relevant equitable considerations. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

7

7. Notices. All notices, requests, demands and other communications required or permitted under this Agreement shall be given in accordance with Section 5.5 of the Purchase Agreement.

8. Waiver and Amendment. No waiver, amendment or modification of this Agreement or of any provision hereof shall be valid unless evidenced by a writing duly executed by the Company and each Purchaser. No waiver of any default hereunder shall be deemed a waiver of any other, prior or subsequent default hereunder.

9. Governing Law. This Agreement shall be governed by, construed under and interpreted and enforced in accordance with the laws of the State of New York, without giving effect to principles of choice of law. Any Action arising out of or relating to this Agreement shall be commenced in a federal or state court having competent jurisdiction in the State of New York, and for the purpose of any such Action, each of the parties and any assignees thereof submits to the personal jurisdiction of the State of New York. The parties hereby irrevocably consent to the exclusive personal jurisdiction of any state or federal court for New York County in the State of New York or the Southern District of New York. The parties hereby waive any objection to venue and any objection based on a more convenient form in any Action instituted under this Agreement.

10. Captions. The captions and Section headings used in this Agreement are for convenience only, and shall not affect the construction or interpretation of this Agreement or any of the provisions hereof.

11. Entire Agreement. This Agreement constitutes the sole and entire agreement and understanding between the parties hereto as to the subject matter hereof, and supersedes all prior discussions, agreements and understandings of every kind and nature between them as to such subject matter.

12. No Third Party Beneficiaries. Except as expressly provided herein,

this Agreement is not intended to confer upon any person any rights or remedies hereunder.

13. Successors and Assigns. The Company may not sell, assign, transfer or otherwise convey any of its rights or delegate any of its duties under this Agreement, except to a corporation which has succeeded to substantially all of the business and assets of the Company and has assumed in writing its obligations under this Agreement, and this Agreement shall be binding on the Company and such successor. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the Purchasers and their respective successors and assigns. Without limiting the generality of the foregoing, any transferee of Registrable Securities shall have the rights set forth in this Agreement, and such rights shall be enforceable against the Company by such transferees as third-party beneficiaries.

14. Execution. This Agreement may be executed in two (2) or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding

obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile signature page were an original thereof.

15. Term. This Agreement shall terminate upon the expiration of the Registration Period; provided, however, that the parties' rights and obligations under Sections 5 and 6 shall survive any termination of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the _____ day of _____ 2005.

COMPANY:

IT & E INTERNATIONAL GROUP

By:

Name:

Title:

PURCHASER:

COMVEST INVESTMENT PARTNERS II
LLC

By:

Name:

Title:

By:

Name:

Title:

By:

Name:

Title:

SECURITY AGREEMENT

DATE: November __, 2005

DEBTOR: IT & E International Group EIN: 77-0436157
(Collectively) 505 Lomas Sante Fe Drive Organization I.D. _____
Suite 200
Solana Beach, California 92075

SECURED PARTIES: ComVest Investment Partners II LLC
One North Clematis Street
Suite 300
West Palm Beach, Florida 33324

And each of the Purchasers set forth on the signature page attached hereto.

1. Security Interest and Collateral. To secure the payment of outstanding principal and interest on certain Secured Convertible Promissory Notes in the aggregate principal amount of up to \$15,000,000 issued by Debtor from time to time in a private placement and through an Option for an additional investment as described in the Securities Purchase Agreement, of even date herewith between the Debtor and the Secured Parties by Debtor to Secured Parties (each a "Note" and collectively the "Notes") and the performance of every liability and obligation of every type and description that Debtor may now or at any time hereafter owe to Secured Parties under the Notes, whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is absolute or contingent, liquidated or unliquidated, or sole, joint, several or joint and several (all such debts, liabilities and obligations and any amendments, extensions, renewals or replacements thereof collectively referred to herein as the "Obligations"), Debtor hereby grants Secured Parties a first priority security interest (the "Security Interest") in all of Debtor's property (the "Collateral"), including without limitation the following:

- A. Inventory. All inventory of Debtor, whether now owned or hereafter acquired and wherever located and other tangible personal property held for sale or lease or furnished or to be furnished under contracts of service or consumed in Debtor's business, and all goods of Debtor, whether now owned or hereafter acquired and wherever located, including without limitation all computer programs embedded in goods, and all other Inventory and Goods of the Debtor, as such terms may be defined in the Uniform Commercial Code as may be in effect in the State of Nevada from time to time (the "UCC");

- B. Equipment. All equipment of Debtor, whether now owned or hereafter acquired and wherever located, including but not limited to all present and future equipment, machinery, tools, motor vehicles, trade fixtures, furniture, furnishings,

office and recordkeeping equipment and all goods for use in Debtor's business and all other Equipment of the Debtor, as such term may be defined in the UCC, together with all parts, equipment and attachments relating to any of the foregoing;

- C. Accounts, Contract Rights and Other Rights to Payment: Each and every right of Debtor to the payment of money, whether such right to payment now exists or hereafter arises, whether such right to payment arises out of a sale, lease, license, assignment or other disposition of goods or other property by Debtor, out of a rendering of services by Debtor, out of a loan by Debtor, out of the overpayment of taxes or other liabilities of Debtor, or otherwise arises under any contract or agreement, whether such right to payment is or is not already earned by performance, and howsoever such right to payment may be evidenced, together with all other rights and interests (including all liens and security interests) which Debtor may at any time have by law or agreement against any account debtor or other obligor obligated to make any such payment or against any of the property of such account debtor or other obligor; all including but not limited to all present and future debt instruments, chattel paper, accounts, license fees, contract rights, loans and obligations receivable and tax refunds and all other Accounts of the Debtor, as such term may be defined in the UCC;

- D. Instruments: All instruments, chattel paper, letters of credit or other documents of Debtor, whether now owned or hereafter acquired, including but not limited to promissory notes, drafts, bills of exchange and trade acceptances; all rights and interests of Debtor, whether now existing or hereafter created or arising, under leases (where Debtor is the lessor), licenses or other contracts, in each case where assignment for security purposes is not expressly prohibited by the terms of such instruments and all other Instruments of the Debtor, as such term may be defined in the UCC;

- E. Deposit Accounts and Investment Property: All right, title and interest of Debtor in all deposit and investment accounts maintained with any bank, savings and loan association, broker, brokerage, or any other financial institution,

together with all monies and other property deposited or held therein, including, without limitation, any checking account, savings account, escrow account, savings certificate and margin account, and all securities, whether certificated or uncertificated, security entitlements, securities accounts, commodity contracts, and commodity accounts and all other Deposit Accounts and Investment Property of the Debtor, as such terms may be defined in the UCC;

- F. General Intangibles: All general intangibles of Debtor, whether now owned or hereafter acquired, including, but not limited to, applications for patents, patents, copyrights, trademarks, trade secrets, good will, tradenames, customer lists, permits and franchises, software, all licenses of any of the foregoing and the right to use Debtor's name, and any and all membership interests, governance rights, and financial rights in each and every limited liability company, and all payment

intangibles and all other General Intangibles of the Debtor, as such term may be defined in the UCC;

- G. Chattel Paper: All Chattel Paper of the Debtor, whether tangible or electronic, as such term may be defined in the UCC; and
- H. Supporting Obligations, Embedded Software, etc.: All of Debtor's rights, whether now existing or hereafter acquired, in promissory notes, documents, embedded software, letter of credit rights and supporting obligations (and security interests and liens securing them) as such terms may be defined in the UCC.

together with all substitutions and replacements for and products of any of the foregoing property and proceeds of any and all of the foregoing property together with (i) all accessories, attachments, parts, equipment, accessions and repairs and embedded software now or hereafter attached or affixed to or used in connection with any such goods, (ii) all warehouse receipts, bills of lading and other documents of title now or hereafter covering such goods, and (iii) all books and records of Debtor related to the Collateral.

2. Representations, Warranties and Agreements. Debtor jointly and severally represents, warrants and agrees that:

2.1. Debtor is a corporation duly organized, validly existing and in good standing under the laws of the state of Nevada, and the state of Nevada has been Debtor's state of organization since the date of Debtor's organization. Debtor has full power and authority to execute this

Agreement, to perform Debtor's obligations hereunder and to subject the Collateral to the Security Interest. Debtor's taxpayer identification number is the number shown at the beginning of this Agreement. Debtor's organizational identification number is the number shown at the beginning of this Agreement.

2.2. Debtor's chief place of business is, located at the address shown at the beginning of this Agreement. Debtor's records concerning its accounts and contract rights are kept at such address. The Collateral is located at the address shown at the beginning of this Agreement, and there are no other locations where any of the Collateral may be kept except as set forth on Schedule 2.2 hereto. All Collateral has been located at the address shown at the beginning of this Agreement or at the locations set forth on Schedule 2.2, prior to execution of this Agreement. Debtor will give at least 30 days' advance written notice to Secured Parties of any change in Debtor's jurisdiction of organization or chief place of business and any change in or addition of any Collateral location. Debtor will take all such actions as Secured Parties may reasonably request to permit Secured Parties to establish and perfect the Security Interest in all jurisdictions Secured Parties deems necessary, including but not limited to the execution, delivery or endorsement of any and all instruments, documents, assignments, security agreements and other agreements and writings that Secured Parties may at any time reasonably request in order to secure, protect, perfect or enforce the Security Interest and Secured Parties' rights under this Agreement.

2.3. Debtor has (or will have at the time Debtor acquires rights in Collateral hereafter arising) absolute title to each item of Collateral free and clear of all security interests, liens and encumbrances. Debtor will keep all Collateral free and clear of all security interests, liens and encumbrances except the Security Interest, and will defend the Collateral against all claims or demands of all persons other than Secured Parties. Debtor will promptly pay or properly and timely contest all taxes and other governmental charges levied or assessed upon or against any Collateral or upon or against the creation, perfection or continuance of the Security Interest.

2.4. Until the Obligations are satisfied in full, Debtor will not, without the prior written consent of the Secured Parties, sell any of the Collateral or enter into any agreement that is inconsistent with Debtor's obligations or Secured Parties' rights under this Agreement, except that Debtor may sell or discard the Collateral in the ordinary course of business so long as such agreements are not inconsistent with Secured Parties' rights or Debtor's obligations under this Agreement. Debtor further agrees that it will not take any action, or permit any action to be taken by others under its control, or fail to take any action, that would affect the validity of the Collateral or enforcement of Secured Parties'

rights in the Collateral. In addition, Debtor agrees not to enter into any instruments, chattel paper, letters of credit or other documents, including but not limited to promissory notes, drafts, bills of exchange and trade acceptances, which expressly prohibit assignment for security purposes.

2.5. This Agreement has been duly and validly authorized by all necessary action by Debtor.

2.6. Debtor will keep all tangible Collateral in good repair, working order and condition, normal depreciation excepted, and will, from time to time, replace any worn, broken or defective parts thereof.

2.7. Debtor will at all reasonable times permit Secured Parties or their respective representatives to examine or inspect any Collateral, wherever located, and to examine, inspect and copy Debtor's books and records pertaining to the Collateral and its business and financial condition.

2.8. If Secured Parties at any time so request after the occurrence of an Event of Default, Debtor will promptly transfer to Secured Parties any instrument, document, chattel paper, or investment properties constituting the Collateral, duly endorsed or assigned by Debtor.

2.9. Debtor will keep accurate and complete records pertaining to the Collateral and pertaining to Debtor's business and financial condition and submit to Secured Parties such periodic reports concerning the Collateral and Debtor's business and financial condition as Secured Parties may from time to time reasonably request.

2.10. Debtor will at all times keep all tangible Collateral insured against risks of fire (including so-called extended coverage), theft, and such other risks and in such

amounts as Secured Parties may reasonably request, with any loss payable to Secured Parties to the extent of their respective interest.

2.11. Debtor will pay when due or reimburse Secured Parties on demand for all costs of collection of any of the Obligations and all other out-of-pocket expenses (including all reasonable attorneys' fees) incurred by Secured Parties in connection with the creation, perfection, satisfaction, protection, defense or enforcement of the Security Interest or the creation, continuance, protection, defense or enforcement of this Agreement or any or all of the Obligations, including expenses incurred in any litigation or bankruptcy or insolvency proceedings.

2.12. The Obligations have been incurred and the Collateral will be used primarily for business purposes.

2.13. All rights to payment and all instruments, documents, chattel papers and other agreements constituting or evidencing Collateral are (or will be when arising or issued) the valid, genuine and legally enforceable obligation, subject to no defense, set-off or counterclaim (other than those arising in the ordinary course of business) of each account debtor or other obligor named therein or in Debtor's records pertaining thereto as being obligated to pay such obligation. Debtor will not agree to any modification, amendment or cancellation of any such obligation without Secured Parties' prior written consent except discounts provided by Debtor in the ordinary course of business, and will not subordinate any such right to payment to claims of other creditors of such account debtor or other obligor.

2.14. Debtor will promptly notify Secured Parties of any material loss of or damage to any Collateral or of any adverse change in the prospect of payment of any material sums due on or under any instrument, chattel paper, account or contract right constituting Collateral.

2.15. Debtor will from time to time execute such financing statements or control agreements as Secured Parties may reasonably deem necessary in order to perfect the Security Interest and, if any Collateral is covered by a certificate of title, execute such documents as may be required to have the Security Interest properly noted on a certificate of title. In addition, Debtor authorizes Secured Parties to file any financing statement any Secured Party deems necessary, describing any liens held by such Secured Party. Such financing statements may describe the Collateral in the same manner as described herein or may contain an indication or description of the Collateral that describes such property in any other manner as the Secured Parties may determine, in its reasonable discretion, is necessary to ensure the perfection of the Security Interest, including, without limitation, describing such property as "all assets" or "all personal property."

2.16. Debtor will not use or keep any Collateral, or permit it to be used or kept, for any unlawful purpose or in violation of any federal, state or local law, statute or ordinance.

2.17. If Debtor at any time fails to perform or observe any agreement contained in this Section 2, and if such failure shall continue for a period of 30 calendar days after Secured Parties give Debtor written notice thereof, Secured Parties may (but need not) perform or observe such agreement on behalf and in the name, place and stead of Debtor (or, at Secured Parties' option, in such Secured Party's own name) and may (but need not) take any and all other actions that such Secured Party may reasonably deem necessary to cure or correct such failure. Debtor shall pay such Secured Party on demand the amount of all monies expended and all

costs and expenses (including reasonable attorneys' fees) incurred by such Secured Party in connection with or as a result of such Secured Party's performing or observing such agreements or taking such actions, together with interest thereon from the date expended or incurred by such Secured Party at the highest rate then applicable to any of the Obligations. To facilitate the performance or observance by such Secured Party of such agreements of Debtor (in the event Debtor does not cure any such failure during the above-described 30-day period), Debtor hereby irrevocably appoints (which appointment is coupled with an interest) such Secured Party, or its delegate, as the attorney-in-fact of Debtor with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file, in the name and on behalf of Debtor, any and all instruments, documents, financing statements, and other agreements and writings required to be obtained, executed, delivered or endorsed by Debtor under this Section 2.

3. Account Verification and Collection Rights of Secured Parties. Each Secured Party shall have the right to verify any accounts in the name of Debtor or in any Secured Party's own name; and Debtor, whenever requested pursuant to the terms of this Section, shall furnish such Secured Party with duplicate statements of the accounts, which statements may be mailed or delivered by Secured Party for that purpose. Each Secured Party may at any time after the occurrence of an Event of Default notify any account debtor, or any other person obligated to pay any amount due, that such chattel paper, account, or other right to payment has been assigned or transferred to a Secured Party for security and shall be paid directly to such Secured Party. If any Secured Party so requests at any time after the occurrence of an Event of Default, Debtor will so notify such account debtors and other obligors in writing and will indicate on all invoices to such account debtors or other obligors that the amount due is payable directly to the Secured Parties. At any time after the Secured Parties or Debtor gives such notice to an account debtor or other obligor, Secured Parties may (but need not), in Secured Parties' respective own names or in Debtor's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, any such chattel paper, account, or other right to payment, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any such account debtor or other obligor.

4. Events of Default. The occurrence of any of the following shall, at the sole option of the Secured Parties, be an Event of Default:

- A. Any "Event of Default" (as defined in such agreement) by Debtor under the Notes or any other agreement evidencing the Obligations, which default is not cured within any grace period granted with respect to such default or, if no specific grace period is granted with respect to such default, where such default is not

cured within five (5) business days after written notice thereof from any Secured Party;

- B. Debtor's failure to comply with any representation, warranty or covenant hereunder if not cured within thirty (30) days after written notice;
- C. Transfer or disposition of any of the Collateral, except as permitted by this Agreement; or
- D. Attachment, execution or levy on any of the Collateral.

5. Remedies upon Event of Default. Upon the occurrence of an Event of Default and at any time thereafter, the Secured Parties may exercise any one or more of the following rights and remedies:

5.1. declare all Obligations to be immediately due and payable, which shall then be immediately due and payable, without presentment or other notice or demand;

5.2. exercise and enforce any or all rights and remedies available upon default to a secured party under the Uniform Commercial Code, including but not limited to the right to take possession of any Collateral, proceeding without judicial process if permitted by law or by judicial process, and the right to use, sell, lease or otherwise dispose of any or all of the Collateral, and in connection therewith, Secured Parties may require Debtor to make the Collateral available to Secured Parties at a place to be designated by Secured Parties that is reasonably convenient to all parties, and if notice to Debtor of any intended disposition of Collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in Section 8.2) at least 10 business days prior to the date of intended disposition or other action; or

5.3. exercise or enforce any or all other rights or remedies available to Secured Parties by law or agreement against the Collateral, including specifically the right to use the Collateral, against Debtor or against any other person or property.

All rights and remedies of Secured Parties shall be cumulative and may be exercised singularly or concurrently, at Secured Parties' option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other.

6. Other Personal Property. Unless at the time the Secured Parties take possession of any tangible Collateral, or within seven days thereafter, Debtor gives written notice to Secured Parties of the existence of any goods, papers or other property of Debtor, not affixed to or constituting a part of such Collateral, but which are located or found upon or within such Collateral,

Secured Parties shall not be responsible or liable to Debtor for any action taken or omitted by or on behalf of Secured Parties with respect to such property without actual knowledge of the existence of any such property or without actual knowledge that it was located or to be found upon or within such Collateral.

7. Assignment of Insurance. Debtor hereby assigns to Secured Parties, as additional security for the payment of the Obligations, any and all moneys (including but not limited to proceeds of insurance and refunds of unearned premiums) due or to become due under, and all other rights of Debtor under or with respect to, any and all policies of insurance covering the Collateral, and Debtor hereby directs the issuer of any such policy to pay any such moneys directly to Secured Parties. Both before and after the occurrence of an Event of Default, Secured Parties may (but need not), in Secured Parties' respective names or in Debtor's name, execute and deliver proofs of claim, receive all such moneys, endorse checks and other instruments representing payment of such moneys, and adjust, litigate, compromise or release any claim against the issuer of any such policy.

8. Miscellaneous.

8.1. This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by each Secured Party. A waiver signed by each Secured Party shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of such Secured Party's rights or remedies.

8.2. All notices to be given to Debtor shall be deemed sufficiently given if delivered or mailed by registered or certified mail, postage prepaid, to Debtor at its address set forth above or at such other address as Debtor may subsequently provide to each Secured Party.

8.3. Each Secured Party's duty of care with respect to Collateral in its possession (as imposed by law) shall be deemed fulfilled if such Secured Party exercises reasonable care in physically safekeeping such Collateral or, in the case of Collateral in the custody or possession of a bailee or other third person, exercises reasonable care in the selection of the bailee or other third person, and such Secured Party need not otherwise preserve, protect, insure or care for any Collateral. Such Secured Party shall not be obligated to preserve any rights Debtor may have against prior parties, to realize on the Collateral at all or in any particular manner or order, or to apply any cash proceeds of Collateral in any particular order of application.

8.4. This Agreement shall be binding upon and inure to the benefit of Debtor and each Secured Party and their respective successors and

assigns and shall take effect when signed by Debtor and delivered to the Secured Parties, and Debtor waives notice of Secured Parties' acceptance hereof.

8.5. A carbon, photographic or other reproduction of this Agreement or of any financing statement signed by Debtor shall have the same force and effects as the original for all purposes of a financing statement.

8.6. This Agreement shall be governed by the internal laws of the State of New York. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other

provisions or applications which can be given effect and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. Any dispute arising out of or relating to this Agreement, including the formation, interpretation or alleged breach hereof, shall be brought in the state or federal courts located in _____ County, [Nevada], and the parties hereto consent to the personal jurisdiction and venue of such courts.

8.7. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Obligations.

(signature page on following page)

ACCORDINGLY, this Agreement has been duly executed by the parties as of the date first set forth above.

IT & E INTERNATIONAL GROUP

By:

Name:

Title:

COMVEST INVESTMENT PARTNERS II, LLC

By:

Name:

Title:

By:

Name:

Title:

Schedule 2.2

Other Locations