

SECURITIES AND EXCHANGE COMMISSION

FORM 424B3

Prospectus filed pursuant to Rule 424(b)(3)

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FILER

COMMUNICATION INTELLIGENCE CORP

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Communication Intelligence Corporation

36,649,335 SHARES OF COMMON STOCK

This Prospectus Supplement supplements the Prospectus dated December 28, 2007 (the “Prospectus”), relating to the offer and sale by the selling security holders identified in the Prospectus of up to 36,649,335 shares of common stock of Communication Intelligence Corporation (the “Company”).

This Prospectus Supplement includes the Company’s Form 10-Q filed with the Securities and Exchange Commission on August 14, 2009.

The information contained in the report included in this Prospectus Supplement is dated as of the period of such report. This Prospectus Supplement should be read in conjunction with the Prospectus dated December 28, 2007. This Prospectus Supplement is qualified by reference to the Prospectus except to the extent that the information in this Prospectus Supplement updates and supersedes the information contained in the Prospectus dated December 28, 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 8 is August 14, 2009.

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

FORM 10-Q

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

For the quarterly period ended: June 30, 2009

OR

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

For the transition period from _____ to _____

Commission File Number: 000-19301

COMMUNICATION INTELLIGENCE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-2790442
(I.R.S. Employer
Identification No.)

275 Shoreline Drive, Suite 500, Redwood Shores, CA 94065-1413
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (650) 802-7888

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes _____ No _____

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

_____ large accelerated filer _____ accelerated filer _____ non-accelerated filer X Smaller reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Section 12b-2 of the exchange Act)

Yes _____ No X

Number of shares outstanding of the issuer's Common Stock, as of August 14, 2009: 131,378,589.

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Item 1. Financial Statements.

**Communication Intelligence Corporation
and Subsidiary**
Condensed Consolidated Balance Sheets
(In thousands)

	June 30 2009 Unaudited	December 31 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 706	\$ 929
Accounts receivable, net of allowances of \$104 and \$104 at June 30, 2009 and December 31, 2008, respectively	245	700
Prepaid expenses and other current assets	84	80
Total current assets	1,035	1,709
Property and equipment, net	34	48
Patents	2,960	3,149
Capitalized software development costs	1,507	1,406
Deferred financing costs (Note 5)	329	301
Other assets	29	30
Total assets	\$ 5,894	\$ 6,643
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt – net of discount of \$1 at June 30, 2009 and \$5 at December 31, 2008	\$ 34	\$ 60
Accounts payable	186	92
Accrued compensation	293	369
Other accrued liabilities	152	236
Deferred revenue	295	343
Total current liabilities	960	1,100
Long-term debt – net of discount of \$3,011 and \$873 at June 30, 2009 and December 31, 2008, including related party debt of \$4,744 and \$2,644 net of discount of \$2,921 and \$834 at June 30, 2009 and December 31, 2008, respectively	1,880	2,765
Derivative liability	4,865	–
Total liabilities	7,705	3,865
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, \$.01 par value; 10,000 shares authorized; 742 shares outstanding at June 30, 2009 and 856 at December 31, 2008	742	856
Common stock, \$.01 par value; 275,000 shares authorized; 131,379 and 130,374 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	1,314	1,304
Additional paid-in capital	92,697	95,174
Accumulated deficit	(96,574)	(94,569)
Accumulated other comprehensive income	10	13
Total stockholders' equity	(1,811)	2,778
Total liabilities and stockholders' equity (deficit)	\$ 5,894	\$ 6,643

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements

**Communication Intelligence Corporation
and Subsidiary**
Condensed Consolidated Statements of Operations
Unaudited

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Product	\$ 211	\$ 218	\$ 280	\$ 460
Maintenance	193	189	370	377
Total Revenues	404	407	650	837
Operating costs and expenses:				
Cost of sales:				
Product	183	157	353	327
Maintenance	48	43	97	73
Research and development	14	43	126	96
Sales and marketing	322	355	697	715
General and administrative	497	552	959	1,019
Total operating costs and expenses	1,064	1,150	2,232	2,230
Loss from operations	(660)	(743)	(1,582)	(1,393)
Interest and other income (expense), net	-	2	1	5
Interest expense:				
Related party	(78)	(48)	(147)	(92)
Other	(4)	(18)	(8)	(41)
Amortization of loan discount and deferred financing:				
Related party	(312)	(217)	(510)	(308)
Other	(12)	(63)	(20)	(108)
Loss on extinguishment of long term debt	(829)	-	(829)	-
Loss on derivative liability	(966)	-	(1,035)	-
Net loss	(2,861)	(1,087)	(4,130)	(1,937)
Accretion of beneficial conversion feature, Preferred shares:				
Related party	-	(273)	-	(273)
Other	-	(98)	-	(98)
Preferred stock dividends:				
Related party	(11)	(4)	(24)	(4)
Other	(4)	(2)	(8)	(2)
Net loss attributable to common stockholders	\$ (2,876)	\$ (1,464)	\$ (4,162)	\$ (2,314)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average common shares outstanding, basic and diluted	131,346	129,057	131,010	129,057

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements

**Communication Intelligence Corporation
and Subsidiary**
Consolidated Statements of Changes in Stockholders' Equity (Deficit)
Six Months Ended June 30, 2009
Unaudited
(In thousands, except share amounts)

	<u>Preferred Shares Outstanding</u>	<u>Preferred Shares Amount</u>	<u>Common Shares Outstanding</u>	<u>Common Stock Amount</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Balances as of December 31, 2008	856	\$ 856	130,374	\$ 1,304	\$ 95,174	\$ (94,569)	\$ 13	\$ 2,778
Cumulative effect of change in accounting principle on January 1, 2009 – Reclassification of equity linked financial instrument to derivative liability					(3,510)	2,157		(1,353)
Stock based employee compensation					54			54
Conversion of preferred shares	(146)	(146)	1,005	10	136			–
Cancellation of warrants recorded as derivative liability					875			875
Comprehensive loss:								
Net loss						(4,162)		(4,162)
Foreign currency translation adjustment							(3)	(3)
Total comprehensive loss								(4,165)
Preferred share dividends	32	32			(32)			–
Balances as of June 30, 2009	<u>742</u>	<u>742</u>	<u>131,379</u>	<u>\$ 1,314</u>	<u>\$ 92,697</u>	<u>\$ (96,574)</u>	<u>\$ 10</u>	<u>\$ (1,811)</u>

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements

**Communication Intelligence Corporation
and Subsidiary**
Condensed Consolidated Statements of Cash Flows
Unaudited
(In thousands)

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (4,130)	\$ (1,937)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	551	438
Amortization of debt discount and deferred financing costs	534	416
Loss on extinguishment of long-term debt	829	
Stock-based employee compensation	54	40
Loss on derivative liability	1,035	-
Changes in operating assets and liabilities:		
Accounts receivable, net	455	208
Prepaid expenses and other assets	(3)	51
Accounts payable	94	(11)
Accrued compensation	(76)	(67)
Other accrued liabilities	38	138
Deferred revenue	(48)	(47)
Net cash used for operating activities	(667)	(771)
Cash flows from investing activities:		
Acquisition of property and equipment	(2)	(7)
Capitalized software development costs	(447)	(492)
Net cash used for investing activities	(449)	(499)
Cash flows from financing activities:		
Deferred financing costs	(174)	(452)
Proceeds from issuance of short-term debt	-	125
Proceeds from issuance of long-term debt	1,100	3,000
Principal payments on short term debt	(30)	(125)
Net cash provided by financing activities	896	2,548
Effect of exchange rate changes on cash and cash equivalents	(3)	(35)
Net (decrease) increase in cash and cash equivalents	(223)	1,243
Cash and cash equivalents at beginning of period	929	1,144
Cash and cash equivalents at end of period	\$ 706	\$ 2,387

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements

**Communication Intelligence Corporation
and Subsidiary**
Condensed Consolidated Statements of Cash Flows (Continued)
Unaudited
(In thousands)

Supplementary disclosure of cash flow information		
Interest paid	\$ —	\$ 95
Non-cash financing and investing transactions		
Short-term notes and accrued interest exchanged for convertible preferred stock	\$ —	\$ 1,040
Dividends on preferred shares	\$ 32	\$ 6
Short-term notes and accrued interest exchanged for long-term notes	\$ —	\$ 638
Accretion of beneficial conversion feature and warrants	\$ —	\$ 371
Conversion of preferred stock to common stock	\$ 146	\$ —
Issuance of long-term debt for payment of interest in kind	\$ 154	\$ —
Reclassification of equity linked instrument to derivative liability	\$ 1,353	\$ —
Debt discount and related liability recorded in connection with long-term debt	\$ 3,178	\$ —
Warrants issued for interest recorded as derivative liability	\$ 74	\$ —

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements

Communication Intelligence Corporation
and Subsidiary
Notes to Unaudited Financial Statements
(In thousands, except share and per share amounts)

1. Nature of business

The financial information contained herein should be read in conjunction with the Company's consolidated audited financial statements and notes thereto included in its Annual Report for the year ended December 31, 2008.

The accompanying unaudited condensed consolidated financial statements of Communication Intelligence Corporation and its subsidiary (the "Company" or "CIC") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete consolidated financial statements. In the opinion of management, the unaudited condensed consolidated financial statements included in this quarterly report reflect all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for a fair presentation of its financial position at the dates presented and the Company's results of operations and cash flows for the periods presented. The Company's interim results are not necessarily indicative of the results to be expected for the entire year.

The Company's core technologies are classified into two broad categories: "transaction and communication enabling technologies" and "natural input technologies". These technologies include multi-modal electronic signature, handwritten biometric signature verification, cryptography (Sign-it, iSign, and SignatureOne) and multilingual handwriting recognition software (Jot). The Company reports results in one segment.

The Company's transaction and communication enabling technologies are designed to provide a cost-effective means for securing electronic transactions, providing network and device access control and enabling workflow automation of traditional paper form processing. The Company believes that these technologies offer more efficient methods for conducting electronic transactions while providing more functional user authentication and heightened data security. The Company's transaction and communication enabling technologies have been fundamental to its development of software for multi-modal electronic signatures, handwritten biometric signature verification, and data security.

The Company's natural input technologies are designed to allow users to interact with a computer or handheld device by using an electronic pen or stylus as the primary input device. CIC's natural input offering includes multilingual handwriting recognition software for such devices as electronic organizers, pagers and smart cellular phones that do not have a keyboard. For such devices, handwriting recognition offers the most viable solutions for performing text entry and editing.

Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. Except for 2004, the Company has incurred significant losses since its inception and, at June 30, 2009, the Company's accumulated deficit was approximately \$96,600. At June 30, 2009, the Company had working capital of \$75, including cash and cash equivalents of \$706. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company has primarily funded losses through the sale of debt and equity securities.

In May 2009 and June 2008, the Company raised additional funds through debt and equity financings and also converted short-term notes payable to equity (see notes 4 and 5). There can be no assurance that the Company will have adequate capital resources to fund planned operations or that any additional funds will be available to the Company when needed, or if available, will be available on favorable terms or in amounts required by the Company. If the Company is unable to obtain adequate capital resources to fund operations, it may be required to delay, scale back or eliminate some or all of its operations, which may have a material

Communication Intelligence Corporation
and Subsidiary
Notes to Unaudited Financial Statements
(In thousands, except share and per share amounts)

1 Nature of business

adverse effect on the Company's business, results of operations and ability to operate as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Recent Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") approved its Accounting Standards Codification ("Codification") as the single source of authoritative United States accounting and reporting standards applicable for all non-governmental entities, with the exception of the SEC and its staff. The Codification, which changes the referencing of financial standards, is effective for interim or annual financial periods ending after September 15, 2009. Therefore, in the third quarter of fiscal year 2009, all references made to US GAAP will use the new Codification numbering system prescribed by the FASB. As the Codification is not intended to change or alter existing US GAAP, it is not expected to have any impact on our consolidated financial position or results of operations.

In April 2009, the FASB issued FSP SFAS 107-1 and APB 28-1, "*Interim Disclosures about Fair Value of Financial Instruments*", or FSP 107-1, which will require that the fair value disclosures required for all financial instruments within the scope of SFAS 107, "*Disclosures about Fair Value of Financial Instruments*", be included in interim financial statements. This FSP also requires entities to disclose the method and significant assumptions used to estimate the fair value of financial instruments on an interim and annual basis and to highlight any changes from prior periods. FSP 107-1 is effective for interim periods ending after June 15, 2009. The adoption of FSP 107-1 did not have a material impact on the Company's consolidated financial statements.

On January 1, 2009, the Company adopted EITF Issue No. 07-5, "*Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock*" ("EITF 07-5"), which requires that the Company apply a two-step approach in evaluating whether an equity-linked financial instrument (or embedded feature) is indexed to the Company's stock, including evaluation the instrument's contingent exercise and settlement provisions. See Note 6 for the impact of the adoption of EITF 07-5 on our balance sheet and statement of operations.

2. Accounts receivable and revenue concentration

Two customers accounted for 80% of net accounts receivable as of June 30, 2009. American Family Insurance accounted for 53% and eCom Asia Pacific accounted for 27%. Four customers accounted for 82% of accounts receivable at December 31, 2008. Allstate Insurance Company accounted for 37%, SHI Inc. accounted for 18%, Travelers Indemnity Company accounted for 15% and eCom Asia Pacific, Ltd accounted for 12%.

Two customers in the aggregate accounted for 57% of total revenues for the three months ended June 30, 2009: American Family Insurance (43%) and Wells Fargo Bank NA (14%). Three customers in the aggregate accounted for 49% of total revenues for the three months ended June 30, 2008: Fiserv (12%), Wells Fargo Bank, NA (13%), and Travelers Insurance Company (24%).

Two customers in the aggregate accounted for 44% of total revenues for the six months ended June 30, 2009: American Family Insurance (27%) and Wells Fargo Bank NA (17%). Three customers in the aggregate accounted for 50% of total revenue for the six months ended June 30, 2008: Travelers Insurance Company (11%), Wells Fargo Bank, NA (20%) and Access Systems Americas, Inc. (19%).

Communication Intelligence Corporation
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Notes to Unaudited Financial Statements
(In thousands, except share and per share amounts)

3. Patents

The Company performs intangible asset impairment analyses at least annually in accordance with the guidance in Statement of Financial Accounting Standards No. 142, “*Goodwill and Other Intangible Assets*” (“SFAS 142”) and Statement of Financial Accounting Standards No. 144, “*Accounting for the Impairment or Disposal of Long Lived Assets*” (“SFAS 144”). The Company follows the guidance of SFAS 144 in response to changes in industry and market conditions that affect its patents. The Company then determines if an impairment of its assets has occurred. The Company periodically reassesses the lives of its patents and tests for impairment in order to determine whether the book value of each patent exceeds the fair value of each patent. Fair value is determined by estimating future cash flows from the products that are and will be protected by the patents and considering the additional factors listed in Critical Accounting Policies in the Company’s Annual Report on Form 10-K.

Management recognizes that revenues have fluctuated based on comparable prior periods, and may continue to fluctuate based upon historical experience of the time involved to close large sales transactions. Management completed an analysis of its patents as of December 31, 2008. Based on that analysis, the Company concluded that no impairment of the carrying value of the patents existed. The Company believes that no events or circumstances occurred or changed during the six months ended June 30, 2009, and therefore concluded that no impairment in the carrying values of the patents existed at June 30, 2009.

Amortization of patent costs was \$94 and \$189 for the three and six month periods ended June 30, 2009 and \$95 and \$190 in the corresponding periods of the prior year.

4. Short-term debt

Short-term debt as of June 30, 2009 consists of a principal balance of \$35, net of a remaining debt discount of \$1. The note agreement, originally entered into in 2004, was modified in October 2007. The modification extended the maturity of the note through October 2009 and terminated the conversion feature of the note. In addition, the note holder received warrants to purchase two shares per one dollar of principal outstanding (234 warrants exercisable at \$0.29 per share, the 20 day volume weighted average price of the Company’s Common Stock ending on October 25, 2007).

5. Long-term debt

On May 28, 2009, the Company entered into a financing transaction (“New Financing Transaction”) under which the Company raised capital through the issuance of new secured indebtedness and modified the terms of the June 2008 credit agreement (“Credit Agreement”). Certain parties (Phoenix Venture Fund LLC (“Phoenix”), Michael Engmann and certain entities related to Mr. Engmann) to the New Financing Transaction had a pre-existing relationship with the Company. In the New Financing Transaction, the Company received an aggregate of \$1,100, which is due on December 31, 2010, accrues interest at 8% per annum, and which, at the option of the Company, may be paid in cash or in kind. In conjunction with the New Financing Transaction, the Company issued warrants to the lenders to purchase an aggregate of 18,333 shares of common stock (exercisable through June 30, 2012 at \$0.06 per share). Additionally, the Company issued a warrant to SG Phoenix LLC, an affiliate of Phoenix, to purchase 3,948 shares of common stock (exercisable through June 30, 2012 at \$0.06 per share) and a warrant to purchase 250 shares of common stock (exercisable through June 30, 2012 at \$0.06 per share) to an unrelated third party in connection with administrative services provided to the Company.

In connection with the New Financing Transaction, the Company amended the Credit Agreement such that the notes underlying the Credit Agreement were cancelled and new notes were issued (principal amount of \$3,709). In addition, warrants to purchase 26,495 shares of common stock included in the June 2008

Communication Intelligence Corporation
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Notes to Unaudited Financial Statements
(In thousands, except share and per share amounts)

5. Long-term debt (continued)

transaction were cancelled and new warrants to purchase 61,821 shares of common stock were issued. The note and warrants have identical terms to the terms outlined in the New Financing Transaction above. The Company recorded a loss on debt extinguishment in the amount of \$829 related to the cancellation of the notes, and recorded an increase to additional paid in capital in the amount of \$875 related to the cancellation of warrants that had been recorded as a derivative liability.

The Company ascribed the fair value of \$3,178 to the new warrants, excluding the warrants issued for administrative services, which is recorded as a discount to Long-term debt in the balance sheet. The fair value of the warrants was estimated on the commitment date using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.64%; expected term of 3 years; expected volatility of 137%; and expected dividend yield of 0%. The Company may use the proceeds from the New Financing Transaction to pay the Company's indebtedness and accrued interest on that indebtedness, for working capital and general corporate purposes, in each case in the ordinary course of business, and to pay fees and expenses in connection with the New Financing Transaction, which were \$347, including \$173 attributable to the warrants issued for the administrative services. The fees and expenses are recorded as deferred financing costs and are to be amortized over the life of the loan.

In connection with the New Financing Transaction, the Registration Rights Agreement from the previous financing transaction was amended to provide the lenders certain rights to demand registration of shares issuable upon exercise of the new warrants.

At June 30, 2009, the Company exercised its option to make the second quarter interest payment in kind. The Company issued new notes in the amount of \$82 and additional warrants to purchase 1,366 shares of common stock with the same terms as those issued in the New Financing Transaction.

Interest expense associated with the Company's debt for the three months ended June 30, 2009 and 2008 was \$406 and \$346, respectively. Included in interest expense for the three months ended June 30, 2009 and 2008 was \$324 and \$280, respectively, of amortization of the debt discount and deferred financing costs. Interest expense for the six months ended June 30, 2009 and 2008 was \$685 and \$549, respectively. Included in interest expense for the six months ended June 30, 2009 and 2008 was \$530 and \$416, respectively, of amortization of the debt discount and deferred financing costs.

6. Derivative liability

In June 2008, the FASB ratified EITF No. 07-5, "*Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock*". Paragraph 11(a) of SFAS No. 133 specifies that a contract that would otherwise meet the definition of a derivative but is both (a) indexed to the Company's own stock and (b) classified in stockholders' equity in the statement of financial position would not be considered a derivative financial instrument. EITF 07-5 provides a new two-step model to be applied in determining whether a financial instrument or an embedded feature is indexed to an issuer's own stock and thus able to qualify for the SFAS No. 133 paragraph 11(a) scope exception. The Company adopted EITF 07-5 effective January 1, 2009, and determined that certain warrants and the embedded conversion feature on the preferred stock require liability classification because of certain provisions that may result in an adjustment to the number of shares upon settlement and an adjustment to their exercise or conversion price. The fair value of the embedded conversion feature at January 1, 2009 and June 30, 2009 was insignificant. The warrants were retroactively reclassified as liabilities upon the effective date of EITF 07-5 as required by the EITF. The result was a decrease in paid in capital as of January 1, 2009, of \$3,510, a decrease in accumulative deficit of \$2,157, and the recognition of a liability of \$1,353. The liability, including additional liabilities related to the New Financing Transaction, was further adjusted to fair value as of June 30, 2009, resulting in an increase in

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Notes to Unaudited Financial Statements
(In thousands, except share and per share amounts)

6. Derivative liability (continued)

the liability and other expense of \$1,035 for the six months ended June 30, 2009 and \$966 for the three months ended June 30, 2009.

The Company uses the Black-Scholes pricing model to calculate fair value of its warrant liabilities. Key assumptions used to apply these models are as follows:

	June 30, 2009	January 1, 2009
Expected term	.25 to 3.00 years	.75 to 2.5 years
Volatility	137.4% - 199.0%	141.9% - 171.7%
Risk-free interest rate	1.64%	1.14%
Dividend yield	0%	0%

Fair value measurements:

Assets and liabilities measured at fair value as of June 30, 2009, are as follows:

	Value at	Quoted prices in	Significant other	Significant
	June 30, 2009	active markets	observable inputs	unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
Derivative liability	\$ 4,865	\$ -	\$ -	\$ 4,865

The fair value framework requires a categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets and liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

There were no financial assets or liabilities measured at fair value, with the exception of cash and the above mentioned derivative liability as of June 30, 2009 and December 31, 2008.

7. Net (loss) per share

The Company calculates net loss per share under the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"). SFAS 128 requires the disclosure of both basic net loss per share, which is based on the weighted average number of shares outstanding, and when applicable, diluted income per share, which is based on the weighted average number of shares and dilutive potential shares outstanding.

For the three and six month periods ended June 30, 2009, 8,913 and 100,867 shares of common stock issuable upon the exercise of outstanding options and warrants, respectively, and 5,296 shares of common stock issuable upon the conversion of the convertible preferred stock were excluded from the calculation of dilutive earnings per share because the exercise of such options and warrants and the conversion of the preferred stock would be anti-dilutive.

Communication Intelligence Corporation
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Notes to Unaudited Financial Statements
(In thousands, except share and per share amounts)

7. Net (loss) per share (continued)

For the three and six month periods ended June 30, 2008, 6,002 and 41,131 shares of common stock issuable upon the exercise of outstanding options and warrants, respectively, and 7,429 shares of common stock issuable upon the conversion of the convertible preferred stock were excluded from the calculation of dilutive earnings per share because the exercise of such options and warrants and the conversion of the preferred stock would be anti-dilutive.

8. Equity

The Company has granted stock options under its 1999 Option Plan which expired in April of 2009 (options outstanding under that plan are not effected by its expiration) and also granted options to employees, directors and consultants pursuant to individual plans.

Share-based compensation expense is based on the estimated grant date fair value of the portion of share-based payment awards that are ultimately expected to vest during the period. The grant date fair value of stock-based awards to employees and directors is calculated using the Black-Scholes option pricing model. Statement of Financial Accounting Standards (“SFAS”) No. 123(R), “*Share-Based Payment*” requires forfeitures of share-based payment awards to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The estimated average forfeiture rate for the three and six months ended June 30, 2009 was approximately 19%, and for the comparable three and six months in 2008 was approximately 27%, based on historical data.

SFAS No. 123(R) requires the cash flows from tax benefits for deductions in excess of the compensation costs recognized for share-based payment awards to be classified as financing cash flows. Due to the Company’s loss position, there were no such tax benefits during the three and six month periods ending June 30, 2009 and 2008.

Valuation and Expense Information under SFAS No. 123(R):

The weighted-average fair value of stock-based compensation is based on the single option valuation approach. Forfeitures are estimated and it is assumed no dividends will be declared. The estimated fair value of stock-based compensation awards to employees is amortized using the accrual method over the vesting period of the options. The fair value calculations are based on the following assumptions:

	Three and Six Months Ended June 30, 2009	Three and Six Months Ended June 30, 2008
Risk free interest rate	1.45% – 5.11%	3.32% - 5.11%
Expected life (years)	3.21 – 6.88	3.21 – 6.86
Expected volatility	80.96% – 131.35%	80.96% – 104.57%
Expected dividends	None	None

The following table summarizes the allocation of stock-based compensation expense related to stock option grants under SFAS 123(R) for the three and six months ended June 30, 2009 and 2008. The Company granted 1,200 stock options during the three and six months ended June 30, 2009 and no stock options were exercised. There were 100 stock options granted during the three and six months ended June 30, 2008 and no options were exercised.

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8. Equity (continued)

	<u>Three Months Ended June 30,</u>		<u>Six months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Research and development	\$ 11	\$ 1	\$ 15	\$ 2
Sales and marketing	5	8	13	20
General and administrative	12	1	26	2
Director options	–	15	–	16
Stock-based compensation expense	<u>\$ 28</u>	<u>\$ 25</u>	<u>\$ 54</u>	<u>\$ 40</u>

A summary of option activity under the Company's plans as of June 30, 2009 and 2008 is as follows:

Options	As of June 30,							
	2009				2008			
	Shares (000)	Weighted Average Exercise Price	Weighted average Remaining Contractual Term	Aggregate Intrinsic Value	Shares (000)	Weighted Average Exercise Price	Weighted average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1,	7,608	\$ 0.48			6,036	\$ 0.59		
Granted	1,200	\$ 0.10			100	\$ 0.20		
Exercised	–				–			
Forfeited or expired	(595)	\$ 0.77			(134)	\$ 0.25		
Outstanding at June 30	<u>8,213</u>	<u>\$ 0.42</u>	<u>4.53</u>	<u>\$ –</u>	<u>6,002</u>	<u>\$ 0.58</u>	<u>4.16</u>	<u>\$ –</u>
Vested and expected to vest at June 30	<u>8,213</u>	<u>\$ 0.42</u>	<u>4.53</u>	<u>\$ –</u>	<u>6,002</u>	<u>\$ 0.58</u>	<u>4.16</u>	<u>\$ –</u>
Exercisable at June 30	<u>5,616</u>	<u>\$ 0.54</u>	<u>3.74</u>	<u>\$ –</u>	<u>5,550</u>	<u>\$ 0.61</u>	<u>4.04</u>	<u>\$ –</u>

The following tables summarize significant ranges of outstanding and exercisable options as of June 30, 2009 and 2008:

Range of Exercise Prices	As of June 30, 2009				
	Options Outstanding		Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
\$ 0.10 – \$0.50	5,184	5.3	\$ 0.21	2,588	\$ 0.28
0.51 – 1.00	2,941	3.3	\$ 0.72	2,940	\$ 0.72
1.01 – 2.00	73	2.7	\$ 1.66	73	\$ 1.66
2.01 – 3.00	–	–	\$ –	–	\$ –
3.01 – 7.50	15	1.0	\$ 3.56	15	\$ 3.56
	<u>8,213</u>	<u>4.5</u>	<u>\$ 0.42</u>	<u>5,616</u>	<u>\$ 0.54</u>

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8. Equity (continued)

As of June 30, 2008					
Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life(in years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
\$ 0.14 – \$0.50	2,479	4.80	\$ 0.32	2,027	\$ 0.33
0.51 – 1.00	3,341	3.84	\$ 0.73	3,341	\$ 0.73
1.01 – 2.00	167	1.62	\$ 1.32	167	\$ 1.32
2.01 – 3.00	–	–	\$ –	–	\$ –
3.01 – 7.50	15	1.97	\$ 3.56	15	\$ 3.56
	6,002	4.16	\$.58	5,550	\$

A summary of the status of the Company's non-vested shares as of June 30, 2009 is as follows:

Nonvested Shares	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2009	1,565	\$ 0.16
Granted	1,200	\$ 0.00
Forfeited	(168)	\$ 0.77
Vested	–	\$ –
Nonvested	2,597	\$ 0.13

As of June 30, 2009, there was \$115 of total unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the plans. The unrecognized compensation expense is expected to be realized over a weighted average period of 2.8 years.

Preferred Shares

In connection with the closing of the June 2008 Financing Transaction (see Note 5, Long-term debt), the Company also entered into a Securities Purchase Agreement (the "Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") each dated as of June 5, 2008. Under the Purchase Agreement, in exchange for the cancellation of \$995 in principal amount and \$45 of interest accrued thereon of the Company's aggregate outstanding \$2,071 in existing debt and interest accrued thereon through May 31, 2008, the Company issued to the holders of such debt an aggregate of 1,040 shares of the Company's Series A Cumulative Convertible Preferred Stock (the "Preferred Shares"). As of June 30, 2009, there are 742 Preferred Shares outstanding. The Preferred Shares carry an eight percent (8%) annual dividend, payable quarterly in arrears in cash or in additional Preferred Shares, have a liquidation preference over Common Stock of one dollar (\$1.00) per share and are convertible into shares of Common Stock at the conversion price of fourteen cents (\$0.14) per share. If the outstanding "Preferred Shares" are converted in their entirety, the Company would issue 5,300 shares of common stock. The shares of Preferred Stock are convertible any time after June 30, 2008. The preferred stock transaction resulted in a beneficial conversion feature of \$371, of which \$273 is attributable to Michael Engmann and \$98 to the other creditors. The beneficial conversion feature was recorded as a charge to loss applicable to common stockholders for the quarter ended June 30, 2008. The Company has accrued dividends on the preferred shares of \$58. As of June 30, 2009, \$27 of accrued dividends had been paid in cash.

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8. Equity (continued)

During the six months ended June 30, 2009, 146 Preferred Shares were converted into 1,005 shares of the Company's common stock. The Company paid the first and second quarter dividends due on the Preferred Shares by issuing an additional 32 Preferred Shares which are convertible into 229 shares of common stock, included in the total below. At June 30, 2009 there are 742 preferred shares outstanding, that if converted, the Company would issue 5,296 shares of the Company's common stock.

9. Subsequent events

The Company evaluated events through August 14, 2009 for consideration as a subsequent event to be included in its June 30, 2009 financial statements, issued August 14, 2009.

The Company's Board of Directors adopted the 2009 Stock Compensation Plan on July 1, 2009, reserving 7,000,000 shares of Common Stock of the Company for issuance thereunder. The Board has granted 896,992 options pursuant to the plan.

Forward Looking Statements

Certain statements contained in this quarterly report on Form 10-Q, including, without limitation, statements containing the words “believes”, “anticipates”, “hopes”, “intends”, “expects”, and other words of similar import, constitute “forward looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors which may cause actual events to differ materially from expectations. Such factors include those set forth in the Company’s Annual Report on Form 10-K for the year ended December 31, 2008, including the following:

- Technological, engineering, manufacturing, quality control or other circumstances that could delay the sale or shipment of products;
- Economic, business, market and competitive conditions in the software industry and technological innovations that could affect the Company’s business;
- The Company’s inability to protect its trade secrets or other proprietary rights, operate without infringing upon the proprietary rights of others and prevent others from infringing on the proprietary rights of the Company; and
- General economic and business conditions and the availability of sufficient financing.

Except as otherwise required by applicable laws, the Company undertakes no obligation to publicly update or revise any forward-looking statements, as a result of new information, future events or otherwise.

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

The following discussion and analysis should be read in conjunction with the Company’s unaudited condensed consolidated financial statements and notes thereto included in Part 1, Item 1 of this quarterly report on Form 10-Q and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in the Company’s Annual report on Form 10-K for the fiscal year ended December 31, 2008.

Overview

The Company is a leading supplier of electronic signature solutions for business process automation serving primarily the financial services industry and is the acknowledged leader in biometric signature verification technology. Its products enable companies to achieve secure paperless business transactions with multiple signature technologies across virtually all applications and hardware platforms.

The Company was incorporated in Delaware in October 1986. Except for the year ended December 31, 2004, in each year since its inception the Company has incurred losses. For the five-year period ended December 31, 2008, net losses aggregated approximately \$12,800 and at December 31, 2008, the Company’s accumulated deficit was approximately \$94,600. At June 30, 2009, its accumulated deficit was approximately \$96,600.

Total revenue of \$650 for the six months ended June 30, 2009 decreased \$187 or 22%, compared to revenues of \$837 in the corresponding six months of the prior year. The Company believes that revenues in the first half reflects primarily the freeze in IT spending resulting from the meltdown in the financial market which delayed orders, even beyond the historical delays consistent with companies entering a new year and new budget period, because of the heightened senior management oversights, reviews, and prioritization processes implemented. The Company still anticipates that 2009 revenue will exceed 2008. Fourth quarter of 2008 revenue was up 17% over the third quarter of 2008, revenue for the last half of 2008 was up 25% over the last half of 2007 and based on sales related activity, the Company anticipates delayed orders and deployments will resume in 2009.

Total revenues for the three months ended June 30, 2009 were \$404,000 compared to revenues of \$407,000 in the corresponding prior year period. Orders for the three month period ended June 30, 2009, however, were \$930,000, \$526,000 higher than revenue recognizable for that period and 75% of such orders are expected to be recognized as revenue by year end. Revenues were primarily attributable to American Family Insurance, American General Life & Accident, Charles Schwab, Misys healthcare, Prudential Insurance, Snap-On Credit and Wells Fargo Bank.

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With the significant increase in second quarter orders it appears that the momentum we experienced in the last half of last year will resume and continue into the last half of this year. Despite the first quarter financial services IT spending freeze we experienced, and the resultant negative effect on our first quarter revenue, we believe that cash is freeing up for orders that fund mission critical projects. Last month we announced that American Family Insurance, a Fortune 500 firm, chose CIC to fulfill its automation needs. We believe this win evidences the product differentiation of our Signature One Ceremony Server and also the successful track record that our Ceremony Server deployments have established including the two prior successive wins with Travelers and Allstate deployed in the third and fourth quarter last year. We have not received any significant input from customers or prospects suggesting that the adverse conditions have resulted in cancellation of the mission critical projects for this year. Rather, they have been delayed. There is increasing awareness in the financial industry that our technology is the answer to the heightened challenges they are facing and, recognition of the need and desire to purchase sooner rather than later in order to gain the benefits of deployment this year. So, we believe the purchase priority necessary to generate sufficient orders to achieve last half profitability exists. However, realization of that possibility depends on the speed and magnitude of the spending recovery.

The net loss for the six months ended June 30, 2009 was \$4,162, compared with a net loss of \$2,314 in the prior year period. The increase in net loss for the six months ended June 30, 2009 was primarily the result of expensing the remaining unamortized debt discount and deferred financing cost as a loss on debt extinguishment, aggregating \$829, associated with the cancelled notes and warrants which were replaced with new notes and warrants in the New Financing Transaction (see Note 5 to the Condensed Consolidated Financial Statements) and the loss on derivative liability of \$1,035. Cost of sales increased 13% or \$50 while operating expenses decreased approximately 3%, or \$48, for the six months ended June 30, 2009, compared to the prior year period. The increase in cost of sales was due to additional amortization of capitalized software development from projects completed since June of the prior year, pertaining to direct engineering costs related to meeting customer specific requirements associated with integration of our standard products into customer systems. The decrease in Operating expenses is primarily due to reduced spending during the six months ended June 30, 2009 compared to the prior year.

Critical Accounting Policies and Estimates

Derivatives.

The Company follows the provisions of SFAS No. 133 "*Accounting for Derivative Instruments and Hedging Activities*" ("SFAS No. 133") along with related interpretations EITF No. 07-5, "*Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock*", EITF No. 00-19 "*Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*" ("EITF 00-19") and EITF No. 05-2 "*The Meaning of 'Conventional Convertible Debt Instrument'*" in Issue No. 00-19" ("EITF 05-2"). SFAS No. 133 requires every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded in the balance sheet as either an asset or liability measured at its fair value, with changes in the derivative's fair value recognized currently in earnings unless specific hedge accounting criteria are met. The Company values these derivative securities under the fair value method at the end of each reporting period (quarter), and their value is marked to market at the end of each reporting period with the gain or loss recognition recorded against earnings. The Company continues to revalue these instruments each quarter to reflect their current value in light of the current market price of our common stock. The Company utilizes the Black-Scholes option-pricing model to estimate fair value. Key assumptions of the Black-Scholes option-pricing model include applicable volatility rates, risk-free interest rates and the instrument's expected remaining life. These assumptions require significant management judgment.

Refer to Item 7, "Management Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2008 Form 10-K.

Results of Operations

Revenues

Product revenues for the three-month period ended June 30, 2009 decreased 3%, or \$7, to \$211, compared to revenues of \$218 in the prior year period. The decrease in revenue is primarily due to a decrease in royalties from the Company's natural input/jot product. Maintenance revenue increased 2%, or \$4, for the three-month period ended June 30, 2009 to \$193, compared to revenues of \$189 in the prior year period. This increase is primarily due to maintenance renewals from existing eSignature customers.

Product revenues for the six-month period ended June 30, 2009 decreased 39%, or \$180, to \$280, compared to revenues of \$460 in the prior year period. The decrease in revenue is primarily due to a 97%, or \$161 decrease in royalties from the Company's natural input/jot product to \$5, compared to \$166 in the prior year period. Royalty from the Company's natural input products is expected to remain at the lower volume due to changes in OEM product and operating system offerings which do not include the Company's natural input/jot product. Maintenance revenue decreased 2%, or \$7, for the six-month period ended June 30, 2009 to \$370, compared to revenues of \$377 in the prior year period. This decrease is primarily due to the decline in natural input/jot maintenance.

Cost of Sales

Cost of sales increased \$31, or 16%, to \$231, for the three-month period ended June 30, 2009, compared to \$200 in the prior year period. The increase in cost of sales was due to additional capitalized software development amortization from projects completed since June of the prior year pertaining to direct engineering costs related to meeting customer specific requirements associated with integration of our standard products into customer systems. For the six month period ended June 30, 2009, cost of sales increased \$50, or 13% to \$450, compared to \$400 in the prior year period. The increase was due to the same factors as described for the three-month period. Cost of sales is expected to increase near term as previously capitalized software development costs begin to be amortized once new products and enhancements are completed and released.

Operating expenses

Research and Development Expenses

Research and development expenses decreased approximately 67%, or \$29, for the three-month period ended June 30, 2009, compared to the prior year period. Research and development expenses consist primarily of salaries and related costs, outside engineering, maintenance items, and allocated facilities expenses. The most significant factor in the \$29 decrease was the higher levels of software development costs capitalized during the three months ended June 30, 2009, as compared to the prior year period. For the six-month period ended June 30, 2009 engineering expenses increased 31%, or \$30 to \$126, compared to \$96 in the prior year period. The increase was primarily due to a lower capitalization of software development costs over the six-month period, compared to the prior year. Total expenses, before capitalization of software development costs and other allocations for the three and six months ended June 30, 2009 was \$417 and 867 compared to \$394 and \$794 in the prior year. The increases in the three and six-month periods were primarily due to the addition of a senior-level engineer compared to the prior year. Research and development expenses before capitalization of software development costs, as well as the amounts to be capitalized on future product development are expected to remain at current levels in the near term.

Sales and Marketing Expenses

Sales and marketing expenses decreased 9%, or \$33, for the three months ended June 30, 2009, compared to the prior year period. The decrease was primarily attributable to lower expenditures on marketing programs. Offsetting the above mentioned reductions, engineering sales support costs increased \$37, compared to the prior year period, due to an increase in requests for information and product demonstrations from potential customers.

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For the six months ended June 30, 2009, sales and marketing expense decreased 3%, or \$18, to \$697 compared to \$715 in the prior year period. The decrease is due in part to the reasons discussed above. In addition salary and related expenses decreased 19% due to the reduction of two sales persons during the period.

General and Administrative Expenses

General and administrative expenses decreased 10%, or \$55, for the three months ended June 30, 2009, compared to the prior year period. For the six month period ended June 30, 2009, general and administrative expenses decreased 6%, or \$60, to \$959 compared to \$1,019 in the prior year. The decrease was primarily due to reductions in general corporate expenses. These decreases were offset by an increase in stock option compensation. The Company anticipates that general and administrative expense will remain relatively consistent with the amounts incurred in the prior year in the near term.

Interest income and other income, net

Interest income and other income, net was \$0 and \$1 for the three and six months ended June 30, 2009, compared to \$2 and \$5 in the prior year. The decrease is due to the lower cash balance and lower interest rates during the current period compared to the prior year period.

Interest expense

Interest expense, related party increased 63%, or \$30, to \$78 for the three months ended June 30, 2009, compared to \$48 in the prior year period. The increase was primarily due to the financing in June 2008. Interest expense-other for the three months ended June 30, 2009 decreased \$14, to \$4, compared to \$18 in the prior year period. The decrease was primarily due to the conversion in June 2008 of non-related party debt into Preferred Shares. See Notes 5 and 8 in the Condensed Consolidated Financial Statements of this report on Form 10-Q.

Interest expense, related party increased 60%, or \$55, to \$147 for the six months ended June 30, 2009, compared to \$92 in the prior year period. The increase was primarily due to the financing in June 2008. Interest expense-other for the six months ended June 30, 2009 decreased \$33, to \$8, compared to \$41 in the prior year period. The decrease was due to the same factors discussed for the three month periods above.

Amortization of loan discount and deferred financing expense-related party increased \$95, or 44%, to \$312 for the three months ended June 30, 2009, compared to \$217 in the prior year period. The increase was primarily due to the New Financing Transaction. For the six months ended June 30, 2009 deferred financing expense-related party increased \$202, or 66%, to \$510 compared to \$308 in the prior year period. The increase was primarily due to the same factors discussed above.

For the three and six months ended June 30, 2009, the Company expensed the remaining unamortized debt discount and deferred financing costs, aggregating \$829, as the result of the debt extinguishment associated with the cancelled notes and warrants which were replaced with new notes and warrants as a condition of the New Financing Transaction.

The Company expects to amortize an additional \$3,011 of debt discount related to the New Financing Transaction to interest expense through December 2010.

Liquidity and Capital Resources

At June 30, 2009, cash and cash equivalents totaled \$706 compared to cash and cash equivalents of \$929 at December 31, 2008. The decrease in cash was primarily due to cash used by operations of \$564, cash used in investing activities of \$439, including \$437 in capitalization of software development costs, and \$2 in the acquisition of property and equipment. The cash used by operations and investing activities were offset by \$799 provided by financing activities, net of \$30 used to repay a portion of short-term debt. Total current assets were \$1,035 at June 30, 2009, compared to \$1,709 at December 31, 2008. As of June 30, 2009, the Company's principal sources of funds included its cash and cash equivalents aggregating \$706.

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Accounts receivable net decreased \$455 for the six months ended June 30, 2009, compared to the December 31, 2008 balance, due primarily to the decrease in sales and billed but unpaid maintenance contracts that are off set against deferred revenue compared to the fourth quarter of 2008. The billed but unpaid maintenance amounts off set against the deferred revenue amount to \$377. These amounts are expected to be collected in the third quarter. The Company expects the development of the eSignature market ultimately will result in more consistent revenue on a quarter-to-quarter basis and, therefore, less fluctuation in accounts receivable from quarter to quarter.

Prepaid expenses and other current assets increased by \$4 for the six months ended June 30, 2009, compared to December 31, 2008, due primarily to increases in prepaid insurance and annual fees on maintenance and support costs added to prepaid expenses over the six months ended June 30, 2009.

Accounts payable increased \$94 for the six months ended June 30, 2009, compared to December 31, 2008, due primarily to an increase in professional service fees. Accrued compensation decreased \$76 during the six months ended June 30, 2009, compared to the December 31, 2008 balance. The balance may fluctuate in the future due to increases or decreases in the number of personnel and utilization of, or increases to, the accrued vacation balance.

Total current liabilities were \$960 at June 30, 2009, compared to \$1,100 at December 31, 2008. Deferred revenue, totaling \$295 at June, 2009, compared to \$343 at December 31, 2008, primarily reflects advance payments for maintenance fees from the Company's licensees that are generally recognized as revenue by the Company when all obligations are met or over the term of the maintenance agreement, whichever is longer. Deferred revenue is recorded when the Company receives advance payment from its customers.

On May 28, 2009, the Company entered into a financing transaction ("New Financing Transaction") under which the Company raised capital through the issuance of new secured indebtedness and modified the terms of the June 2008 credit agreement ("Credit Agreement"). Certain parties (Phoenix Venture Fund LLC ("Phoenix"), Michael Engmann and certain entities related to Mr. Engmann) to the New Financing Transaction had a pre-existing relationship with the Company. In the New Financing Transaction, the Company received an aggregate of \$1,100, which is due on December 31, 2010, accrues interest at 8% per annum, and which, at the option of the Company, may be paid in cash or in kind. In conjunction with the New Financing Transaction, the Company issued warrants to the lenders to purchase an aggregate of 18,333 shares of common stock (exercisable through June 30, 2012 at \$0.06 per share). Additionally, the Company issued a warrant to SG Phoenix LLC, an affiliate of Phoenix, to purchase 3,948 shares of common stock (exercisable through June 30, 2012 at \$0.06 per share) and a warrant to purchase 250 shares of common stock (exercisable through June 30, 2012 at \$0.06 per share) to an unrelated third party in connection with administrative services provided to the Company.

In connection with the New Financing Transaction, the Company amended the Credit Agreement such that the notes underlying the Credit Agreement were cancelled and new notes were issued (principal amount of \$3,709). In addition, warrants to purchase 26,495 shares of common stock included in the June 2008 transaction were cancelled and new warrants to purchase 61,821 shares of common stock were issued. The note and warrants have identical terms to the terms outlined in the New Financing Transaction above. The Company recorded a loss on debt extinguishment in the amount of \$829 related to the cancellation of the notes, and recorded an increase to additional paid in capital in the amount of \$875 related to the cancellation of warrants that had been recorded as a derivative liability.

The Company ascribed the fair value of \$3,178 to the new warrants, excluding the warrants issued for administrative services, which is recorded as a discount to Long-term debt in the balance sheet. The fair value of the warrants was estimated on the commitment date using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 1.64%; expected term of 3 years; expected volatility of 137%; and expected dividend yield of

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0%. The Company may use the proceeds from the New Financing Transaction to pay the Company's indebtedness and accrued interest on that indebtedness, for working capital and general corporate purposes, in each case in the ordinary course of business, and to pay fees and expenses in connection with the New Financing Transaction, which were \$347, including \$173 attributable to the warrants issued for the administrative services. The fees and expenses are recorded as deferred financing costs and are to be amortized over the life of the loan.

In connection with the New Financing Transaction, the Registration Rights Agreement from the previous financing transaction was amended to provide the lenders certain rights to demand registration of shares issuable upon exercise of the new warrants.

At June 30, 2009, the Company exercised its option to make the second quarter interest payment in kind. The Company issued new notes in the amount of \$82 and additional warrants to purchase 1,366 shares of common stock with the same terms as those issued in the New Financing Transaction.

Interest expense associated with the Company's debt for the three months ended June 30, 2009 and 2008 was \$406 and \$346, respectively. Included in interest expense for the three months ended June 30, 2009 and 2008 was \$324 and \$280, respectively, of amortization of the debt discount and deferred financing costs. Interest expense for the six months ended June 30, 2009 and 2008 was \$685 and \$549, respectively. Included in interest expense for the six months ended June 30, 2009 and 2008 was \$530 and \$416, respectively, of amortization of the debt discount and deferred financing costs.

The Company has the following material commitments as of June 30, 2009:

Contractual obligations	Payments due by period						
	Total	2009	2010	2011	2012	2013	Thereafter
Short-term debt (1)	\$35	\$35	\$-	\$-	\$-	\$-	\$-
Long-term debt related party (2)	4,891	-	4,891	-	-	-	-
Operating lease commitments (3)	660	140	280	240	-	-	-
Total contractual cash obligations	<u>\$5,586</u>	<u>\$175</u>	<u>\$5,171</u>	<u>\$240</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

- Short-term debt reported on the balance sheet is net of approximately \$1 in discounts representing the fair value of warrants issued in connection with the Company's debt financings.
- Long-term debt reported on the balance sheet is net of approximately \$3,011 in discounts representing the fair value of warrants issued to the debt holders.
- The operating lease commenced on November 1, 2002. The lease was renegotiated in December 2005 and extended for an additional 60 months. The base rent will increase approximately 3% per annum over the term of the lease, which expires on October 31, 2011.

The Company has experienced recurring losses from operations that raise a substantial doubt about its ability to continue as a going concern. There can be no assurance that the Company will have adequate capital resources to fund planned operations or that any additional funds will be available to it when needed, or if available, will be available on favorable terms or in amounts required by it. If the Company is unable to obtain adequate capital resources to fund operations, it may be required to delay, scale back or eliminate some or all of its operations, which may have a material adverse effect on its business, results of operations and ability to operate as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

The Company has an investment portfolio of fixed income securities that are classified as cash equivalents. These securities, like all fixed income instruments, are subject to interest rate risk and will fall in value if market interest rates increase. The Company attempts to limit this exposure by investing primarily in short term securities. The Company did not enter into any short-term security investments during the three months ended June 30, 2009.

Foreign Currency Risk

From time to time, the Company makes certain capital equipment or other purchases denominated in foreign currencies. As a result, the Company's cash flows and earnings are exposed to fluctuations in interest rates and foreign currency exchange rates. The Company attempts to limit these exposures through operational strategies and generally has not hedged currency exposures. During the three months ended June 30, 2009 and 2008, foreign currency translation gains and losses were insignificant.

Future Results and Stock Price Risk

The Company's stock price may be subject to significant volatility. The public stock markets have experienced significant volatility in stock prices in recent years. The stock prices of technology companies have experienced particularly high volatility, including, at times, price changes that are unrelated or disproportionate to the operating performance of such companies. The trading price of the Company's common stock could be subject to wide fluctuations in response to, among other factors, quarter-to-quarter variations in operating results, announcements of technological innovations or new products by the Company or its competitors, announcements of new strategic relationships by the Company or its competitors, general conditions in the computer industry or the global economy in general, or market volatility unrelated to the Company's business and operating results.

Item 4. Controls and Procedures.

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14(c) as of the end of the period covered by this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

Part II-Other Information

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sale of Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Communication Intelligence Corporation
and Subsidiary
(In thousands, except share and per share amounts)
FORM 10-Q

Item 4. Submission of Matters to a Vote of Security Holders.

The Company held its Annual Meeting of Stockholders on June 30, 2009. The number of shares of common stock with voting rights and preferred shares on-as-if converted basis as of the record date represented at the meeting either in person or by proxy was 125,546,842 shares, or 92% of the eligible outstanding Common Stock and outstanding Series A-1 Cumulative Convertible Preferred Stock (voting on-as-if converted basis). Two proposals were voted upon by the stockholders. The proposals and the voting results are as follows:

Proposal 1

The five persons listed below received the most votes in favor of election at the annual meeting and, accordingly were elected as directors to serve until the next Annual Meeting or until his successor is elected or appointed.

Name	For
Guido DiGregorio	115,278,788
Garry Meyer	113,693,099
Louis P. Panetta	115,687,473
Chien Bor (C. B.) Sung	118,183,584
David E. Welch	114,080,464

Proposal 2

The voting on the proposal to amend the Company's amended and restated certificate of incorporation to increase the number of common shares available for issuance from 255,000 to 275,000 was as follows:

	FOR	Against	Abstain
Shares voted	110,260,531	14,877,156	409,155
Percent of voted	87.8%	11.9%	0.3%
Percent of total	80.7%	10.9%	0.3%

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) Exhibits.

Exhibit Number

Document

-
- 3.1 Certificate of Incorporation of the Company, as amended, incorporated herein by reference to Exhibits 3.1, 3.2, 3.3 and 3.4 to the Company's Registration Statement on Form 10 (File No. 0-19301).
 - 3.2 Certificate of Amendment to the Company's Certificate of Incorporation (authorizing the reclassification of the Class A Common Stock and Class B Common Stock into one class of Common Stock) as filed with the Delaware Secretary of State's office on November 1, 1991, incorporated herein by reference to Exhibit 3 to Amendment 1 on Form 8 to the Company's Form 8-A (File No. 0-19301).
 - 3.3 By-laws of the Company adopted on October 6, 1986, incorporated herein by reference to Exhibit 3.5 to the Company's Registration Statement on Form 10 (File No. 0-19301).

Communication Intelligence Corporation
and Subsidiary
(In thousands, except share and per share amounts)
FORM 10-Q

Exhibit Number

Document

- 3.4 By-laws of the Company adopted on October 6, 1986, incorporated herein by reference to Exhibit 3.5 to the Company's Registration Statement on Form 10 (File No. 0-19301).
- 3.5 Certificate of Amendment to the Company's Amended and Restated Certificate of Incorporation dated January 24, 2001, incorporated herein by reference to Exhibit 3.5 to the Company's Registration Statement on Form S/1, filed December 28, 2007.
- 3.6 Certificate of Elimination of the Company's Certificate of Designation of the Series A Preferred Stock dated August 17, 2001, incorporated herein by reference to Exhibit 3.6 to the Company's Registration Statement on Form S/1, filed December 28, 2007.
- 3.7 Certificate of Amendment to the Company's Amended and Restated Certificate of Incorporation filed with the Delaware Secretary of State August 17, 2007, incorporated herein by reference to Exhibit 3.7 to the Company's Registration Statement on Form S/1 filed on December 28, 2007.
- 3.8 Amended and Restated Certificate of Incorporation of the Company filed with the Delaware Secretary of State on May 18, 1995, incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2008.
- 3.9 Certificate of Designations, Powers, Preferences and Rights of the Series A Cumulative Convertible Preferred Stock filed with the Delaware Secretary of State on June 4, 2008, incorporated herein by reference to Exhibit 4.23 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2008.
- 3.10 Certificate of Amendment to the Company's Amended and Restated Certificate of Incorporation filed with the Delaware Secretary of State on June 30, 2008, incorporated herein by reference to Exhibit 3.7 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2008.
- 3.11 Certificate of Designations, Powers, Preferences and Rights of the Series A-1 Cumulative Convertible Preferred Stock filed with the Delaware Secretary of State on October 30, 2008., incorporated herein by reference to Exhibit 3.11 to the Company's Annual Report on Form 10-K filed on March 12, 2009.
- 3.12 Certificate of Elimination of the Company's Series A Cumulative Convertible Preferred Stock filed with the Delaware Secretary of State on December 30, 2008, incorporated herein by reference to Exhibit 3.12 to the Company's Annual Report on Form 10-K filed on March 12, 2009..
- *3.13 Certificate of Amendment to the Company's Amended and Restated Certificate of Incorporation filed with the Delaware Secretary of State on June 30, 2009.
- *4.24 Form of Secured Promissory Note.
- *4.25 Form of Additional Secured Promissory Note.
- *4.26 Form of Common Stock Purchas Warrant.
- *4.27 Form of Additional Common Stock Purchase Warrant.
- *10.46 Amendment No. 1 to the Credit Agreement dated May 28, 2009.
- *10.47 Amendment No. 1 to the Registration Rights Agreement dated May 28, 2009.
- *10.48 Side Letter Regarding Salary Reduction Plan for Executive Officers dated May 28, 2009.
- *31.1 Certification of Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- *31.2 Certificate of Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- *32.1 Certification of Chief Executive Officer pursuant to 18 USC Section 1750, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- *32.2 Certification of Chief Financial Officer pursuant to 18 USC Section 1750, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith.

SIGNATURES

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

COMMUNICATION INTELLIGENCE CORPORATION

Registrant

August 14, 2009

Date

/s/ Francis V. Dane

Francis V. Dane

(Principal Financial Officer and Officer Duly Authorized to Sign on
Behalf of the Registrant)

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "CPMMUNICATIONS INTELLIGENCE CORPORATION", FILED IN THIS OFFICE ON THE THIRTIETH DAY OF JUNE, A.S. 2009, AT 7:17 O'CLOCK P. M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

2103295 8100

090664107

You may verify this certificate online
At corp.delaware.gov/authver.shtml



/s/ Jeffrey W. Bullock

Jeffrey W. Bullock, Secretary of State

AUTHENTICATION: 7395961

DATE: 07-01-09

State of Delaware
Secretary of state
Division of Corporations
Delivered 07:31 PM 06/30/2009
Filed 07:17 PM 06/30/2009
SRV 090664107 – 2103295 FILE

**CERTIFICATE OF AMENDMENT
TO
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
COMMUNICATION INTELLIGENCE CORPORATION**

It is hereby certified that:

- 1. The name of the corporation is Communication Intelligence Corporation (hereinafter called the “Corporation”).
- 2. The Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by striking paragraph (a) of Article Fourth thereof and by substituting in lieu of said paragraph the following new paragraph:

“FOURTH: The total number of shares which the Corporation shall have authority to issue is 285,000,000 of which 275,000,000 shares shall be Common Stock, par value \$0.01 per share, and 10,000,000 shares shall be Preferred Stock, par value \$0.01 per share.”

The balance of Article Fourth shall remain unchanged.

- 3. This amendment to the Corporation’s Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.
- 4. This Certificate of Amendment shall be effective as of the date of filing with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by Guido DiGregorio, its Chairman and Chief Executive Officer, this 30th day of June, 2009.

**COMMUNICATION INTELLIGENCE
CORPORATION**

/ s/ Guido DiGregorio

**By: Guido DiGregorio
Chairman and Chief**

Executive Officer

THIS SECURITY HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT (OID). PURSUANT TO TREASURY REGULATION §1.1275-3(b)(1), FRANCIS V. DANE, A REPRESENTATIVE OF THE ISSUER HEREOF WILL, BEGINNING TEN DAYS AFTER THE ISSUE DATE OF THIS SECURITY, PROMPTLY MAKE AVAILABLE TO THE HOLDER UPON REQUEST THE INFORMATION DESCRIBED IN TREASURY REGULATION §1.1275-3(b)(1)(i). MR. DANE MAY BE REACHED AT TELEPHONE NUMBER (650) 802-7737.

[FORM OF] SECURED PROMISSORY NOTE

\$_[_____]

May 28, 2009

New York, New York

FOR VALUE RECEIVED, COMMUNICATION INTELLIGENCE CORPORATION (the “**Borrower**”), having an office at 275 Shoreline Drive, Suite 500, Redwood Shores, California 94065, hereby promises to pay to the order of [_____] (the “**Payee**”), or its registered assigns, the principal amount of [_____] Dollars and 00/100 (\$[_____] on December 31, 2010 (the “**Maturity Date**”). The Borrower shall make principal payments on this Secured Promissory Note (this “**Note**”) on or before the Maturity Date in accordance with that certain Credit Agreement, dated as of June 5, 2008 (as it may be amended, supplemented or otherwise modified from time to time, the “**Credit Agreement**”; the terms defined therein and not otherwise defined herein being used herein as therein defined), by and among the Borrower, the Lenders party thereto, and SG Phoenix LLC, as Collateral Agent.

The Borrower also promises to pay interest on the unpaid principal amount hereof, from the date hereof until paid in full, at the rates and at the times which shall be determined in accordance with the provisions of the Credit Agreement.

This Note is being executed and delivered by the Borrower to the Payee to evidence the Loan made by the Payee to the Borrower pursuant to the Credit Agreement.

This Note is issued with a detachable Warrant evidencing the right initially to purchase a number of shares of Common Stock of the Borrower equal to the principal amount of this Note divided by 0.06, at an initial exercise price of Six Cents (\$0.06) per share.

This Note is entitled to the benefits of the Credit Agreement and the Loan Documents, including the Pledge and Security Agreement. This Note may be prepaid, in whole or in part (together with interest accrued thereon at the time of such prepayment), at any time.

All cash payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds to the Payee’s account set forth in Section 1.5(a) of the Credit Agreement (or any other account as may be designated by the Payee to the Borrower in writing from time to time) and otherwise in accordance with the provisions of the Credit Agreement. The Payee hereby agrees, by its acceptance hereof, that, before

disposing of this Note or any part hereof, it will make a notation hereon of all principal payments previously made hereunder and of the date to which interest hereon has been paid; *provided* that the failure to make a notation of any payment made on this Note shall not limit or otherwise affect the obligations of the Borrower hereunder with respect to payments of principal of or interest on this Note.

This Note and all amounts payable hereunder are secured by a pledge of certain Collateral and is entitled to the benefits of the Pledge and Security Agreement.

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Note, together with all accrued and unpaid interest thereon, may become, or may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

The Borrower hereby waives demand, presentment, protest and notice of any kind and consents to the extension of time of payments, the release, surrender or substitution of any and all security or guarantees for the obligations evidenced hereby or other indulgence with respect to this Note, all without notice and agrees that no such extension or other indulgence, and no substitution, release or surrender of collateral shall discharge or otherwise affect the liability of the Borrower. No delay or omission on the part of the Payee in exercising any right hereunder shall operate as a waiver of such right or of any other right hereunder, and a waiver of any such right on any one occasion shall not be construed as a bar to or waiver of any such right on any future occasion.

This Note and the rights and obligations of the Borrower and the Payee hereunder shall be governed by and construed in accordance with the laws of the State of New York. The Borrower hereby irrevocably consents to the jurisdiction of any state or federal court located in New York, New York.

In the event of any litigation with respect to the obligations evidenced by this Note, the Borrower WAIVES THE RIGHT TO A TRIAL BY JURY and all rights of setoff and rights to interpose permissive counterclaims and cross claims. The Borrower further agrees to pay the Payee for the costs and expenses of enforcement and collection of this Note, including attorneys' fees and expenses and court costs. All such costs and expenses shall be immediately due and payable.

The terms of this Note are subject to amendment only in the manner provided in the Credit Agreement.

This Note shall be binding upon the successors, assigns and legal representatives of the Borrower and inure to the benefit of the Payee, its successors, endorsees, assigns and legal representatives.

If any term or provision of this Note shall be held invalid, illegal or unenforceable, the validity of all other terms and provisions hereof shall in no way be affected thereby.

This Note is a full recourse obligation of the Borrower and is not limited to the Collateral.

[Signature page follows.]

IN WITNESS WHEREOF, the Borrower has executed this Secured Promissory Note as of the date first written above.

COMMUNICATION INTELLIGENCE CORPORATION

By: _____

Name: _____

Title: _____

THIS SECURITY HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT (OID). PURSUANT TO TREASURY REGULATION §1.1275-3(b)(1), FRANCIS V. DANE, A REPRESENTATIVE OF THE ISSUER HEREOF WILL, BEGINNING TEN DAYS AFTER THE ISSUE DATE OF THIS SECURITY, PROMPTLY MAKE AVAILABLE TO THE HOLDER UPON REQUEST THE INFORMATION DESCRIBED IN TREASURY REGULATION §1.1275-3(b)(1)(i). MR. DANE MAY BE REACHED AT TELEPHONE NUMBER (650) 802-7737.

[FORM OF] ADDITIONAL SECURED PROMISSORY NOTE

\$[_____]

[_____, 200_]

New York, New York

FOR VALUE RECEIVED, COMMUNICATION INTELLIGENCE CORPORATION (the “**Borrower**”), having an office at 275 Shoreline Drive, Suite 500, Redwood Shores, California 94065, hereby promises to pay to the order of [_____] (the “**Payee**”), or its registered assigns, the principal amount of [_____] Dollars and 00/100 (\$[_____] on December 31, 2010 (the “**Maturity Date**”). The Borrower shall make principal payments on this Additional Secured Promissory Note (this “**Note**”) on or before the Maturity Date in accordance with that certain Credit Agreement, dated as of June 5, 2008 (as it may be amended, supplemented or otherwise modified from time to time, the “**Credit Agreement**”; the terms defined therein and not otherwise defined herein being used herein as therein defined), by and among the Borrower, the Lenders party thereto, and SG Phoenix LLC, as Collateral Agent.

The Borrower also promises to pay interest on the unpaid principal amount hereof, from the date hereof until paid in full, at the rates and at the times which shall be determined in accordance with the provisions of the Credit Agreement.

This Note is being executed and delivered by the Borrower to the Payee to evidence payment by the Borrower to the Payee of interest on the Loan made by the Payee to the Borrower by issuing this Note pursuant to the Credit Agreement.

This Note is issued with a detachable Warrant evidencing the right initially to purchase a number of shares of Common Stock of the Borrower equal to the principal amount of this Note divided by 0.06, at an initial exercise price of Six Cents (\$0.06) per share.

This Note is entitled to the benefits of the Credit Agreement and the Loan Documents, including the Pledge and Security Agreement. This Note may be prepaid, in whole or in part (together with interest accrued thereon at the time of such prepayment), at any time.

All cash payments of principal and interest in respect of this Note shall be made in lawful money of the United States of America in same day funds to the Payee’s account set forth in Section 1.5(a) of the Credit Agreement (or any other account as may be designated by the Payee to the Borrower in writing from time to time) and otherwise in accordance with the provisions of the Credit Agreement. The Payee hereby agrees, by its acceptance hereof, that, before

disposing of this Note or any part hereof, it will make a notation hereon of all principal payments previously made hereunder and of the date to which interest hereon has been paid; *provided* that the failure to make a notation of any payment made on this Note shall not limit or otherwise affect the obligations of the Borrower hereunder with respect to payments of principal of or interest on this Note.

This Note and all amounts payable hereunder are secured by a pledge of certain Collateral and is entitled to the benefits of the Pledge and Security Agreement.

Upon the occurrence of an Event of Default, the unpaid balance of the principal amount of this Note, together with all accrued and unpaid interest thereon, may become, or may be declared to be, due and payable in the manner, upon the conditions and with the effect provided in the Credit Agreement.

The Borrower hereby waives demand, presentment, protest and notice of any kind and consents to the extension of time of payments, the release, surrender or substitution of any and all security or guarantees for the obligations evidenced hereby or other indulgence with respect to this Note, all without notice and agrees that no such extension or other indulgence, and no substitution, release or surrender of collateral shall discharge or otherwise affect the liability of the Borrower. No delay or omission on the part of the Payee in exercising any right hereunder shall operate as a waiver of such right or of any other right hereunder, and a waiver of any such right on any one occasion shall not be construed as a bar to or waiver of any such right on any future occasion.

This Note and the rights and obligations of the Borrower and the Payee hereunder shall be governed by and construed in accordance with the laws of the State of New York. The Borrower hereby irrevocably consents to the jurisdiction of any state or federal court located in New York, New York.

In the event of any litigation with respect to the obligations evidenced by this Note, the Borrower WAIVES THE RIGHT TO A TRIAL BY JURY and all rights of setoff and rights to interpose permissive counterclaims and cross claims. The Borrower further agrees to pay the Payee for the costs and expenses of enforcement and collection of this Note, including attorneys' fees and expenses and court costs. All such costs and expenses shall be immediately due and payable.

The terms of this Note are subject to amendment only in the manner provided in the Credit Agreement.

This Note shall be binding upon the successors, assigns and legal representatives of the Borrower and inure to the benefit of the Payee, its successors, endorsees, assigns and legal representatives.

If any term or provision of this Note shall be held invalid, illegal or unenforceable, the validity of all other terms and provisions hereof shall in no way be affected thereby.

This Note is a full recourse obligation of the Borrower and is not limited to the Collateral.

[Signature page follows.]

IN WITNESS WHEREOF, the Borrower has executed this Additional Secured Promissory Note as of the date first written above.

COMMUNICATION INTELLIGENCE

CORPORATION

By: _____

Name: _____

Title: _____

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT, OR (B) IF REASONABLY REQUESTED BY THE COMPANY, AN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT. THESE SECURITIES AND THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES.

COMMUNICATION INTELLIGENCE CORPORATION

[FORM OF] COMMON STOCK PURCHASE WARRANT

Warrant No. _____

Dated: May 28, 2009

Communication Intelligence Corporation, a Delaware corporation (the "**Company**"), hereby certifies that, for value received, _____, or its registered assigns (the "**Holder**"), is entitled to purchase from the Company up to a total of _____ shares of common stock, \$0.01 par value per share (the "**Common Stock**"), of the Company (each such share, a "**Warrant Share**" and all such shares, the "**Warrant Shares**") at an exercise price equal to \$0.06 (as adjusted from time to time as provided in Section 9, the "**Exercise Price**"), (i) with respect to [INSERT NUMBER OF SHARES FROM JUNE 5, 2008 WARRANT, IF APPLICABLE] shares, at any time from the date hereof, and (ii) with respect to all other shares Holder is entitled to purchase under this Warrant other than those specified in (i) above, at any time from June 30, 2009 and through and including June 30, 2012 (the "**Expiration Date**"), and subject to the following terms and conditions. This Warrant (this "**Warrant**") is one of a series of similar warrants (collectively, the "**Warrants**") issued pursuant to that certain Credit Agreement, dated as of June 5, 2008, by and among the Company, the Lenders party thereto and SG Phoenix LLC, as Collateral Agent, as amended by Amendment No. 1 to the Credit Agreement, dated as of May 28, 2009 (collectively, as the same may be further amended, modified, supplemented or amended and restated from time to time, the "**Credit Agreement**").

1. Definitions

. In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Credit Agreement.

2. Registration of Warrant

. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "**Warrant Register**"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers

. The Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto as Annex A duly completed and signed, to the transfer agent or to the Company at its address specified herein. Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant, a “**New Warrant**”), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations of a holder of a Warrant.

4. Exercise and Duration of Warrants

(a) This Warrant shall be exercisable by the registered Holder (i) with respect to [INSERT NUMBER OF SHARES FROM JUNE 5, 2008 WARRANT, IF APPLICABLE] shares, at any time from the date hereof, and (ii) with respect to all other shares Holder is entitled to purchase under this Warrant other than those specified in (i) above, at any time from June 30, 2009 and through and including the Expiration Date. At 6:30 p.m. New York City time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value; *provided that*, if on the Expiration Date, there is no effective Registration Statement covering the resale of the Warrant Shares, then this Warrant shall be deemed to have been exercised in full (to the extent not previously exercised) on a “cashless exercise” basis at 6:30 p.m. New York City time on the Expiration Date. The Company may not call or redeem any portion of this Warrant without the prior written consent of the affected Holder.

5. Delivery of Warrant Shares

(a) Other than as may be required in connection with registration of a transfer of this Warrant, the Holder shall not be required to physically surrender this Warrant unless this Warrant is being exercised in full. To effect exercises hereunder, the Holder shall duly execute and deliver to the Company at its address for notice set forth herein (or to such other address as the Company may designate by notice in writing to the Holder), an Exercise Notice in the form of Annex B hereto, along with the Warrant Share Exercise Log in the form of Annex C hereto, and shall pay the Exercise Price, if applicable, multiplied by the number of Warrant Shares that the Holder intends to purchase hereunder. The Company shall promptly (but in no event later than three Trading Days after the Date of Exercise (as defined herein)) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder a certificate for the Warrant Shares issuable upon such exercise. The Company shall, upon request of the Holder, and subsequent to the date on which a Registration Statement covering the resale of the Warrant Shares has been declared effective by the SEC, use commercially reasonable efforts to deliver Warrant Shares hereunder electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. A “**Date of Exercise**” for purposes of this Warrant, means the date on which the Holder shall have delivered to the Company: (i) the Exercise Notice (with the Warrant Exercise Log attached to it), appropriately completed and duly signed and (ii) if such Holder is not utilizing the cashless exercise provisions set forth in this Warrant, payment of the Exercise Price for the number of Warrant Shares so indicated by the Holder to be purchased. If by the

third Trading Day after the Date of Exercise, the Company fails to deliver the required number of Warrant Shares, the Holder will have the right to rescind the exercise. If by the third Trading Day after a Date of Exercise, the Company fails to deliver the required number of Warrant Shares, and if after such third Trading Day and prior to the receipt of such Warrant Shares, the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of Warrant Shares which the Holder anticipated receiving upon such exercise (a “Buy In”), then the Company shall (i) pay in cash to the Holder the amount by which (x) the Holder’s total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue by (B) the closing bid price of the Common Stock on the exercise date and (ii) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Holder the number of shares of Warrant Shares that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy In.

(b) In the event that a Holder surrenders this Warrant following one or more partial exercises, the Company shall, *provided that* the applicable number of Warrant Shares related to each such partial exercise has been delivered pursuant to Section 5(a), cancel such surrendered Warrant and issue or cause to be issued to the Holder, at the Company’s expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

(c) The Company’s obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder’s right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company’s failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

6. Charges, Taxes and Expenses

. Issuance and delivery of certificates for Warrant Shares upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; *provided, however*, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant

. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and customary and reasonable indemnity (which shall not include a surety bond), if requested. Applicants for a New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe. If a New Warrant is requested as a result of a mutilation of this Warrant, then the Holder shall deliver such mutilated Warrant to the Company as a condition precedent to the Company's obligation to issue the New Warrant.

8. Reservation of Warrant Shares.

(a) The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares that are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (after giving effect to the adjustments and restrictions of Section 9, if any). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and non-assessable. The Company will take all such action as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the Common Stock may be listed. The Company will notify its transfer agent for the Common Stock of the reservation of shares of Common Stock as required under this provision.

(b) Insufficient Authorized Shares. If at any time after June 30, 2009, and prior to the Expiration Date, the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon exercise of this Warrant and Warrants of like tenor at least a number of shares of Common Stock as shall from time to time be necessary to effect the exercise of all of the Warrants of like tenor then outstanding (an "**Authorized Share Failure**"), then the Company shall promptly take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the required amount for the Warrants of like tenor then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than ninety (90) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use commercially reasonable efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal.

9. Certain Adjustments

. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) Stock Dividends and Splits. If at any time while this Warrant is outstanding, the number of outstanding shares of Common Stock is increased by a stock dividend payable in shares of Common Stock or by a split-up of shares of Common Stock or other similar event, then, on the effective date thereof, the number of shares issuable on exercise of each Warrant shall be increased in proportion to such increase in outstanding shares and the then applicable Exercise Price shall be correspondingly decreased, each in accordance with Section 9(h).

(b) Change in Option Price or Conversion Rate. If, at any time after the date hereof, (1) the purchase price or exercise price provided for in any warrants or other rights to subscribe for or to purchase, or any options for the purchase of, Common Stock or any stock or security convertible into or exchangeable for Common Stock that are outstanding as of the date hereof (such warrants, rights or options being called “**Options**” and such convertible or exchangeable stock or securities being called “**Convertible Securities**”) issued by the Corporation is reduced, (2) the number of shares into which the Option is exercisable is increased, (3) the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities is increased (if such consideration is payable to the holder of the Convertible Securities) or decreased (if such consideration is payable by the holder of the Convertible Securities), or (4) the rate at which Convertible Securities are convertible into or exchangeable for Common Stock is increased or the conversion price is decreased (including, but not limited to, such increases or decreases, as applicable, under or by reason of provisions designed to protect against dilution), the Exercise Price in effect at the time of such event shall forthwith be readjusted to the Exercise Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold.

(c) Aggregation of Shares. If at any time while this Warrant is outstanding, the number of outstanding shares of Common Stock is decreased by a consolidation, combination or reclassification of shares of Common Stock or other similar event, then, upon the effective date of such consolidation, combination or reclassification, the number of shares issuable on exercise of each Warrant shall be decreased in proportion to such decrease in outstanding shares and the then applicable Exercise Price shall be correspondingly increased.

(d) Replacement of Securities Upon Reorganization, etc. If at any time while this Warrant is outstanding (1) the Company effects any merger or consolidation of the Company with or into another Person, (2) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (3) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (4) the Company effects any capital reorganization or reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (each, a “**Fundamental Transaction**”), then, as a condition of such Fundamental Transaction, lawful and

fair provision shall be made whereby the Holder of the Warrant shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Warrants and in lieu of the shares of Common Stock of the Company immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, such shares of stock, securities, or assets as may be issued or payable with respect to or in exchange for the number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore purchasable and receivable upon the exercise of the rights represented by the Warrants, had such Fundamental Transaction not taken place and in such event appropriate provision shall be made with respect to the rights and interests of the Holder of the Warrant to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Exercise Price and of the number of shares purchasable upon the exercise of the Warrants) shall thereafter be applicable, as nearly as may be in relation to any share of stock, securities, or assets thereafter deliverable upon the exercise hereof. The Company shall not effect any such Fundamental Transaction unless prior to the consummation thereof the successor corporation (if other than the Company) resulting from such Fundamental Transaction, or the corporation purchasing such assets in a Fundamental Transaction, shall assume by written instrument executed and delivered to the Holders of the Warrants the obligation to deliver to the Holders of the Warrant such shares of stock, securities, or assets as, in accordance with the foregoing provisions, such Holders may be entitled to purchase. Notwithstanding the foregoing, in the event of any Fundamental Transaction, other than a Fundamental Transaction in which a successor entity of the Company that is a publicly traded corporation whose stock is quoted or listed for trading on a Trading Market (as defined in the Registration Rights Agreement, dated as of June 5, 2008, by and among the Company and the investors signatory thereto, as amended by Amendment No. 1 to the Registration Rights Agreement (collectively, as the same may be further amended, modified, supplemented or amended and restated from time to time, the “**Registration Rights Agreement**”)) assumes this Warrant such that the Warrant shall thereafter be exercisable for the publicly traded common stock of such successor entity, then, at the written request of the Holder, if and only if such request is delivered by notice in writing to the Company within 30 Business Days following the effective date of the Fundamental Transaction, the Company (or the successor entity) shall purchase this Warrant from the Holder by paying to the Holder, within five Business Days after such request (or, if later, on the effective date of the Fundamental Transaction), cash in an amount per Warrant Share equal to the greater of (A) the Black Scholes value of the remaining unexercised portion of this Warrant on the date of such request or (B) the Transaction Value per share of Common Stock outstanding. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 9(d) and insuring that the Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

“**Transaction Value**” shall mean the value on the effective date of the Fundamental Transaction of the net pre-tax proceeds received or receivable by common stockholders of the Company in the Fundamental Transaction. Any proceeds not constituting cash shall be valued at their fair market value (as determined in good faith by the Company's Board of Directors after reasonable prior notice of the proposed determination to the Holder, and an opportunity for the Holder to discuss the proposed determination with the Company).

(e) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to this Section 9, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the adjusted number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(f) Calculations. All calculations under this Section 9 shall be made to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(g) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities, cash or property issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company's transfer agent.

(h) Notice of Corporate Events. If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including without limitation any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction, at least ten Business Days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

(i) Rights Upon Distribution Of Assets. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to Holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive such Distribution and such record date shall be deemed to be the date of such Distribution (the "**Record Date**"), then, in each such case:

(A) any Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Exercise Price by a fraction of which (I) the numerator shall be the closing bid price of the shares of Common Stock on the Trading Day immediately preceding such record date minus the fair market value of the Distribution (as determined in good faith by the Company's Board of Directors) applicable to one share of Common Stock, and (II) the denominator shall be the closing bid price of the shares of Common Stock on the Trading Day immediately preceding such record date; and

(B) the number of Warrant Shares shall be increased to a number of shares equal to the number of shares of Common Stock obtainable immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution multiplied by the reciprocal of the fraction set forth in the immediately preceding paragraph (A); *provided that* in the event that the Distribution is of shares of Common Stock (or common stock) (“**Other Shares of Common Stock**”) of a company whose common shares are traded on a national securities exchange or a national automated quotation system, then the Holder may elect to receive a warrant to purchase Other Shares of Common Stock in lieu of an increase in the number of Warrant Shares, the terms of which shall be identical to those of this Warrant, except that such warrant shall be exercisable into the number of shares of Other Shares of Common Stock that would have been payable to the Holder pursuant to the Distribution had the Holder exercised this Warrant immediately prior to such record date and with an aggregate exercise price equal to the product of the amount by which the exercise price of this Warrant was decreased with respect to the Distribution pursuant to the terms of the immediately preceding paragraph (A) and the number of Warrant Shares calculated in accordance with the first part of this paragraph (B).

(j) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock for the purpose of this Section 9.

10. Payment of Exercise Price

The Holder shall pay the Exercise Price in immediately available funds; *provided, however*, the Holder, in its sole discretion, may also satisfy its obligation to pay the Exercise Price through one of the following means:

(a) A “cashless exercise,” in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised.

A = the average of the Closing Prices for the five Trading Days immediately prior to (but not including) the Exercise Date.

B = the Exercise Price.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued.

(b) Reduction in the amount of its Loan as evidenced by any Note or Additional Note in an amount equal to the Exercise Price multiplied by the number of Warrant Shares to be issued to the Holder, up to the unpaid outstanding obligations under such Note or Additional Note. To the extent that the Exercise Price multiplied by the number of Warrant Shares to be issued to the Holder exceeds the outstanding obligations under such Note or Additional Note, the holder may pay such excess by any other means permitted hereunder. In the event that the Holder chooses to exercise all or part of this Warrant pursuant to this paragraph, the Holder shall deliver the Note or Additional Note, as the case may be, to the Company and, the Company shall, upon such exercise, issue to or at the direction of the Holder, a new Note or Additional Note, as the case may be, that reflects such reduced principal amount (*provided* that, if such reduced principal amount is zero, no such new Note or Additional Note shall be issued).

11. Fractional Shares

. The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant Share would, except for the provisions of this Section, be issuable upon exercise of this Warrant, the number of Warrant Shares to be issued will be rounded up to the nearest whole share.

12. Notices

. Any and all notices or other communications or deliveries hereunder (including without limitation any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Credit Agreement prior to 6:30 p.m. (New York City time) on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Credit Agreement on a day that is not a Trading Day or later than 6:30 p.m. (New York City time) on any Trading Day, (iii) the Trading Day following the date of mailing, if sent by nationally recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given. The address for such notices or communications shall be as set forth in the Credit Agreement or at such other address as the Holder shall notify the Company.

13. Registration Rights Agreement

. The Warrant Shares for which this Warrant is exercisable are entitled to the benefits and subject to the limitations of the Registration Rights Agreement, which include registration rights for the Warrant Shares.

14. Warrant Agent

. The Company shall serve as warrant agent under this Warrant. Upon 10 days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

15. Miscellaneous.

(a) Subject to the restrictions on transfer set forth herein, this Warrant and the registration rights set forth in the Registration Rights Agreement may be assigned by the Holder in whole or in part. This Warrant may not be assigned by the Company except to a successor in the event of a sale of all or substantially all of the Company's assets or a merger or acquisition of the Company. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Subject to the preceding sentences, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant. This Warrant may be amended only in writing signed by the Company and the Holder and their successors and assigns.

(b) The Company will not, by amendment of its governing documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be reasonably necessary or appropriate in order to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any Warrant Shares above the amount payable therefor on such exercise, (ii) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable Warrant Shares on the exercise of this Warrant, and (iii) will not close its stockholder books or records in any manner which interferes with the timely exercise of this Warrant.

(c) GOVERNING LAW; VENUE; WAIVER OF JURY TRIAL. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. 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 PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, THAT SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER. EACH PARTY HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING 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 COMPANY HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY.

(d) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(e) In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

(f) Prior to exercise of this Warrant, the Holder hereof shall not, by reason of being a Holder, be entitled to any rights of a stockholder with respect to the Warrant Shares.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK,

SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

COMMUNICATION INTELLIGENCE CORPORATION

By: _____

Name: _____

Title: _____

ANNEX A

FORM OF ASSIGNMENT

[To be completed and signed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the right represented by the within Warrant to purchase _____ shares of Common Stock of Communication Intelligence Corporation to which the within Warrant relates and appoints _____ attorney to transfer said right on the books of Communication Intelligence Corporation with full power of substitution in the premises.

Dated: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Address of Transferee

In the presence of:

ANNEX B

FORM OF EXERCISE NOTICE

[To be executed by the Holder to exercise the right to purchase shares of Common Stock under the foregoing Warrant]

To: COMMUNICATION INTELLIGENCE CORPORATION

The undersigned is the Holder of Warrant No. _____ (the "**Warrant**") issued by Communication Intelligence Corporation, a Delaware corporation (the "**Company**"). Capitalized terms used herein and not otherwise defined have the respective meanings set forth in the Warrant.

1. The Warrant is currently exercisable to purchase a total of _____ Warrant Shares.
2. The undersigned Holder hereby exercises its right to purchase _____ Warrant Shares pursuant to the Warrant.
3. The Holder intends that payment of the Exercise Price shall be made as (check one):

_____ "Cash Exercise" under Section 10

_____ "Cashless Exercise" under Section 10

_____ Reduction in Note or Additional Note under Section 10(b)

4. If the Holder has elected a Cash Exercise, the Holder shall pay the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

If the Holder has elected a reduction in a Note or Additional Note, Holder shall deliver Note(s) or Additional Note(s) in the aggregate principal amount of \$ _____ to the Company in accordance with the terms of the Warrant. Please reduce the aggregate principal amount of such Note(s) or Additional Note(s) in the amount of \$ _____ and issue a new Note or Additional Note to Holder (or in accordance with Holder's instructions provided herewith) in the amount of the difference. To the extent that the difference is zero, no such Note or Additional Note shall be issued. To the extent that the difference is a negative amount, Holder intends that the payment of such amount shall be made as a (check one): _____ "Cash Exercise" under Section 10 or a _____ "Cashless Exercise" under Section 10(a). If Cash Exercise is checked, Holder shall pay the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

5. Pursuant to this exercise, the Company shall deliver to the Holder _____ Warrant Shares in accordance with the terms of the Warrant.

6. Following this exercise, the Warrant shall be exercisable to purchase a total of _____ Warrant Shares.

Dated: _____,

Name of Holder:

(Print)

By:

Name:

Title:

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

ANNEX C

WARRANT SHARES EXERCISE LOG

DATE	NUMBER OF WARRANT SHARES AVAILABLE TO BE EXERCISED	NUMBER OF WARRANT SHARES EXERCISED	NUMBER OF WARRANT SHARES REMAINING TO BE EXERCISED

NEITHER THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT, OR (B) IF REASONABLY REQUESTED BY THE COMPANY, AN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT. THESE SECURITIES AND THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT SECURED BY SUCH SECURITIES.

COMMUNICATION INTELLIGENCE CORPORATION

[FORM OF] ADDITIONAL COMMON STOCK PURCHASE WARRANT

Warrant No. _____

Dated: _____

Communication Intelligence Corporation, a Delaware corporation (the "**Company**"), hereby certifies that, for value received, _____, or its registered assigns (the "**Holder**"), is entitled to purchase from the Company up to a total of _____ shares of common stock, \$0.01 par value per share (the "**Common Stock**"), of the Company (each such share, a "**Warrant Share**" and all such shares, the "**Warrant Shares**") at an exercise price equal to \$0.06 (as adjusted from time to time as provided in Section 9, the "**Exercise Price**"), at any time from the date hereof and through and including June 30, 2012 (the "**Expiration Date**"), and subject to the following terms and conditions. This Warrant (this "**Warrant**") is one of a series of similar warrants (collectively, the "**Warrants**") issued pursuant to that certain Credit Agreement, dated as of June 5, 2008, by and among the Company, the Lenders party thereto and SG Phoenix LLC, as Collateral Agent, as amended by Amendment No. 1 to the Credit Agreement, dated as of May 28, 2009 (collectively, as the same may be further amended, modified, supplemented or amended and restated from time to time, the "**Credit Agreement**").

1. Definitions

. In addition to the terms defined elsewhere in this Warrant, capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Credit Agreement.

2. Registration of Warrant

. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "**Warrant Register**"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

3. Registration of Transfers

. The Company shall register the transfer of any portion of this Warrant in the Warrant Register, upon surrender of this Warrant, with the Form of Assignment attached hereto as Annex A duly completed and signed, to the transfer agent or to the Company at its address specified herein. Upon any such registration or transfer, a new warrant to purchase Common Stock, in substantially the form of this Warrant (any such new warrant, a "**New Warrant**"), evidencing the portion of this Warrant so transferred shall be issued to the transferee and a New Warrant evidencing the remaining portion of

this Warrant not so transferred, if any, shall be issued to the transferring Holder. The acceptance of the New Warrant by the transferee thereof shall be deemed the acceptance by such transferee of all of the rights and obligations of a holder of a Warrant.

4. Exercise and Duration of Warrants.

(a) This Warrant shall be exercisable by the registered Holder at any time from the date hereof and through and including the Expiration Date. At 6:30 p.m. New York City time on the Expiration Date, the portion of this Warrant not exercised prior thereto shall be and become void and of no value; *provided that*, if on the Expiration Date, there is no effective Registration Statement covering the resale of the Warrant Shares, then this Warrant shall be deemed to have been exercised in full (to the extent not previously exercised) on a “cashless exercise” basis at 6:30 p.m. New York City time on the Expiration Date. The Company may not call or redeem any portion of this Warrant without the prior written consent of the affected Holder.

5. Delivery of Warrant Shares.

(a) Other than as may be required in connection with registration of a transfer of this Warrant, the Holder shall not be required to physically surrender this Warrant unless this Warrant is being exercised in full. To effect exercises hereunder, the Holder shall duly execute and deliver to the Company at its address for notice set forth herein (or to such other address as the Company may designate by notice in writing to the Holder), an Exercise Notice in the form of Annex B hereto, along with the Warrant Share Exercise Log in the form of Annex C hereto, and shall pay the Exercise Price, if applicable, multiplied by the number of Warrant Shares that the Holder intends to purchase hereunder. The Company shall promptly (but in no event later than three Trading Days after the Date of Exercise (as defined herein)) issue or cause to be issued and cause to be delivered to or upon the written order of the Holder a certificate for the Warrant Shares issuable upon such exercise. The Company shall, upon request of the Holder, and subsequent to the date on which a Registration Statement covering the resale of the Warrant Shares has been declared effective by the SEC, use commercially reasonable efforts to deliver Warrant Shares hereunder electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. A “**Date of Exercise**” for purposes of this Warrant, means the date on which the Holder shall have delivered to the Company: (i) the Exercise Notice (with the Warrant Exercise Log attached to it), appropriately completed and duly signed and (ii) if such Holder is not utilizing the cashless exercise provisions set forth in this Warrant, payment of the Exercise Price for the number of Warrant Shares so indicated by the Holder to be purchased. If by the third Trading Day after the Date of Exercise, the Company fails to deliver the required number of Warrant Shares, the Holder will have the right to rescind the exercise. If by the third Trading Day after a Date of Exercise, the Company fails to deliver the required number of Warrant Shares, and if after such third Trading Day and prior to the receipt of such Warrant Shares, the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to

deliver in satisfaction of a sale by the Holder of Warrant Shares which the Holder anticipated receiving upon such exercise (a “**Buy In**”), then the Company shall (i) pay in cash to the Holder the amount by which (x) the Holder’s total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (A) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue by (B) the closing bid price of the Common Stock on the exercise date and (ii) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Holder the number of shares of Warrant Shares that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy In.

(b) In the event that a Holder surrenders this Warrant following one or more partial exercises, the Company shall, *provided that* the applicable number of Warrant Shares related to each such partial exercise has been delivered pursuant to Section 5(a), cancel such surrendered Warrant and issue or cause to be issued to the Holder, at the Company’s expense, a New Warrant evidencing the right to purchase the remaining number of Warrant Shares.

(c) The Company’s obligations to issue and deliver Warrant Shares in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of Warrant Shares. Nothing herein shall limit a Holder’s right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company’s failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

6. Charges, Taxes and Expenses

. Issuance and delivery of certificates for Warrant Shares upon exercise of this Warrant shall be made without charge to the Holder for any issue or transfer tax, withholding tax, transfer agent fee or other incidental tax or expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company; *provided, however*, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the registration of any certificates for Warrant Shares or Warrants in a name other than that of the Holder. The Holder shall be responsible for all other tax liability that may arise as a result of holding or transferring this Warrant or receiving Warrant Shares upon exercise hereof.

7. Replacement of Warrant

. If this Warrant is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation hereof, or in lieu of and substitution for this Warrant, a New Warrant, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and customary and reasonable indemnity (which shall not include a surety bond), if requested. Applicants for a

New Warrant under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Company may prescribe. If a New Warrant is requested as a result of a mutilation of this Warrant, then the Holder shall deliver such mutilated Warrant to the Company as a condition precedent to the Company's obligation to issue the New Warrant.

8. Reservation of Warrant Shares.

(a) The Company covenants that it will at all times reserve and keep available out of the aggregate of its authorized but unissued and otherwise unreserved Common Stock, solely for the purpose of enabling it to issue Warrant Shares upon exercise of this Warrant as herein provided, the number of Warrant Shares that are then issuable and deliverable upon the exercise of this entire Warrant, free from preemptive rights or any other contingent purchase rights of persons other than the Holder (after giving effect to the adjustments and restrictions of Section 9, if any). The Company covenants that all Warrant Shares so issuable and deliverable shall, upon issuance and the payment of the applicable Exercise Price in accordance with the terms hereof, be duly and validly authorized, issued and fully paid and non-assessable. The Company will take all such action as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any securities exchange or automated quotation system upon which the Common Stock may be listed. The Company will notify its transfer agent for the Common Stock of the reservation of shares of Common Stock as required under this provision.

(b) Insufficient Authorized Shares. If at any time after June 30, 2009, and prior to the Expiration Date, the Company does not have a sufficient number of authorized and unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon exercise of this Warrant and Warrants of like tenor at least a number of shares of Common Stock as shall from time to time be necessary to effect the exercise of all of the Warrants of like tenor then outstanding (an "**Authorized Share Failure**"), then the Company shall promptly take all action necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the Company to reserve the required amount for the Warrants of like tenor then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than ninety (90) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use commercially reasonable efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal.

9. Certain Adjustments

. The Exercise Price and number of Warrant Shares issuable upon exercise of this Warrant are subject to adjustment from time to time as set forth in this Section 9.

(a) Stock Dividends and Splits. If at any time while this Warrant is outstanding, the number of outstanding shares of Common Stock is increased by a stock dividend payable in shares of Common Stock or by a split-up of shares of Common Stock or other similar event, then, on the effective

date thereof, the number of shares issuable on exercise of each Warrant shall be increased in proportion to such increase in outstanding shares and the then applicable Exercise Price shall be correspondingly decreased, each in accordance with Section 9(h).

(b) Change in Option Price or Conversion Rate. If, at any time after the date hereof, (1) the purchase price or exercise price provided for in any warrants or other rights to subscribe for or to purchase, or any options for the purchase of, Common Stock or any stock or security convertible into or exchangeable for Common Stock that are outstanding as of the date hereof (such warrants, rights or options being called “**Options**” and such convertible or exchangeable stock or securities being called “**Convertible Securities**”) issued by the Corporation is reduced, (2) the number of shares into which the Option is exercisable is increased, (3) the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities is increased (if such consideration is payable to the holder of the Convertible Securities) or decreased (if such consideration is payable by the holder of the Convertible Securities), or (4) the rate at which Convertible Securities are convertible into or exchangeable for Common Stock is increased or the conversion price is decreased (including, but not limited to, such increases or decreases, as applicable, under or by reason of provisions designed to protect against dilution), the Exercise Price in effect at the time of such event shall forthwith be readjusted to the Exercise Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or conversion rate, as the case may be, at the time initially granted, issued or sold.

(c) Aggregation of Shares. If at any time while this Warrant is outstanding, the number of outstanding shares of Common Stock is decreased by a consolidation, combination or reclassification of shares of Common Stock or other similar event, then, upon the effective date of such consolidation, combination or reclassification, the number of shares issuable on exercise of each Warrant shall be decreased in proportion to such decrease in outstanding shares and the then applicable Exercise Price shall be correspondingly increased.

(d) Replacement of Securities Upon Reorganization, etc. If at any time while this Warrant is outstanding (1) the Company effects any merger or consolidation of the Company with or into another Person, (2) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (3) any tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares for other securities, cash or property, or (4) the Company effects any capital reorganization or reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (each, a “**Fundamental Transaction**”), then, as a condition of such Fundamental Transaction, lawful and fair provision shall be made whereby the Holder of the Warrant shall thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Warrants and in lieu of the shares of Common Stock of the Company immediately theretofore purchasable and receivable

upon the exercise of the rights represented thereby, such shares of stock, securities, or assets as may be issued or payable with respect to or in exchange for the number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore purchasable and receivable upon the exercise of the rights represented by the Warrants, had such Fundamental Transaction not taken place and in such event appropriate provision shall be made with respect to the rights and interests of the Holder of the Warrant to the end that the provisions hereof (including, without limitation, provisions for adjustments of the Exercise Price and of the number of shares purchasable upon the exercise of the Warrants) shall thereafter be applicable, as nearly as may be in relation to any share of stock, securities, or assets thereafter deliverable upon the exercise hereof. The Company shall not effect any such Fundamental Transaction unless prior to the consummation thereof the successor corporation (if other than the Company) resulting from such Fundamental Transaction, or the corporation purchasing such assets in a Fundamental Transaction, shall assume by written instrument executed and delivered to the Holders of the Warrants the obligation to deliver to the Holders of the Warrant such shares of stock, securities, or assets as, in accordance with the foregoing provisions, such Holders may be entitled to purchase. Notwithstanding the foregoing, in the event of any Fundamental Transaction, other than a Fundamental Transaction in which a successor entity of the Company that is a publicly traded corporation whose stock is quoted or listed for trading on a Trading Market (as defined in the Registration Rights Agreement, dated as of June 5, 2008, by and among the Company and the investors signatory thereto, as amended by Amendment No. 1 to the Registration Rights Agreement (collectively, as the same may be further amended, modified, supplemented or amended and restated from time to time, the “**Registration Rights Agreement**”)) assumes this Warrant such that the Warrant shall thereafter be exercisable for the publicly traded common stock of such successor entity, then, at the written request of the Holder, if and only if such request is delivered by notice in writing to the Company within 30 Business Days following the effective date of the Fundamental Transaction, the Company (or the successor entity) shall purchase this Warrant from the Holder by paying to the Holder, within five Business Days after such request (or, if later, on the effective date of the Fundamental Transaction), cash in an amount per Warrant Share equal to the greater of (A) the Black Scholes value of the remaining unexercised portion of this Warrant on the date of such request or (B) the Transaction Value per share of Common Stock outstanding. The terms of any agreement pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 9(d) and insuring that the Warrant (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction.

“**Transaction Value**” shall mean the value on the effective date of the Fundamental Transaction of the net pre-tax proceeds received or receivable by common stockholders of the Company in the Fundamental Transaction. Any proceeds not constituting cash shall be valued at their fair market value (as determined in good faith by the Company's Board of Directors after reasonable prior notice of the proposed determination to the Holder, and an opportunity for the Holder to discuss the proposed determination with the Company).

(e) Number of Warrant Shares. Simultaneously with any adjustment to the Exercise Price pursuant to this Section 9, the number of Warrant Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after such adjustment the aggregate Exercise Price payable hereunder for the adjusted number of Warrant Shares shall be the same as the aggregate Exercise Price in effect immediately prior to such adjustment.

(f) Calculations. All calculations under this Section 9 shall be made to the nearest cent or the nearest 1/100th of a share, as applicable. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock.

(g) Notice of Adjustments. Upon the occurrence of each adjustment pursuant to this Section 9, the Company at its expense will promptly compute such adjustment in accordance with the terms of this Warrant and prepare a certificate setting forth such adjustment, including a statement of the adjusted Exercise Price and adjusted number or type of Warrant Shares or other securities, cash or property issuable upon exercise of this Warrant (as applicable), describing the transactions giving rise to such adjustments and showing in detail the facts upon which such adjustment is based. Upon written request, the Company will promptly deliver a copy of each such certificate to the Holder and to the Company's transfer agent.

(h) Notice of Corporate Events. If the Company (i) declares a dividend or any other distribution of cash, securities or other property in respect of its Common Stock, including without limitation any granting of rights or warrants to subscribe for or purchase any capital stock of the Company or any Subsidiary, (ii) authorizes or approves, enters into any agreement contemplating or solicits stockholder approval for any Fundamental Transaction or (iii) authorizes the voluntary dissolution, liquidation or winding up of the affairs of the Company, then the Company shall deliver to the Holder a notice describing the material terms and conditions of such transaction, at least ten Business Days prior to the applicable record or effective date on which a Person would need to hold Common Stock in order to participate in or vote with respect to such transaction, and the Company will take all steps reasonably necessary in order to insure that the Holder is given the practical opportunity to exercise this Warrant prior to such time so as to participate in or vote with respect to such transaction; provided, however, that the failure to deliver such notice or any defect therein shall not affect the validity of the corporate action required to be described in such notice.

(i) Rights Upon Distribution Of Assets. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to Holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case the Company shall take a record of the holders of its Common Stock for the purpose of entitling them to receive such Distribution and such record date shall be deemed to be the date of such Distribution (the "**Record Date**"), then, in each such case:

(A) any Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Exercise Price by a fraction of which (I) the numerator shall be the closing bid price of the shares of Common Stock on the Trading Day immediately preceding such record date minus the fair market value of the Distribution (as determined in good faith by the Company's Board of Directors) applicable to one share of Common Stock, and (II) the denominator shall be the closing bid price of the shares of Common Stock on the Trading Day immediately preceding such record date; and

(B) the number of Warrant Shares shall be increased to a number of shares equal to the number of shares of Common Stock obtainable immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution multiplied by the reciprocal of the fraction set forth in the immediately preceding paragraph (A); *provided that* in the event that the Distribution is of shares of Common Stock (or common stock) ("**Other Shares of Common Stock**") of a company whose common shares are traded on a national securities exchange or a national automated quotation system, then the Holder may elect to receive a warrant to purchase Other Shares of Common Stock in lieu of an increase in the number of Warrant Shares, the terms of which shall be identical to those of this Warrant, except that such warrant shall be exercisable into the number of shares of Other Shares of Common Stock that would have been payable to the Holder pursuant to the Distribution had the Holder exercised this Warrant immediately prior to such record date and with an aggregate exercise price equal to the product of the amount by which the exercise price of this Warrant was decreased with respect to the Distribution pursuant to the terms of the immediately preceding paragraph (A) and the number of Warrant Shares calculated in accordance with the first part of this paragraph (B).

(j) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any such shares shall be considered an issue or sale of Common Stock for the purpose of this Section 9.

10. Payment of Exercise Price

The Holder shall pay the Exercise Price in immediately available funds; *provided, however*, the Holder, in its sole discretion, may also satisfy its obligation to pay the Exercise Price through one of the following means:

(a) A "cashless exercise," in which event the Company shall issue to the Holder the number of Warrant Shares determined as follows:

$$X = Y [(A-B)/A]$$

where:

X = the number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised.

A = the average of the Closing Prices for the five Trading Days immediately prior to (but not including) the Exercise Date.

B = the Exercise Price.

For purposes of Rule 144 promulgated under the Securities Act, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued.

(b) Reduction in the amount of its Loan as evidenced by any Note or Additional Note in an amount equal to the Exercise Price multiplied by the number of Warrant Shares to be issued to the Holder, up to the unpaid outstanding obligations under such Note or Additional Note. To the extent that the Exercise Price multiplied by the number of Warrant Shares to be issued to the Holder exceeds the outstanding obligations under such Note or Additional Note, the holder may pay such excess by any other means permitted hereunder. In the event that the Holder chooses to exercise all or part of this Warrant pursuant to this paragraph, the Holder shall deliver the Note or Additional Note, as the case may be, to the Company and, the Company shall, upon such exercise, issue to or at the direction of the Holder, a new Note or Additional Note, as the case may be, that reflects such reduced principal amount (*provided* that, if such reduced principal amount is zero, no such new Note or Additional Note shall be issued).

11. Fractional Shares

. The Company shall not be required to issue or cause to be issued fractional Warrant Shares on the exercise of this Warrant. If any fraction of a Warrant Share would, except for the provisions of this Section, be issuable upon exercise of this Warrant, the number of Warrant Shares to be issued will be rounded up to the nearest whole share.

12. Notices

. Any and all notices or other communications or deliveries hereunder (including without limitation any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Credit Agreement prior to 6:30 p.m. (New York City time) on a Trading Day, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in the Credit Agreement on a day that is not a Trading Day or later than 6:30 p.m. (New York City time) on any Trading Day, (iii) the Trading Day following the date of mailing, if sent by nationally recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given. The address for such notices or communications shall be as set forth in the Credit Agreement or at such other address as the Holder shall notify the Company.

13. Registration Rights Agreement

. The Warrant Shares for which this Warrant is exercisable are entitled to the benefits and subject to the limitations of the Registration Rights Agreement, which include registration rights for the Warrant Shares.

14. Warrant Agent

. The Company shall serve as warrant agent under this Warrant. Upon 10 days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or shareholders services business shall be a successor warrant agent under this Warrant without any further act. Any such successor

warrant agent shall promptly cause notice of its succession as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

15. Miscellaneous.

(a) Subject to the restrictions on transfer set forth herein, this Warrant and the registration rights set forth in the Registration Rights Agreement may be assigned by the Holder in whole or in part. This Warrant may not be assigned by the Company except to a successor in the event of a sale of all or substantially all of the Company's assets or a merger or acquisition of the Company. This Warrant shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. Subject to the preceding sentences, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant. This Warrant may be amended only in writing signed by the Company and the Holder and their successors and assigns.

(b) The Company will not, by amendment of its governing documents or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be reasonably necessary or appropriate in order to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any Warrant Shares above the amount payable therefor on such exercise, (ii) will take all such action as may be reasonably necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable Warrant Shares on the exercise of this Warrant, and (iii) will not close its stockholder books or records in any manner which interferes with the timely exercise of this Warrant.

(c) GOVERNING LAW; VENUE; WAIVER OF JURY TRIAL. ALL QUESTIONS CONCERNING THE CONSTRUCTION, VALIDITY, ENFORCEMENT AND INTERPRETATION OF THIS WARRANT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. 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 PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF ANY SUCH COURT, THAT SUCH SUIT, ACTION OR PROCEEDING IS IMPROPER. EACH PARTY HEREBY IRREVOCABLY WAIVES PERSONAL SERVICE OF PROCESS AND CONSENTS TO PROCESS BEING SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING 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 COMPANY HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY.

(d) The headings herein are for convenience only, do not constitute a part of this Warrant and shall not be deemed to limit or affect any of the provisions hereof.

(e) In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

(f) Prior to exercise of this Warrant, the Holder hereof shall not, by reason of being a Holder, be entitled to any rights of a stockholder with respect to the Warrant Shares.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK,

SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

COMMUNICATION INTELLIGENCE CORPORATION

By: _____

Name: _____

Title: _____

ANNEX A

FORM OF ASSIGNMENT

[To be completed and signed only upon transfer of Warrant]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the right represented by the within Warrant to purchase _____ shares of Common Stock of Communication Intelligence Corporation to which the within Warrant relates and appoints _____ attorney to transfer said right on the books of Communication Intelligence Corporation with full power of substitution in the premises.

Dated: _____,

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

Address of Transferee

In the presence of:

ANNEX B

FORM OF EXERCISE NOTICE

[To be executed by the Holder to exercise the right to purchase shares of Common Stock under the foregoing Warrant]

To: COMMUNICATION INTELLIGENCE CORPORATION

The undersigned is the Holder of Warrant No. _____ (the "Warrant") issued by Communication Intelligence Corporation, a Delaware corporation (the "Company"). Capitalized terms used herein and not otherwise defined have the respective meanings set forth in the Warrant.

- 1. The Warrant is currently exercisable to purchase a total of _____ Warrant Shares.
- 2. The undersigned Holder hereby exercises its right to purchase _____ Warrant Shares pursuant to the Warrant.
- 3. The Holder intends that payment of the Exercise Price shall be made as (check one):

- _____ "Cash Exercise" under Section 10
- _____ "Cashless Exercise" under Section 10
- _____ Reduction in Note or Additional Note under Section 10(b)

- 4. If the Holder has elected a Cash Exercise, the Holder shall pay the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

If the Holder has elected a reduction in a Note or Additional Note, Holder shall deliver Note(s) or Additional Note(s) in the aggregate principal amount of \$ _____ to the Company in accordance with the terms of the Warrant. Please reduce the aggregate principal amount of such Note(s) or Additional Note(s) in the amount of \$ _____ and issue a new Note or Additional Note to Holder (or in accordance with Holder's instructions provided herewith) in the amount of the difference. To the extent that the difference is zero, no such Note or Additional Note shall be issued. To the extent that the difference is a negative amount, Holder intends that the payment of such amount shall be made as a (check one): _____ "Cash Exercise" under Section 10 or a _____ "Cashless Exercise" under Section 10(a). If Cash Exercise is checked, Holder shall pay the sum of \$ _____ to the Company in accordance with the terms of the Warrant.

- 5. Pursuant to this exercise, the Company shall deliver to the Holder _____ Warrant Shares in accordance with the terms of the Warrant.
- 6. Following this exercise, the Warrant shall be exercisable to purchase a total of _____ Warrant Shares.

Dated: _____, _____

Name of Holder:

_____ (Print)

By: _____

Name: _____

Title: _____

(Signature must conform in all respects to name of holder as specified on the face of the Warrant)

ANNEX C

WARRANT SHARES EXERCISE LOG

DATE	NUMBER OF WARRANT SHARES AVAILABLE TO BE EXERCISED	NUMBER OF WARRANT SHARES EXERCISED	NUMBER OF WARRANT SHARES REMAINING TO BE EXERCISED

**AMENDMENT NO. 1
TO CREDIT AGREEMENT**

dated as of May 28, 2009

by and among

COMMUNICATION INTELLIGENCE CORPORATION,

as Borrower,

LENDERS AND ADDITIONAL LENDERS PARTIES HERETO,

and

SG PHOENIX LLC,
as Collateral Agent

This **AMENDMENT NO. 1 TO CREDIT AGREEMENT** is entered into as of May 28, 2009 (this "**Amendment Agreement**") by and among COMMUNICATION INTELLIGENCE CORPORATION, a Delaware corporation having an address at 275 Shoreline Drive, Suite 500, Redwood Shores, California 94065 (together with its successors, the "**Borrower**"), PHOENIX VENTURE FUND LLC, a Delaware limited liability company having an address at 110 East 59th Street, Suite 1901, New York, New York 10022 ("**Phoenix**"), MICHAEL ENGMANN, an individual having an address at 38 San Fernando Way, San Francisco, California 94127 ("**Engmann**"), those additional lenders listed on the signature pages hereto (such additional lenders, collectively, the "**Additional Lenders**", and each such additional lender, individually, an "**Additional Lender**"; the Additional Lenders and the Existing Lenders are herein collectively referred to as the "**Lenders**"), and SG PHOENIX LLC, as collateral agent (the "**Collateral Agent**").

RECITALS:

WHEREAS, the Borrower, Phoenix, Engmann and Ronald Goodman, an individual having an address at 31 Tierra Verde Court, Walnut Creek, California 94598 ("**Goodman**", and Phoenix, Engmann and Goodman, collectively, the "**Existing Lenders**"), and the Collateral Agent are parties to, among other documents, (a) the Credit Agreement (the "**Original Credit Agreement**"), dated as of June 5, 2008 (the "**Closing Date**"), pursuant to which the Existing Lenders extended loans to the Borrower in the aggregate principal amount of \$3,637,500, and (b) the Pledge and Security Agreement, dated as of June 5, 2008 (the "**Pledge and Security Agreement**"), pursuant to which the Borrower secured all of its Obligations under the Loan Documents by granting to the Collateral Agent, for the benefit of the Existing Lenders, a first-priority Security Interest in and Lien upon the Collateral, including the Pledged Stock (as defined in the Pledge and Security Agreement);

WHEREAS, the Borrower, Phoenix, Engmann and the Collateral Agent desire to amend the Original Credit Agreement to, among other things, allow for additional loans in the aggregate principal amount of \$1,100,000 to be extended to the Borrower by Phoenix, Engmann and the Additional Lenders listed on the signature pages hereto;

WHEREAS, Section 8.8 of the Original Credit Agreement provides that amendments to the Loan Documents, including the Original Credit Agreement, may only become effective with the written concurrence of the Majority Lenders, and, that, upon execution by the Majority Lenders and the Borrower of such amendments, such amendments shall be binding on the Borrower and all Lenders;

WHEREAS, Phoenix and Engmann constitute the "Majority Lenders" under the Original Credit Agreement by holding Obligations that exceed 50% of the Obligations outstanding under the Original Credit Agreement; and

WHEREAS, the Additional Lenders desire to become parties to the Original Credit Agreement, as amended by this Amendment Agreement.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties do hereby agree, as follows:

SECTION 1. DEFINITIONS IN THIS AMENDMENT AGREEMENT

Except as otherwise defined in this Amendment Agreement (including the preamble and the recitals hereof), capitalized terms are used herein with the meanings ascribed to such terms in the Original Credit Agreement.

SECTION 2. CONSENT OF MAJORITY LENDERS TO AMENDMENTS TO ORIGINAL CREDIT AGREEMENT

Phoenix and Engmann, as the Majority Lenders, hereby consent to the amendments to the Original Credit Agreement contained in this Amendment Agreement, such consent to be evidenced by the execution of this Amendment Agreement by Phoenix and Engmann.

SECTION 3. AMENDMENTS TO ORIGINAL CREDIT AGREEMENT

3.1. Amendments to, and Addition of, Certain Definitions in Original Credit Agreement.

(a) Amendment to Definition of “Lenders” in Original Credit Agreement. The definition of “**Lenders**” in the Original Credit Agreement shall be deemed to include the Additional Lenders.

(b) Amendment to Definition of “Maturity Date” in Original Credit Agreement. The definition of “**Maturity Date**” in Section 10.1 of the Original Credit Agreement is hereby amended to be “December 31, 2010”.

(c) Amendment to Definition of “Warrant” in Original Credit Agreement. The definition of “Warrant” in Section 10.1 of the Original Credit Agreement is hereby amended and restated in its entirety to read as follows:

““**Warrants**” means the Initial Warrants, the Additional Warrants and the Agent Warrants.”

(d) Addition of Certain Definitions to Original Credit Agreement. The following definitions are hereby added to Section 10.1 of the Original Credit Agreement:

““**Additional Closing Date**” means the date of Amendment No. 1.”

““**Agent Warrants**” means warrants issued to the Collateral Agent pursuant to Section 5.2 of Amendment No. 1, in substantially the form of Exhibit 1.9 hereto.”

““**Amendment No. 1**” means that certain Amendment No. 1 to the Credit Agreement, dated as of May 28, 2009, among the Borrower, the Majority Lenders and the Collateral Agent, as acknowledged and agreed to by the additional lenders listed on the signatures pages thereto.”

3.2. Amendments to Section 1.1 of Original Credit Agreement.

(a) Amendments to Section 1.1(a) of, Schedule 1.1(a) to, and Exhibit 1.1(a) to Original Credit Agreement.

Section 1.1(a) of the Original Credit Agreement is hereby amended and restated in its entirety to read as follows:

“(a) Loans to Borrower. The Lenders agree to lend to the Borrower, on the Closing Date, an aggregate of Three Million Six Hundred Thirty-Seven Thousand Five Hundred Dollars (\$3,637,500), each Lender to lend the amount set forth on Schedule 1.1(a) opposite its name with respect to the Closing Date; *provided* that all conditions precedent set forth in Section 7 are satisfied or waived. The Lenders agree to lend to the Borrower, on the Additional Closing Date, an aggregate of One Million One Hundred Thousand Dollars (\$1,100,000), each Lender to lend the amount set forth on Schedule 1.1(a) opposite its name with respect to the Additional Closing Date (such loans made on the Additional Closing Date, together with the loans made on the Closing Date, collectively, the “**Loans**”, and, each individually, a “**Loan**”); *provided* that all conditions precedent set forth in Section 5 of Amendment No. 1 are satisfied or waived. Amounts borrowed under this Section 1.1(a) that are repaid or prepaid may not be reborrowed. The Borrower shall execute and deliver to each Lender a Note in the amount of each of such Lender's Loans in the form attached to this Agreement as Exhibit 1.1(a) (together with any Notes issued pursuant to Section 1.2(b)), dated as of the Closing Date or the Additional Closing Date, as the case may be.”

Schedule 1.1(a) and Exhibit 1.1(a) referenced in Section 1.1(a) of the Original Credit Agreement and attached to the Original Credit Agreement are hereby replaced by Schedule 1.1(a) and Exhibit 1.1(a), respectively, attached hereto.

(b) Amendment to Section 1.1(b)(i) of Original Credit Agreement. Section 1.1(b)(i) of the Original Credit

Agreement is hereby amended and restated in its entirety to read as follows:

“(i) with respect to the Loans made by Phoenix on the Closing Date and the Loans made on the Additional Closing Date, by wire transfer of immediately available funds to such account or accounts as may be authorized by the Borrower, less the aggregate amount of all fees and expenses due to the Lenders hereunder”.

3.3. Amendments to Section 1.2 of Original Credit Agreement.

(a) Amendment to Section 1.2(a) of Original Credit Agreement. Section 1.2(a) of the Original Credit Agreement is hereby amended and restated in its entirety to read as follows:

“(a) Interest. (i) Commencing as of the Closing Date, the Loans made on such date shall accrue interest on a monthly basis at a rate equal to eight percent (8%) per annum until the Maturity Date. (ii) Commencing on the Additional Closing Date, the Loans made on such date shall accrue interest on a monthly basis at a rate equal to eight percent (8%) per annum until the Maturity Date.”

(b) Amendments to Section 1.2(b) of and Exhibits 1.2(b)-1 and 1.2(b)-2 to Original Credit Agreement. Section 1.2(b) of the Original Credit Agreement is hereby amended by the replacement of the reference to “0.14” in such Section with the reference to “0.06”. Such Section is further amended by the amendment and restatement of the last sentence of such Section, such last sentence to read in its entirety as follows:

“Notwithstanding the foregoing, the Borrower shall not have an option to pay interest in kind in the event that (i) an Event of Default has occurred and is continuing, or (ii) the Borrower does not have sufficient authorized, unissued and unreserved Common Stock to fully reserve shares of Common Stock for issuance upon exercise of the Additional Warrants, or is otherwise unable to comply with the terms of the Additional Warrants.”

Exhibit 1.2(b)-1 and Exhibit 1.2(b)-2 referenced in Section 1.2(b) of the Original Credit Agreement and attached to the Original Credit Agreement are hereby replaced by Exhibit 1.2(b)-1 and Exhibit 1.2(b)-2, respectively, attached hereto.

(c) Amendment to Section 1.2(c) of Original Credit Agreement. Section 1.2(c) of the Original Credit Agreement is hereby amended and restated in its entirety to read as follows:

“(c) Default Rate of Interest. Upon the occurrence of an Event of Default and for so long as it continues, all Loans and other Obligations shall bear interest at a rate equal to thirteen percent (13%) per annum.”

3.4 Amendment to Section 1.3 of Original Credit Agreement. Section 1.3 of the Original Credit Agreement is hereby amended and restated in its entirety to read as follows:

“1.3 Use of Proceeds. The Borrower agrees that (a) the proceeds of the Loans made on the Closing Date shall be used only in accordance with the following: (1) to refinance the loans due and payable on May 15, 2008 to certain of the Lenders as set forth on Schedule 1.3 hereto pursuant to the Debt Refinancing, (2) for working capital and general corporate purposes, in each case in the ordinary course of business, and (3) to pay fees and expenses in connection with the Debt Refinancing, including the fees and expenses hereunder, and (b) the proceeds of the Loans made on the Additional Closing Date shall be used only (1) for working capital and general corporate purposes, in each case in the ordinary course

of business, and (2) to pay fees and expenses relating to or in connection with Amendment No. 1. In no event shall the proceeds of the Loans be used to (i) make distributions or (ii) make a contribution to the capital of any Subsidiary of the Borrower.”

3.5. Amendment to Section 1.4(a) of Original Credit Agreement. Section 1.4(a) of the Original Credit Agreement is hereby amended by the removal of the word “and” before clause (vi) of such Section and the addition of clause (vii) at the end of clause (vi), such clause (vii) to read as follows:

“(vii) any registration or filing (or the like) with, or report or notice (or the like) to, any Governmental Authority, including, without limitation, the SEC, by any of the Lenders or their Affiliates relating to or in connection with the transactions contemplated by Amendment No. 1 or the Loan Documents”.

3.6. Amendment to Section 1.5(a) of Original Credit Agreement. Section 1.5(a) of the Original Credit Agreement is hereby amended by the addition of account information for the Additional Lenders, after the account information for Goodman, as follows:

“If to Kendu Partners Company:

Bank of the West
180 Montgomery St., 3rd Floor
San Francisco, CA 94104
Attn: Daniel Tondeau
ABA # 121-100-782
for account #756-00-7043 for the account of Kendu Partners Company

If to MDNH Partners L.P.:

Bank of the West
180 Montgomery St., 3rd Floor
San Francisco, CA 94104
Attn: Daniel Tondeau
ABA # 121-100-782
for account #756-00-5971 for the account of MDNH Partners L.P.”.

3.7 Amendment to Section 1.6 of Original Credit Agreement. Section 1.6 of the Original Credit Agreement is hereby amended by the removal of Section 1.6(h) from Section 1.6.

3.8 Amendments to Section 1.9 of and Exhibit 1.9 to Original Credit Agreement. Section 1.9 of the Original Credit Agreement is hereby amended by the replacement of the reference to “0.14” in such Section with the reference to “0.06”. Exhibit 1.9 referenced in such Section and

attached to the Original Credit Agreement is hereby replaced by Exhibit 1.9 attached hereto.

3.9 Amendments to Section 2 of Original Credit Agreement. Section 2 of the Original Credit Agreement is hereby amended by the addition of Section 2.9, Section 2.10, Section 2.11 and Section 2.12 at the end of such Section 2, such added Section 2.9, Section 2.10, Section 2.11 and Section 2.12 to read in their entirety as follows:

“2.9 Salary Reduction Plans. The Borrower shall, commencing with the first pay period subsequent to the Additional Closing Date, implement salary reduction plans for its executive officers and employees as proposed by the Borrower and agreed to by the Borrower and the Collateral Agent, which plans shall result in at least a 13% aggregate reduction in the salaries of the Borrower’s executive officers and employees. Both salary reduction plans shall remain in effect until the Borrower has, for two (2) consecutive fiscal quarters, positive cash flows from operating activities, as determined by the Borrower’s consolidated statements of cash flows filed with the SEC in connection with the Borrower’s quarterly or annual reports, as the case may be. The Borrower may grant, to each of its executive officers or employees subject to the salary reduction plans, options to purchase Common Stock of the Borrower with an aggregate value equivalent to the amount of the salary reduction for such executive officer or employee; *provided* that such options shall have an exercise price equal to the closing market price of the Common Stock of the Borrower on the date of grant and shall be exercisable for not longer than three (3) years from the date of such grant.”

“2.10 Registration of Common Stock Issued Upon Exercise of Warrants. The Borrower shall, promptly, but, in any event, not later than thirty (30) days after demand for registration by the holders of the majority of the Registrable Securities (as defined in the Registration Rights Agreement), file a registration statement with the SEC on Form S-1 (or such other form the Borrower is qualified to file) and register such Common Stock in accordance with the terms of Section 2(c) of the Registration Rights Agreement. The Borrower shall use its reasonable best efforts to cause such registration statement to be declared effective under the Securities Act of 1933, as amended, as soon as possible but, in any event, not later than its Effectiveness Date (as defined in the Registration Rights Agreement).”

“2.11 Board Meetings; Observation Rights. The Borrower shall hold, in person or by telephone conference, regular or special meetings of its Board of Directors at least once per each fiscal quarter. Phoenix shall be permitted to designate two (2) representatives of its choice to attend all such meetings of the Board of Directors or any committees thereof in a nonvoting observer capacity. The Borrower shall give each Phoenix representative notice of such meetings and copies of all minutes, consents and other materials (financial or otherwise) provided in connection therewith, concurrently with those provided at any time to its Board of Directors or any committees thereof, and in the same manner; *provided*, however, that the Borrower may exclude any Phoenix representatives from access to any material or meeting, or a portion thereof, if the Borrower

believes, upon advice of counsel, that such exclusion is reasonably necessary to preserve the attorney-client privilege. The Borrower shall promptly reimburse Phoenix's representatives for all reasonable costs and expenses, including travel expenses, incurred in connection with attendance and observation of such meetings. All such information provided under this Section shall be considered confidential and provided to such Phoenix representatives pursuant to the Bi-Lateral Non-disclosure Agreement, dated as of April 1, 2009, between the Borrower and Phoenix."

"2.12 Additional Authorized Common Stock. The Borrower shall, by not later than May 29, 2009, take all necessary steps required in connection with the holding of its annual meeting of shareholders, including (a) the filing with the SEC of the Borrower's definitive proxy statement with a proposal to increase its authorized Common Stock by a number of shares as shall be sufficient to fully reserve shares of Common Stock for issuance upon exercise of any Warrants (including any Additional Warrants that may be issued in the event of the Borrower's election to make payments in kind in accordance with the terms of this Agreement), and (b) the mailing of all applicable proxy materials to the Borrower's shareholders. The Borrower shall, by not later than June 30, 2009, obtain shareholder approval of such increase in its authorized Common Stock, and, within one (1) Business Day of such approval, take all requisite actions (including the filing of an amendment to its certificate of incorporation and/or other organizational documents, if applicable, with the Secretary of State of the State of Delaware) to effect such increase in its authorized Common Stock."

3.10 Amendment to Section 6.1(c) of Original Credit Agreement. Section 6.1(c) of the Original Credit Agreement is hereby amended by the addition of the references to "Section 2.9", "Section 2.10", "Section 2.11" and "Section 2.12" after the reference to "Section 2.6" and before the reference to "Section 3" in Section 6.1(c) of the Original Credit Agreement.

3.11 Amendment to Section 6.3 of Original Credit Agreement. Section 6.3 of the Original Credit Agreement is hereby amended and restated in its entirety to read as follows:

"6.3 Rights of Collection. Without limiting the other rights and remedies of the Lenders or the Collateral Agent set forth in Section 6 and notwithstanding anything to the contrary contained in any other Loan Document, upon the occurrence and during the continuation of any Event of Default, unless and until such Event of Default is cured or waived by the Majority Lenders, the Collateral Agent may (i) exercise all of its rights and remedies under this Agreement, the other Loan Documents and Applicable Law and (ii) at any time and from time to time, take all other actions, including, but not limited to, collection, realization and foreclosure on any or all of the Collateral."

3.12 Amendment to Section 8.8(a) of Original Credit Agreement. Section 8.8(a) of the Original Credit Agreement is hereby amended by the addition of the following proviso at the end of such Section:

“; *provided*, however, that Section 2.11 may not be amended, modified or waived without the written concurrence of the Majority Lenders and the prior written consent of Phoenix.”

3.13 Amendments to Section 9.2 of Original Credit Agreement. Section 9.2 of the Original Credit Agreement is hereby amended by the addition, after the notice information for Goodman, of notice information for the Additional Lenders as follows:

“If to Kendu Partners or MDNH Partners, L.P.:

c/o Engmann Options
220 Bush St., Suite 950
San Francisco, California 94104
Facsimile: (415) 781-4641”.

Section 9.2 of the Original Credit Agreement is further amended by the replacement of the address for copies of notices sent to the Collateral Agent with the following:

“Pillsbury Winthrop Shaw Pittman LLP
1540 Broadway
New York, New York 10036
Attn: Jonathan J. Russo, Esq.
Facsimile: (212) 858-1500”.

SECTION 4. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders and the Collateral Agent that, except as set forth on the Bring-Down Disclosure Schedule attached hereto as Annex A (the “**Bring-Down Disclosure Schedule**”), all representations and warranties contained in the Original Credit Agreement and in the Pledge and Security Agreement are true and correct in all respects at and as of the date hereof as if made on the date hereof; *provided*, however, that, for the purpose of the representations and warranties made by the Borrower under this Section 4, the references in the Original Credit Agreement to the schedules in the Disclosure Schedule attached to the Original Credit Agreement shall be deemed to be the references to the schedules in the Bring-Down Disclosure Schedule. The Borrower further represents and warrants to the Lenders and the Collateral Agent that (a) no Default has occurred, or will occur, before and after giving effect to the transactions contemplated by this Amendment Agreement, (b) the Borrower and its Subsidiaries do not have outstanding, as of the date hereof, and will not have after giving effect to the Loans made on the date hereof, any Indebtedness for borrowed money or Contingent Obligations except as set forth in Schedule 4(b) hereto, (c) the Grantors (under and as defined in the Pledge and Security Agreement) did not have on the Closing Date, and do not have on the date hereof, (i) any property in which the grant of the security interest contemplated by Section 2 of the Pledge and Security Agreement is prohibited by any Requirements of Law (as defined in the Pledge and Security Agreement) of a Governmental Authority

or requires a consent not obtained of any Governmental Authority pursuant to such Requirement of Law or (ii) any property that is evidenced or constituted by any contract, license, agreement, instrument or other document prohibiting the grant of the security interest contemplated by Section 2 of the Pledge and Security Agreement or providing that such grant constitutes a breach or default under, or results in the termination of or requires any consent not obtained under, such contract, license, agreement, instrument or other document (or, in the case of any Investment Property, Pledged Stock or Pledged Note, any applicable shareholder or similar agreement prohibiting the grant of such security interest or providing that such grant constitutes a breach or default under, or results in the termination of or requires any consent not obtained under, such shareholder or similar agreement), except to the extent that such Requirement of Law or the term in such contract, license, agreement, instrument or other document (or, with respect to any Investment Property, Pledged Stock or Pledged Note, such shareholder or similar agreement) providing for such prohibition, breach, default or termination or requiring such consent is ineffective under Applicable Law, and except as set forth in Schedule 4(c) hereto and (d) the Borrower maintains the same insurance coverage with the same carriers as Borrower had on the Closing Date. Based solely on the representations made to Phoenix, the Collateral Agent, on behalf of Phoenix, represents to the Borrower that the holders of the Additional Warrants issued on the Additional Closing Date are “accredited investors” as such term is defined in the Securities Act of 1933, as amended.

SECTION 5. CONDITIONS PRECEDENT TO EFFECTIVENESS OF THIS AMENDMENT AGREEMENT AND MAKING OF LOANS ON DATE OF THIS AMENDMENT AGREEMENT

The effectiveness of this Amendment Agreement and the obligations of the Lenders to make the Loans on the date of this Amendment Agreement are subject to satisfaction, in sole determination by the Collateral Agent, of all of the conditions set forth below.

5.1 Cancellation of Notes and Initial Warrants Issued on Closing Date; Issuance of Replacement Notes and Initial Warrants. The Notes and the Initial Warrants issued to the Lenders on the Closing Date shall have been cancelled, and Notes in the form of Exhibit 1.1(a) hereto and Initial Warrants in the form of Exhibit 1.9 hereto, in each case with respect to the Loans made on the Closing Date and the date hereof, shall have been issued to the Lenders.

5.2 Issuance of Agent Warrants. The Agent Warrants for 3,947,917 shares of Common Stock of the Borrower shall have been issued to the Collateral Agent, in substantially the form of Exhibit 1.9 hereto.

5.3 Amendment to Registration Rights Agreement. The Registration Rights Agreement, dated as of June 5, 2008, shall have been amended to provide for registration of the Borrower’s Common Stock issuable upon exercise of the Warrants upon demand for registration by the holders of the majority of such Common Stock, such amendment to be in form and substance satisfactory to the Collateral Agent (the “**Registration Rights Agreement Amendment**”).

5.4 Executed Documents. The replacement Notes and the Initial Warrants issued pursuant to Section 5.1 hereof, the Agent Warrants, this Amendment Agreement, the Registration Rights Agreement Amendment, and all other documents and instruments contemplated hereby and thereby shall have been duly authorized and executed by each of the parties thereto in form and substance satisfactory to the Collateral Agent, and the Borrower shall have delivered sufficient original counterparts thereof to the Collateral Agent.

5.5 Lien Priority. The Security Interests in favor of the Collateral Agent and the Lenders pursuant to the Loan Documents shall be valid and perfected first priority Liens on the Collateral, subject to no Liens other than Permitted Encumbrances.

5.6 No Litigation. No action, suit, proceeding, claim or dispute shall have been brought or otherwise have arisen at law, in equity, in arbitration or by or before any Governmental Authority or arbitrator against the Borrower or any of its Subsidiaries or any of their respective assets.

5.7 Fees and Expenses. The Collateral Agent shall have been paid a fee of Twenty-Two Thousand Dollars (\$22,000) in connection with this Amendment Agreement, and all fees and expenses payable pursuant to Section 1.4 of the Original Credit Agreement shall have been paid in full.

5.8 Closing Certificates; Opinions.

(a) Officer's Certificate. The Collateral Agent shall have received a certificate from the chief executive officer or chief financial officer of the Borrower in form and substance reasonably satisfactory to the Collateral Agent, to the effect that, except as set forth in the Bring-Down Disclosure Schedule, all representations and warranties of the Borrower contained in this Amendment Agreement and the Original Credit Agreement are true, correct and complete; that neither the Borrower nor any of its Subsidiaries is in violation of any of the covenants contained in the Original Credit Agreement; that, before and after giving effect to the transactions contemplated by this Amendment Agreement, no Default or Event of Default has occurred and is continuing; that the Borrower has satisfied each of the closing conditions to be satisfied hereby; that the Borrower and its Subsidiaries have filed all required tax returns and owe no delinquent taxes.

(b) Certificate of Secretary of Borrower. The Collateral Agent shall have received a certificate of the secretary or assistant secretary of the Borrower certifying as to the incumbency and genuineness of the signature of each officer of the Borrower executing any document in connection with the transactions contemplated hereby and certifying that attached thereto is (i) a true and complete copy of the certificate of incorporation of the Borrower, and all amendments thereto including the Certificate of Designations of the Series A Preferred Stock, certified by the appropriate Governmental Authority in its jurisdiction of incorporation; (ii) a true and complete copy of the certificate of incorporation of CIC Acquisition Corp., a Delaware corporation, and all amendments thereto, certified by the appropriate Governmental Authority in its jurisdiction of incorporation, and a true and complete copy of the articles of association of Communication Intelligence Computer Corporation, Ltd., and all amendments thereto, as on file as of the date

hereof in the People's Republic of China and which is in full force and effect on the date hereof; (iii) a true and complete copy of the bylaws of the Borrower as in effect on the date of such certification; (iv) a true and complete copy of resolutions duly adopted by the Board of Directors of the Borrower authorizing the Loans made on the date hereof, the execution, delivery and performance of this Amendment Agreement, the Registration Rights Agreement Amendment, the replacement Notes and Initial Warrants issued pursuant to Section 5.1 hereof, the Agent Warrants, and the other documents relating hereto or thereto; (v) a true and complete copy of each of the Borrower's insurance policies, as in effect on the date of such certification; and (vi) true, complete and correct copies of certificates of insurance for each of the Borrower's insurance policies, except for its directors and officers insurance policy, each showing the Collateral Agent as an additional insured and/or loss payee.

(c) Certificates of Good Standing. The Collateral Agent shall have received certificates as of a recent date of the good standing of the Borrower under the laws of its jurisdiction of incorporation and the State of California.

(d) Opinions of Counsel. The Collateral Agent shall have received favorable opinions of counsel to the Borrower addressed to the Collateral Agent and the Lenders with respect to the Borrower covering such matters as requested by the Collateral Agent or the Lenders, including, without limitation, this Amendment Agreement, the Registration Rights Agreement Amendment, the replacement Notes and Initial Warrants issued pursuant to Section 5.1 hereof, the Agent Warrants, and the other documents relating hereto or thereto, the Security Interest, due authorization and other corporate matters, local laws and choice of laws issues and which are reasonably satisfactory in form and substance to the Collateral Agent and the Lenders.

5.9 Collateral. The Collateral Agent shall have received the results of Lien searches of all filings made against each of the Borrower and its Subsidiaries under the Uniform Commercial Code (and local tax and judgment filing offices) as in effect in any jurisdiction in which any of its respective assets are located, indicating, among other things, that the assets of the Borrower and its Subsidiaries and the stock of the Borrower and its Subsidiaries are free and clear of any Liens, except for Permitted Encumbrances.

5.10 Insurance. The Collateral Agent shall have received certificates of insurance in the form required under Section 2.2(b) of the Original Credit Agreement and the Security Documents and otherwise in form and substance reasonably satisfactory to the Collateral Agent.

5.11 Consents. The Borrower shall have delivered to the Collateral Agent all necessary approvals, authorizations and consents, if any, of all Persons, Governmental Authorities, and courts having jurisdiction with respect to the execution and delivery of this Amendment Agreement, the Registration Rights Agreement Amendment, the replacement Notes and Initial Warrants issued pursuant to Section 5.1 hereof, the Agent Warrants,

and the other documents relating hereto or thereto, the granting of the Security Interest and all such approvals shall be in form and substance satisfactory to the Collateral Agent.

5.12 No Injunction, Etc. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any Governmental Authority or arbitrator challenging or seeking to enjoin, restrain or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of this Amendment Agreement, the Registration Rights Agreement Amendment, the replacement Notes and Initial Warrants issued pursuant to Section 5.1 hereof, the Agent Warrants, and the other documents relating hereto or thereto, or the consummation of the transactions contemplated hereby or thereby, or which, as determined by the Lenders in their reasonable discretion, would make it inadvisable to consummate such transactions. No order, decree, temporary restraining order, preliminary or permanent injunction or other order issued by any Governmental Authority or arbitrator preventing such transactions shall be in effect. The making of the Loans on the date hereof and the consummation of such transactions shall not be prohibited by any Applicable Law or other legal requirement and shall not subject any Lender to any penalty or, in its reasonable judgment, any other liability or onerous condition under any Applicable Law.

5.13 Proceedings and Documents. All opinions, certificates and other instruments and all proceedings in connection with the transactions contemplated by this Amendment Agreement, the Registration Rights Agreement Amendment, the replacement Notes and Initial Warrants issued pursuant to Section 5.1 hereof, the Agent Warrants, and the other documents relating hereto or thereto shall be reasonably satisfactory in form and substance to the Collateral Agent. The Collateral Agent shall have received copies of all other instruments and other evidence as the Lenders may reasonably request, in form and substance reasonably satisfactory to the Collateral Agent, with respect to the transactions contemplated by this Amendment Agreement, the Registration Rights Agreement Amendment, the replacement Notes and Initial Warrants issued pursuant to Section 5.1 hereof, the Agent Warrants, and the other documents relating hereto or thereto and the taking of all actions in connection herewith or therewith. The Collateral Agent shall have received such other agreements (including, without limitation, deposit account control agreements), instruments, approvals, opinions, certificates and other documents as the Collateral Agent may reasonably request in connection with such transactions and actions, all in form and substance satisfactory to the Collateral Agent, in its sole discretion.

SECTION 6.

EFFECTIVENESS OF AMENDMENTS

The amendments to the Original Credit Agreement contained in this Amendment Agreement shall become effective on and as of the date of the satisfaction of the conditions precedent set forth in Section 5 hereof. From and after such date, each reference in the Original Credit Agreement (including the schedules and exhibits thereto) to the "Agreement", or any like expression referring to the Original Credit Agreement, shall be deemed to refer to the Original Credit Agreement as amended by this Amendment Agreement. The Original Credit Agreement, other than as amended hereby, shall remain unchanged and in full force and effect.

SECTION 7.**MISCELLANEOUS**

7.1 Severability. The invalidity, illegality, or unenforceability in any jurisdiction of any provision of this Amendment Agreement shall not affect or impair the remaining provisions in this Amendment Agreement or any such invalid, unenforceable or illegal provision in any jurisdiction in which it is not invalid, unenforceable or illegal.

7.2 Headings. Sections and Section headings in this Amendment Agreement are included herein for convenience of reference only and shall not constitute a part of this Amendment Agreement for any other purposes or be given substantive effect.

7.3 Applicable Law. THIS AMENDMENT AGREEMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THAT REQUIRE OR PERMIT APPLICATION OF THE LAWS OF ANY OTHER STATE OR JURISDICTION (OTHER THAN SECTION 5-1401 AND SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

7.4 Consent to Jurisdiction and Service of Process.

(a) THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL COURT OR STATE COURT IN THE STATE OF NEW YORK, COUNTY OF NEW YORK, HAVING SUBJECT MATTER JURISDICTION OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT AGREEMENT. THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT, PERSONAL JURISDICTION OF ANY SUCH COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE LENDERS TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

(b) THE BORROWER HEREBY AGREES THAT SERVICE OF THE SUMMONS AND COMPLAINT AND ALL OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING BY REGISTERED MAIL, RETURN RECEIPT REQUESTED, A COPY OF SUCH PROCESS TO THE BORROWER AT THE ADDRESS TO WHICH NOTICES TO THE BORROWER ARE THEN TO BE SENT PURSUANT TO SECTION 9.2 OF THE ORIGINAL CREDIT AGREEMENT AND THAT PERSONAL SERVICE OF PROCESS SHALL NOT BE REQUIRED. NOTHING HEREIN SHALL BE CONSTRUED TO PROHIBIT SERVICE OF PROCESS BY ANY OTHER METHOD PERMITTED BY LAW.

7.5 Waiver of Jury Trial. THE LENDERS, THE BORROWER AND THE COLLATERAL AGENT HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AMENDMENT AGREEMENT OR ANY DEALINGS BETWEEN OR AMONG THEM RELATING TO THE SUBJECT MATTER OF THIS AMENDMENT AGREEMENT AND ANY RELATIONSHIP THAT IS BEING ESTABLISHED AMONG ANY OF THEM. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE LENDERS, THE BORROWER AND THE COLLATERAL AGENT ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AMENDMENT AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THE LENDERS, THE BORROWER AND THE COLLATERAL AGENT FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THE LOAN DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE LOANS. IN THE EVENT OF LITIGATION, THIS AMENDMENT AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

7.6 Counterparts. This Amendment Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument.

SECTION 8. ACCESSION OF ADDITIONAL LENDERS TO ORIGINAL CREDIT AGREEMENT AS AMENDED BY THIS AMENDMENT AGREEMENT

By acknowledging and agreeing to this Amendment Agreement, which acknowledgement and agreement shall be evidenced by the signatures of the Additional Lenders below, the Additional Lenders agree to accede to the Original Credit Agreement, as amended by this Amendment Agreement, and to be bound by all terms and conditions set forth in the Original Credit Agreement, as amended by this Amendment Agreement.

[Signatures follow.]

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

BORROWER:

COMMUNICATION INTELLIGENCE CORPORATION

By: /s/ Francis V. Dane
Name: Francis V. Dane
Title: Chief Financial Officer

MAJORITY LENDERS:

PHOENIX VENTURE FUND LLC

By: SG Phoenix Ventures LLC,
its Managing Member

By: /s/ Andrea Goren
Name: Andrea Goren
Title: Member

/s/ Michael Engmann
MICHAEL ENGMANN

COLLATERAL AGENT:

SG PHOENIX LLC

By: /s/ Andrea Goren
Name: Andrea Goren
Title: Member

ACKNOWLEDGED AND AGREED TO:

ADDITIONAL LENDERS:

KENDU PARTNERS COMPANY

By: /s/ Michael W. Engmann

Name: Michael W. Engmann

Title: General Partner

MDNH PARTNERS L.P.

By: /s/ Michael W. Engmann

Name: Michael W. Engmann

Title: General Partner

Annex A

BRING-DOWN DISCLOSURE SCHEDULE

[To be provided by the Borrower.]

Schedule 1.1(a)

COMMUNICATION INTELLIGENCE CORPORATION
LOANS**I. Loans made on Closing Date (total: \$3,637,500)**

Michael Engmann	\$450,000, plus \$28,125 in interest due as of May 31, 2008
Ronald Goodman	\$150,000, plus \$9,375 in interest due as of May 31, 2008
Phoenix Venture Fund LLC	\$3,000,000

II. Loans made on Additional Closing Date (total: \$1,100,000)

Michael Engmann	\$100,000
Phoenix Venture Fund LLC	\$850,000
Kendu Partners Company	\$100,000
MDNH Partners L.P.	\$50,000

Schedule 4(b)

INDEBTEDNESS FOR BORROWED MONEY AND CONTINGENT OBLIGATIONS

	<u>Principal</u>	<u>Interest</u>
Basso Multi-Strategy Holding Fund, Ltd.	\$ 35,000	\$ 1,371
Phoenix Ventures Fund LLC	\$ 3,059,178	\$ 40,110
Michael Engmann	\$ 487,556	\$ 6,392
Ron Goodman	\$ 162,519	\$ 2,131

Schedule 4(c)

DOCUMENTS PROHIBITING GRANT OF SECURITY INTEREST

[To be provided by the Borrower.]

Exhibit 1.1(a)

FORM OF NOTE

Exhibit 1.2(b)-1

FORM OF ADDITIONAL NOTE

Exhibit 1.2(b)-2

FORM OF ADDITIONAL WARRANT

Exhibit 1.9

FORM OF WARRANT

AMENDMENT NO. 1 TO THE REGISTRATION RIGHTS AGREEMENT

This **AMENDMENT NO. 1 TO THE REGISTRATION RIGHTS AGREEMENT** (this “**Amendment Agreement**”), entered into as of May 28, 2009, to the Registration Rights Agreement dated as of June 5, 2008 (as amended, restated, supplemented or otherwise modified from time to time, including all exhibits and schedules thereto, the “**Registration Rights Agreement**”), by and among Communication Intelligence Corporation, a Delaware corporation (the “**Company**”), and the investors signatory thereto (each an “**Existing Investor**” and collectively, the “**Existing Investors**”).

RECITALS:

WHEREAS, the Company and the Existing Investors desire to amend the Registration Rights Agreement to, among other things, allow for the addition as parties to the Registration Rights Agreement of the additional investors listed on the signature pages hereto (such additional investors, collectively, the “**Additional Investors**”, and each such additional investor, individually, an “**Additional Investor**”; the Additional Investors and the Existing Investors are herein collectively referred to as the “**Investors**”);

WHEREAS, Section 8(g) of the Registration Rights Agreement provides that amendments to the Registration Rights Agreement may only become effective with the written concurrence of the Company and the Holders of no less than a majority in interest of the then outstanding Registrable Securities;

WHEREAS, Holders of a majority in interest of the outstanding Registrable Securities under the Registration Rights Agreement consent to the amendments contained herein and, upon execution of this Amendment Agreement by the Company and such Holders, the requirements of Section 8(g) of the Registration Rights Agreement will be satisfied; and

WHEREAS, the Additional Investors desire to become parties to the Registration Rights Agreement, as amended by this Amendment Agreement.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties do hereby agree, as follows:

1. Definitions in this Amendment Agreement. Except as otherwise defined in this Amendment Agreement (including the preamble and the recitals hereof), capitalized terms are used herein with the meanings ascribed to such terms in the Registration Rights Agreement and/or the Purchase Agreement.
 2. Consent of Required Holders to Amendments to Registration Rights Agreement. The Holders of a majority in interest of the outstanding Registrable Securities hereby consent to the amendments to the Registration Rights Agreement contained in this Amendment Agreement and acknowledge that, upon execution of this Amendment Agreement by such Holders, the requirements of Section 8(g) of the Registration Rights Agreement will be satisfied.
-

3. Amendment to the Preliminary Statement of the Registration Rights Agreement. The Registration Rights Agreement is hereby amended by deleting the Preliminary Statement in their entirety and inserting in lieu thereof the following:

“This Agreement is made pursuant to the Securities Purchase Agreement, dated as June 5, 2008, among the Company and the investors identified on the signature pages thereto (the “**Purchase Agreement**”), the Credit Agreement, dated as of June 5, 2008, among the Company and the lenders signatory thereto, as amended by Amendment No. 1, dated as of May 28, 2009 (collectively, as the same may be further amended, modified, supplemented or amended and restated from time to time, the “**Credit Agreement**”), and other Transaction Documents pursuant to which the Company will effect a Debt Refinancing.”

4. Amendment to Definition of “Effectiveness Date” in the Registration Rights Agreement. The definition of “**Effectiveness Date**” in Section 1 of the Registration Rights Agreement is hereby amended and restated in its entirety to read as follows:

“**Effectiveness Date**” means (a) with respect to the Registration Statement required to be filed under Section 2(a), the earlier of (i) the 150th day following the Closing, and (ii) the fifth Trading Day following the date on which the Company is notified by the Commission that such Registration Statement will not be reviewed or is no longer subject to further review and comments; (b) with respect to a Registration Statement required to be filed under Section 2(b), the earlier of: (i) the 90th day following the applicable Filing Date, and (ii) the fifth Trading Day following the date on which the Company is notified by the Commission that the Registration Statement will not be reviewed or is no longer subject to further review and comments; and (c) with respect to a Registration Statement required to be filed under Section 2(c), the earlier of: (i) the 120th day following the applicable Filing Date, and (ii) the fifth Trading Day following the date on which the Company is notified by the Commission that the Registration Statement will not be reviewed or is no longer subject to further review and comments.”

5. Amendment to Definition of “Filing Date” in the Registration Rights Agreement. The definition of “**Filing Date**” in Section 1 of the Registration Rights Agreement is hereby amended and restated in its entirety to read as follows:

“**Filing Date**” means (a) with respect to the Registration Statement required to be filed under Section 2(a), the earlier of (i) two (2) Business Days following the filing of the Company’s Quarterly Report on Form 10-Q for the three and six months ending June 30, 2008, and (ii) August 18, 2008; (b) with respect to a Registration Statement required to be filed under Section 2(b), the 30th day following the date on which Holders of a majority of the Registrable Securities request that the Company register the resale of Common Stock on Form S-3; and (c) with respect to a Registration Statement required to be filed under Section 2(c), the 30th day following the date on which Holders of a majority of the Registrable Securities request that the Company register the resale of Common Stock on Form S-1; provided, however, that with respect to a Registration Statement required to be filed under Section 2(c), if the request that the Company register the resale of Common Stock on Form S-1 is received at such time when the Company is precluded from filing a Registration Statement with its current audited financial statements or such financial statements would become non-conforming due to their age during the review process of such Registration Statement, then the Company shall not

be obligated to file any such Registration Statement until the 15th day following the release of the Company's audited financial statements for the most recently completed fiscal year. Notwithstanding anything to the contrary herein, the Company shall not be required to prepare audited financial statements to be filed in connection with such Registration Statement for any period year except for a fiscal year ending December 31."

6. Amendment to Definition of "Investors" in the Registration Rights Agreement. The definition of "**Investors**" in the Registration Rights Agreement shall include the Additional Investors.

7. Amendment to Definition of "Registration Statement" in the Registration Rights Agreement. The definition of "**Registration Statement**" in Section 1 of the Registration Rights Agreement is hereby amended and restated in its entirety to read as follows:

"**Registration Statement**" means the registration statement required to be filed in accordance with Section 2(a), Section 2(b), Section 2(c) or Section 8(e), including (in each case) the Prospectus, amendments and supplements to such registration statements or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference therein."

8. Amendment to Definition of "Selling Holder Questionnaire" in the Registration Rights Agreement. The definition of "**Selling Holder Questionnaire**" in Section 1 of the Registration Rights Agreement is hereby amended and restated in its entirety to read as follows:

"**Selling Holder Questionnaire**" has the meaning set forth in Section 2(d)."

9. Amendment to Definition of "Warrant" in the Registration Rights Agreement. The definition of "**Warrant**" in Section 1 of the Registration Rights Agreement is hereby amended and restated in its entirety to read as follows:

"**Warrants**" means the warrants (other than the Additional Warrants) to purchase from the Company shares of Company Common Stock issued pursuant to the Credit Agreement, including, without limitation, the warrants to purchase from the Company shares of Company Common Stock issued pursuant to Amendment No. 1 to the Credit Agreement."

10. Addition of Certain Definition to Registration Rights Agreement. The following definition is hereby added to Section 1 of the Registration Rights Agreement:

"**Amendment No. 1**" means that certain Amendment No. 1 to the Registration Rights Agreement, dated as of May 28, 2009, among the Company and the Holders of a majority of the Registrable Securities, as acknowledged and agreed to by the additional investors listed on the signatures pages thereto."

11. Amendment of Section 2(c) and Addition of New Subsection Section 2(d) of the Registration Rights Agreement. Section 2(c) of the

Registration Rights Agreement is hereby amended and restated in its entirety and Section 2(d) is inserted in the Registration Rights Agreement as follows:

“(c) The Company shall, promptly upon the request of the Holders of a majority of the Registrable Securities, prepare and file with the Commission no later than the Filing Date a Registration Statement covering the resale of all Registrable Securities not already covered by an existing and effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415, on Form S-1 (or on such other form appropriate for such purpose). Such Registration Statement shall contain (except if otherwise required pursuant to written comments received from the Commission upon a review of such Registration Statement) the “Plan of Distribution” attached hereto as Exhibit A. The Company shall use its reasonable best efforts to cause such Registration Statement to be declared effective under the Securities Act as soon as possible but, in any event, no later than its Effectiveness Date, and shall use its reasonable best efforts to keep the Registration Statement continuously effective under the Securities Act during the entire Effectiveness Period. By 5:00 p.m. (New York City time) on the Business Day immediately following the Effective Date of such Registration Statement, the Company shall file with the Commission in accordance with Rule 424 under the Securities Act the final Prospectus to be used in connection with sales pursuant to such Registration Statement (whether or not such filing is technically required under such Rule).

(d) Each Holder agrees to furnish to the Company a completed Questionnaire in the form attached to this Agreement as Exhibit B (a “**Selling Holder Questionnaire**”). The Company shall not be required to include in a Registration Statement the Registrable Securities of a Holder who fails to furnish to the Company a fully completed Selling Holder Questionnaire at least two Trading Days prior to the Filing Date (subject to the requirements set forth in Section 4(a)).”

12. Amendment to Section 3(a) of the Registration Rights Agreement. Section 3(a) is hereby amended by deleting the terms “Filing Deadline” and “Effectiveness Deadline” in the first sentence of Section 3(a) and inserting the terms “Filing Date” and “Effectiveness Date”, respectively, in lieu thereof. Section 3(a) is hereby further amended by inserting the following sentences at the end in Section 3(a):

“Notwithstanding anything to the contrary stated herein, the Company shall not be required to pay Registration Delay Payments or otherwise be liable for any amount to Holders if the Commission limits the number of Registrable Securities that may be included on any Registration Statement filed under the terms of this Agreement. If the Commission limits the Registrable Securities that may be included on any Registration Statement, the Registrable Securities that will be included on such Registration Statement shall be allocated pro rata among all of the holders of Registrable Securities that requested Registrable Securities held by them be included in such registration, based on the amount of such Registrable Securities originally requested to be included by a Holder in comparison to the aggregate amount of such Registrable Securities requested to be included on such Registration Statement by all such Holders.”

13. Amendment to Section 4(j) of the Registration Rights Agreement. Section 4(j) is hereby amended and restated in its entirety to read as follows:

“In conjunction with the filing of the Registration Statement or sales thereunder, the Company will make any filings as may be required to be made with FINRA via the COBRADesk system.”

14. Amendment to Section 8(h) of the Registration Rights Agreement. Section 8(h) is hereby amended by deleting the addresses for notice “If to an Investor” in its entirety and inserting in lieu thereof the following:

“If to an Investor: To the address set forth under such Investor's name on the signature pages hereto and to Amendment No. 1.
the

With a copy to: Pillsbury Winthrop Shaw Pittman LLP
1540 Broadway
New York, New York 10036
Facsimile: (212) 858-1500
Attn: Jonathan J. Russo, Esq.”

15. Effectiveness of Amendments. The amendments to the Registration Rights Agreement contained in this Amendment Agreement shall become effective on and as of the date hereof. From and after such date, each reference in the Registration Rights Agreement (including the schedules and exhibits thereto) to the “Agreement”, or any like expression referring to the Registration Rights Agreement, shall be deemed to refer to the Registration Rights Agreement as amended by this Amendment Agreement. The Registration Rights Agreement, other than as amended hereby, shall remain unchanged and in full force and effect.

16. Applicable Law. THIS AMENDMENT AGREEMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THAT REQUIRE OR PERMIT APPLICATION OF THE LAWS OF ANY OTHER STATE OR JURISDICTION (OTHER THAN SECTION 5-1401 AND SECTION 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

17. Counterparts; Effectiveness. This Amendment Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument.

18. Accession of Additional Investors to Registration Rights Agreement as Amended by this Amendment Agreement. By acknowledging and agreeing to this Amendment Agreement, which acknowledgement and agreement shall be evidenced by the signatures of the Additional Investors below, the Additional Investors agree to accede to the Registration Rights Agreement, as amended by this Amendment Agreement, and to be bound by all of the terms and provisions set forth in the Registration Rights Agreement, as amended by this Amendment Agreement and shall have the rights, and be subject to the obligations, of an Investor.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES TO FOLLOW]

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

COMPANY:

COMMUNICATION INTELLIGENCE CORPORATION

By: /s/ Francis V. Dane

Name: Francis V. Dane
Title: Chief Financial Officer

EXISTING INVESTORS:

PHOENIX VENTURE FUND LLC

By: SG Phoenix Ventures LLC,
its Managing Member

By: /s/ Andrea
Goren
Name: Andrea Goren
Title: Member

/s/ Michael Engmann
MICHAEL ENGMANN

ACKNOWLEDGED AND AGREED TO:

ADDITIONAL INVESTOR:

KENDU PARTNERS COMPANY

By: /s/ Michael W. Engmann

Name: Michael W. Engmann

Title: General Partner

ADDRESS FOR NOTICE

c/o:

Street:

City/State/Zip:

Attention:

Tel:

Fax:

Email:

ACKNOWLEDGED AND AGREED TO:

MDNH PARTNERS L.P.

By: /s/ Michael W. Engmann

Name: Michael W. Engmann

Title: General Partner

ADDRESS FOR NOTICE

Street:

City/State/Zip:

Attention:

Tel:

Fax:

Email:

COMMUNICATION INTELLIGENCE CORPORATION
275 Shoreline Drive, Suite 500
Redwood Shores, CA 94065

May 28, 2009

SG Phoenix LLC
110 East 59th Street, Suite 1901
New York, NY 10022

Re: Salary Reduction Plan for Executive Officers of Communication Intelligence Corporation under Amendment No. 1 to Credit Agreement, dated May 28, 2009

Gentlemen,

Reference is made to that certain Amendment No. 1 to Credit Agreement, dated as of May 28, 2009, by and among Communication Intelligence Corporation (the "Company"), and Phoenix Venture Fund LLC ("Phoenix"), Michael Engmann ("Engmann"), the Additional Lenders (as that term is defined in Amendment No. 1 to Credit Agreement) and SG Phoenix LLC, as the Collateral Agent ("Amendment No. 1") to the Credit Agreement dated as of June 5, 2008, by and among the Company, Phoenix, Engmann, Ronald Goodman and the Collateral Agent (together with Amendment No. 1, the "Agreement"). Any capitalized terms used but not otherwise defined herein shall have the same meanings ascribed to such terms in the Agreement.

Pursuant to Section 2.9 of the Agreement, the Company covenants and agrees to implement, commencing with the first pay period subsequent to the Additional Closing Date, the salary reduction plan for the Company's executive officers proposed by the Company and as agreed to by the Company and the Collateral Agent as set forth on Exhibit A attached hereto, which, when taken together with the salary reduction plan for employees, provides for the achievement of at least a 13% aggregate reduction in salaries for the Company's executive officers and employees. The agreement set forth herein is a valid and binding obligation of the Company, enforceable in accordance with the terms hereof and is an additional provision of Section 2.9 of the Agreement as if the terms hereof were set forth fully in the Agreement.

This side letter may be executed in multiple counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument. Delivery of a counterpart hereof by facsimile transmission or by e-mail transmission shall be as effective as delivery of a manually executed counterpart hereof.

This letter shall be governed by, and construed in accordance with, the laws of the State of New York excluding that body of law relating to conflicts of law.

[Remainder of the Page Intentionally Left Blank]

Please indicate your agreement and acceptance of the terms and conditions of this letter agreement by executing this letter agreement in the designated space below and returning a signed copy.

Very truly yours,

Communication Intelligence Corporation

By: _____

Name: Francis V. Dane

Title: Chief Financial Officer

AGREED AND ACCEPTED:

SG Phoenix LLC

By:

Name: Andrea Goren

Title: Member

[Signature page to Side Letter]

EXHIBIT A**SALARY REDUCTION PLAN**

DEPT.	LAST NAME	FIRST NAME	CURRENT ANNUAL \$	AFTER REDUCTION \$	REDUCTION \$	REDUCTION %
2	DiGregorio	Guido	285,000.00	200,000.00	85,000.00	30%
4	Davis	Russell	165,000.00	148,500.00	16,500.00	10%
2	Dane	Francis	160,000.00	136,000.00	24,000.00	15%
			610,000.00	484,500.00	125,500.00	

-A -

CERTIFICATION Pursuant to

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Guido DiGregorio, certify that:

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

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to
2. make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

/s/ Guido DiGregorio
Chairman and Chief Executive Officer
(Principal Executive Officer of Registrant)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Francis V. Dane, certify that:

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

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to
2. make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as
4. defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our
 - b. supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

/s/ Francis V. Dane
Chief Financial Officer
(Principal Financial Officer of Registrant)

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Communication Intelligence Corporation (the “Company”) on Form 10-Q for the quarter and six month period ended June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Guido DiGregorio, Chairman and Chief Executive Officer, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 7, 2009

By: /s/Guido DiGregorio
Chairman and Chief Executive Officer

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Communication Intelligence Corporation (the "Company") on Form 10-Q for the quarter and six month period ended June 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Francis V. Dane, Principal Financial Officer, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 7, 2009

By: /s/Francis V. Dane
Chief Financial Officer