

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

For the Quarterly Period Ended June 30, 2012

Commission File No. 1-33762



inContact, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

87-0528557
(IRS Employer
Identification No.)

7730 S. Union Park Avenue, Suite 500, Salt Lake City, UT 84047

(Address of principal executive offices and Zip Code)

(801) 320-3200

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

<u>Class</u>	<u>Outstanding as of July 24, 2012</u>
Common Stock, \$0.0001 par value	44,479,966 shares

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INCONTACT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS - (Unaudited)
(in thousands, except share and per share data)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,495	\$ 17,724
Restricted cash	81	246
Accounts and other receivables, net of allowance for uncollectible accounts of \$737 and \$491, respectively	13,631	12,916
Other current assets	3,137	2,526
Total current assets	33,344	33,412
Property and equipment, net	20,729	18,685
Intangible assets, net	1,386	1,394
Goodwill	4,086	4,086
Other assets	1,005	837
Total assets	<u>\$ 60,550</u>	<u>\$ 58,414</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 7,641	\$ 7,180
Accrued liabilities	2,849	2,769
Accrued commissions	1,538	1,291
Current portion of deferred revenue	1,390	1,056
Current portion of long-term debt and capital lease obligations	3,020	2,831
Total current liabilities	16,438	15,127
Long-term debt and capital lease obligations	6,136	5,964
Deferred rent	351	161
Deferred revenue	1,794	946
Total liabilities	24,719	22,198
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 44,407,975 and 43,623,381 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	4	4
Additional paid-in capital	114,464	111,415
Accumulated deficit	(78,637)	(75,203)
Total stockholders' equity	35,831	36,216
Total liabilities and stockholders' equity	<u>\$ 60,550</u>	<u>\$ 58,414</u>

See accompanying notes to condensed consolidated financial statements.

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INCONTACT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE LOSS - (Unaudited)
(in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Net revenue:				
Software	\$ 12,828	\$ 9,503	\$ 25,130	\$ 18,837
Telecom	13,387	12,240	26,760	24,241
Total net revenue	<u>26,215</u>	<u>21,743</u>	<u>51,890</u>	<u>43,078</u>
Costs of revenue:				
Software	5,259	3,993	10,349	7,583
Telecom	9,196	8,733	18,423	17,631
Total costs of revenue	<u>14,455</u>	<u>12,726</u>	<u>28,772</u>	<u>25,214</u>
Gross profit	<u>11,760</u>	<u>9,017</u>	<u>23,118</u>	<u>17,864</u>
Operating expenses:				
Selling and marketing	6,898	5,887	13,918	11,097
Research and development	2,279	1,372	4,116	2,772
General and administrative	4,049	3,523	8,143	6,652
Total operating expenses	<u>13,226</u>	<u>10,782</u>	<u>26,177</u>	<u>20,521</u>
Loss from operations	<u>(1,466)</u>	<u>(1,765)</u>	<u>(3,059)</u>	<u>(2,657)</u>
Other income (expense):				
Interest income	3	—	3	—
Interest expense	(108)	(146)	(202)	(278)
Change in fair value of warrants	—	(208)	—	(158)
Other expense	(99)	(3)	(146)	(16)
Total other expense	<u>(204)</u>	<u>(357)</u>	<u>(345)</u>	<u>(452)</u>
Loss before income taxes	<u>(1,670)</u>	<u>(2,122)</u>	<u>(3,404)</u>	<u>(3,109)</u>
Income tax expense	<u>(15)</u>	<u>(16)</u>	<u>(30)</u>	<u>(31)</u>
Net loss and comprehensive loss	<u>\$ (1,685)</u>	<u>\$ (2,138)</u>	<u>\$ (3,434)</u>	<u>\$ (3,140)</u>
Net loss per common share:				
Basic and diluted	\$ (0.04)	\$ (0.06)	\$ (0.08)	\$ (0.09)
Weighted average common shares outstanding:				
Basic and diluted	44,561	37,674	44,374	36,902

See accompanying notes to condensed consolidated financial statements.

INCONTACT, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY - (Unaudited)
(in thousands)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at December 31, 2011	43,624	\$ 4	\$ 111,415	\$ (75,203)	\$ 36,216
Common stock issued for options exercised	755	—	2,078	—	2,078
Common stock issued under the employee stock purchase plan	29	—	121	—	121
Stock-based compensation	—	—	850	—	850
Net loss	—	—	—	(3,434)	(3,434)
Balance at June 30, 2012	<u>44,408</u>	<u>\$ 4</u>	<u>\$ 114,464</u>	<u>\$ (78,637)</u>	<u>\$ 35,831</u>

See accompanying notes to condensed consolidated financial statements.

INCONTACT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in thousands)

	<u>Six months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net loss	\$ (3,434)	\$ (3,140)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation of property and equipment	2,382	1,707
Amortization of software development costs	1,961	1,276
Amortization of intangible assets	133	274
Amortization of note financing costs	18	48
Interest accretion	8	11
Stock-based compensation	850	617
Change in fair value of warrants	—	158
Loss on disposal of property and equipment	146	26
Changes in operating assets and liabilities:		
Accounts and other receivables, net	(766)	(1,036)
Other current assets	(616)	(394)
Other non-current assets	(147)	(42)
Trade accounts payable	494	(1,526)
Accrued liabilities	232	(414)
Accrued commissions	247	52
Deferred rent	40	(39)
Deferred revenue	1,182	365
Net cash provided by (used in) operating activities	<u>2,730</u>	<u>(2,057)</u>
Cash flows from investing activities:		
Decrease in restricted cash	165	—
Contingent purchase price payments	—	(135)
Purchase of intangible assets	(125)	—
Payments made for deposits	(19)	—
Capitalized software development costs	(2,760)	(2,134)
Purchases of property and equipment	(2,473)	(1,971)
Net cash used in investing activities	<u>(5,212)</u>	<u>(4,240)</u>
Cash flows from financing activities:		
Proceeds from exercise of options and warrants	2,078	604
Proceeds from sale of stock under employee stock purchase plan	121	87
Proceeds from issuance of common stock	—	23,865
Payment of debt financing fees	(29)	—
Principal payments on long-term debt and capital leases	(1,417)	(1,132)
Borrowings under the revolving credit notes	6,000	7,730
Payments under the revolving credit notes	(5,500)	(15,000)
Net cash provided by financing activities	<u>1,253</u>	<u>16,154</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,229)</u>	<u>9,857</u>
Cash and cash equivalents at beginning of period	<u>17,724</u>	<u>10,321</u>
Cash and cash equivalents at end of period	<u>\$ 16,495</u>	<u>\$ 20,178</u>
Supplemental schedule of non-cash investing and financing activities:		
Payments due for property and equipment included in trade accounts payable	\$ 112	\$ 51
Property and equipment and other assets financed through capital leases	\$ 1,284	\$ 2,099
Cashless exercise of warrants	\$ —	\$ 404
Equity issuance costs included in accrued liabilities	\$ —	\$ 232

See accompanying notes to condensed consolidated financial statements.

INCONTACT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

inContact, Inc. (“inContact,” “we,” “us,” “our,” or the “Company”) is incorporated in the state of Delaware. We provide cloud contact center applications through our inContact® portfolio, an advanced contact handling and performance management software application. “Cloud” is a term to refer to computing, data storage and delivery of technology services through the Internet, which includes software-as-a-service (“SaaS”). Our services provide a variety of connectivity options for carrying inbound contacts to our inContact portfolio or linking agents to our inContact applications. We provide customers the ability to monitor agent effectiveness through our user survey tools and the ability to efficiently monitor their agent needs. We are also an aggregator and provider of telecommunications services. We contract with a number of third party providers for the right to resell the various telecommunication services and products they provide, and then offer all of these services to the customers. These services and products allow customers to buy only the telecommunications services they need, combine those services in a customized enhanced contact center package, receive one bill for those services and call a single point of contact if a service problem or billing issue arises.

Basis of Presentation

These unaudited condensed consolidated financial statements of inContact and its subsidiaries have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission (“SEC”). Such rules and regulations allow the omission of certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, so long as the statements are not misleading. In the opinion of management, these financial statements and accompanying notes contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position and results of operations for the periods presented herein. These condensed consolidated financial statements should be read in conjunction with the consolidated audited financial statements and notes thereto contained in the Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 9, 2012. The results of operations for the three and six month periods ended June 30, 2012 are not necessarily indicative of the results to be expected for the year ending December 31, 2012. Our significant accounting policies are set forth in Note 1 to the consolidated financial statements in the 2011 Annual Report on Form 10-K.

Recent Accounting Pronouncements

Effective January 1, 2012, the Company adopted Financial Accounting Standards Board (“FASB”) accounting guidance which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. The guidance eliminates the option to present components of other comprehensive income as part of the statement of equity. In addition, in December 2011, the FASB issued an amendment to the accounting standard which defers the requirement to present components of reclassifications of other comprehensive income on the face of the income statement. In accordance with the guidance, we have presented condensed statements of operations and comprehensive loss as a single continuous statement.

NOTE 2. REVENUE RECOGNITION

Revenue is recognized when all of the following four criteria are met: (1) persuasive evidence of an arrangement exists, (2) the fee is fixed or determinable, (3) collection is reasonably assured, and (4) delivery has occurred or services have been rendered.

Revenue is determined and recognized based on the type of service provided for the customer as follows:

- *inContact portfolio of services*. Revenue is derived from the delivery of any of our software services within the inContact portfolio which are provided on a monthly recurring subscription basis. Monthly recurring subscription charges are generally billed in arrears and recognized for the period in which they are earned. For subscription contracts with multiple elements (hosted software, training, installation and long distance services), we follow the guidance provided in Accounting Standards Codification (“ASC”) 605-25, *Revenue Recognition for Multiple-Element Arrangements*, because customers do not have the right to take possession of the software. As such, these arrangements are considered service contracts and are not within the scope of Industry Topic 985, *Software*. In addition to the monthly

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recurring subscription revenue, revenue is also derived on a non-recurring basis for professional services included in implementing or improving a customer's inContact portfolio experience. Because our professional services, such as training and installation, are not considered to have standalone value, we defer revenue for upfront fees received for professional services in multiple element arrangements and recognize such fees as revenue over the estimated life of the customer. Professional services sold separately (i.e. not sold contemporaneously with the negotiation of a subscription contract) are recognized as revenue over the period that services are provided. Fees for telecommunications services in multiple element arrangements within the inContact portfolio are based on usage and are recognized as revenue in the same manner as fees for telecommunications services discussed in the following paragraph. Also included is revenue related to the quarterly minimum purchase commitments through the year ended 2013, from a related party reseller (Note 11).

- *Telecommunications services.* Revenue is derived from telecommunications services, such as dedicated transport, switched long distance and data services. These services are provided over our network or through third party telecommunications providers. Our network is the backbone of our inContact portfolio and allows us to provide the all-in-one inContact solution. Revenue for the telecommunications usage is derived based on customer specific rate plans and the customer's call usage and is recognized in the period the call is initiated. Customers are also billed monthly charges in arrears and revenue is recognized for such charges over the billing period. If the billing period spans more than one month, earned but unbilled revenues are recognized as revenue for incurred usage to date.

NOTE 3. BASIC AND DILUTED NET (LOSS) INCOME PER COMMON SHARE

Basic earnings per common share is computed by dividing the net income or loss applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is computed by dividing the net income or loss by the sum of the weighted-average number of common shares outstanding plus the weighted average common stock equivalents, which would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding options, warrants and restricted stock units. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per common share by application of the treasury method.

As a result of incurring a net loss for the three and six months ended June 30, 2012 and 2011, no potentially dilutive securities are included in the calculation of diluted earnings per share because such effect would be anti-dilutive. We had potentially dilutive securities representing approximately 4.5 million and 5.1 million shares of common stock at June 30, 2012 and 2011, respectively.

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The accounting guidance for fair value measurements defines fair value, establishes a market-based framework or hierarchy for measuring fair value and expands disclosures about fair value measurements. The guidance is applicable whenever assets and liabilities are measured and included in the financial statements at fair value. The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The fair value hierarchy prioritizes the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Recurring Level 3 Activity

The table below provides a reconciliation of the beginning and ending balances for the major classes of assets and liabilities measured at fair value using significant unobservable inputs (Level 3). There was no activity for the three and six month periods ended June 30, 2012. The table reflects activity for all financial assets and liabilities categorized as Level 3 during the three and six month periods ended June 30, 2011 (*in thousands*):

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	<u>Warrants</u>		<u>Warrants</u>
Balance at March 31, 2011	\$ (196)	Balance at December 31, 2010	(246)
Total change in fair value	(208)	Total change in fair value	(158)
Total redemptions	404	Total redemptions	404
Balance at June 30, 2011	<u>\$ —</u>	Balance at June 30, 2011	<u>\$ —</u>

Warrants

We had issued 385,000 warrants, which were exercised in May 2011, with provisions that protected holders from a decline in the stock price instrument if we issued equity shares for a price that was lower than the exercise price of those instruments or issued new warrants or convertible instruments that had a lower exercise price. In accordance with accounting guidance, these warrants were recognized as liabilities and recorded at fair value on each reporting date. We measured the estimated fair value of these warrants as of date of exercise, May 5, 2011, and recorded a \$158,000 loss during the six months ended June 30, 2011 to record the liabilities associated with these warrants at their estimated fair value totaling \$404,000 as of the date of exercise as compared to their estimated fair value of \$246,000 at December 31, 2010. The estimated fair value of these securities on the date of exercise was the difference between the stock price on the date of exercise and the warrants' exercise price. The estimated fair value of the securities was calculated using a Black-Scholes valuation model, which approximated a lattice valuation model, at December 31, 2010. The assumptions used in the Black-Scholes model at December 31, 2010 were as follows: a volatility rate of 41%, a risk-free interest rate of 0.19%, an expected life of 0.39 years and no dividend yield.

Fair Value Estimates

We did not have any transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy during the three and six months ended June 30, 2012 and 2011. No financial assets or liabilities were measured at fair value on a recurring basis or a non-recurring basis at June 30, 2012 and December 31, 2011.

Fair Value of Other Financial Instruments

The carrying amounts reported in the accompanying condensed consolidated balance sheets for cash and cash equivalents approximate fair values because of the immediate or short-term maturities of these financial instruments. The estimated fair values of the revolving credit note and promissory notes payable were computed using a discounted cash flow model and approximated the carrying amount as the individual notes bear interest at market interest rates and are considered to be classified within Level 2 of the fair value hierarchy.

NOTE 5. INTANGIBLES

Intangible assets consisted of the following (*in thousands*):

	<u>June 30, 2012</u>			<u>December 31, 2011</u>		
	<u>Gross assets</u>	<u>Accumulated amortization</u>	<u>Intangible assets, net</u>	<u>Gross assets</u>	<u>Accumulated amortization</u>	<u>Intangible assets, net</u>
Customer lists acquired	\$ 16,495	\$ 16,249	\$ 246	\$ 16,495	\$ 16,222	\$ 273
Technology and patents	10,231	10,032	199	10,231	9,966	265
Trade names and trade marks	1,194	432	762	1,194	392	802
Domain name	54	—	54	54	—	54
Patents in process	125	—	125	—	—	—
Total	<u>\$ 28,099</u>	<u>\$ 26,713</u>	<u>\$ 1,386</u>	<u>\$ 27,974</u>	<u>\$ 26,580</u>	<u>\$ 1,394</u>

We recorded amortization expense as follows (*in thousands*):

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Amortization expense	\$ 53	\$ 137	\$ 133	\$ 274

Based on the recorded intangibles at June 30, 2012, estimated amortization expense is expected to be \$105,000 during the remainder of 2012, \$210,000 in 2013, \$210,000 in 2014, \$140,000 in 2015, \$133,000 in 2016 and \$409,000 thereafter.

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Accrued liabilities consisted of the following (*in thousands*):

	June 30, 2012	December 31, 2011
Accrued vendor charges	\$ 230	\$ 342
Accrued payroll and other compensation	2,136	1,895
Current portion of deferred rent	—	150
Other	483	382
Total	<u>\$2,849</u>	<u>\$ 2,769</u>

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

We drew \$6.0 million from our revolving credit loan agreement (“Revolving Credit Agreement”) of \$8.5 million with Zions First National Bank (“Zions”) and paid down \$5.5 million on the Revolving Credit Agreement during the six months ended June 30, 2012. The balance of our Revolving Credit Agreement was \$3.0 million at June 30, 2012, which was paid in July 2012. The interest rate under the Revolving Credit Agreement is 4.5% per annum above the ninety day London InterBank Offered Rate (“LIBOR”), from time to time in effect, adjusted as of the date of any change in the ninety day LIBOR. Interest under the Revolving Credit Agreement is paid monthly in arrears, and all principal is due in July 2014.

The Zions Revolving Credit Agreement contains certain covenants, which were established by amendment to the Revolving Credit Agreement in April 2012. As of June 30, 2012, the most significant covenants require that the aggregate value of cash, cash equivalents and marketable securities shall not be less than the outstanding balance on the Revolving Credit Agreement plus \$2.5 million, and if at any time the aggregate value is less than the minimum liquidity position, a minimum quarterly EBITDA of \$1.8 million, calculated as of the last day of each calendar quarter, is required. Based on our projections, we believe we will maintain compliance with our loan covenants through 2012; however, if future operating results are less favorable than currently anticipated, we may need to seek further amendments to modify the loan covenants. If we are unable to modify the loan covenants on acceptable terms, we would intend to reduce spending levels or take other restructuring actions. We were in compliance with all financial covenants related to the Revolving Credit Agreement at June 30, 2012.

In April 2012, we entered into a term loan agreement (“Term Loan”) with Zions for \$4.0 million, which matures on May 1, 2016. We are allowed to draw up to the total of \$4.0 million through April 30, 2013. We have not drawn from the Term Loan as of June 30, 2012. Interest, if any, will be paid monthly in arrears, commencing the month following a draw, and the principal will be paid in 36 equal monthly installments commencing on June 1, 2013. The interest rate under the Term Loan is 4.5% per annum above the ninety day LIBOR rate, adjusted as of the date of any change in the ninety day LIBOR. The financial covenants are the same as the Revolving Credit Agreement.

We paid \$417,000 of the \$2.5 million promissory note payable (“Promissory Note”) to Zions during the six months ended June 30, 2012. The Promissory Note balance was \$1.9 million at June 30, 2012.

During the six months ended June 30, 2012, we utilized the remaining \$1.3 million of the \$3.0 million equipment leasing facility commitment entered into with Zions Credit Corporation. We paid \$1.0 of capital lease obligations during the six months ended June 30, 2012. The balance of the capital lease obligations was \$4.3 million at June 30, 2012.

NOTE 8. CAPITAL TRANSACTIONS

We received proceeds of \$2.1 million from the exercise of 755,000 options during the six months ended June 30, 2012. We issued 29,000 shares of common stock for proceeds of \$121,000 under the employee stock purchase plan to eligible employees during the six months ended June 30, 2012.

NOTE 9. COMMITMENTS AND CONTINGENCIES

In May 2009, the Company was served in a lawsuit titled *California College, Inc., et al., v. UCN, Inc., et al.* In the lawsuit, California College alleges that (1) the Company made intentional and/or negligent misrepresentations in connection with the sale of the Company’s services from Insidesales.com, Inc., another defendant in the lawsuit, (2) that the Company breached its service contract with California College and the contract between California College and Insidesales.com by failing to deliver contracted services and product and failing to abide by implied covenants of good faith and fair dealing, and (3) the conduct of the Company interfered with

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prospective economic business relations of California College with respect to enrolling students. California College is seeking damages, in an amount to be proven at trial, in excess of \$20 million. Pursuant to a motion filed by Insidesales.com, California College filed an amended complaint that has been answered by Insidesales.com and us. Furthermore, Insidesales.com and inContact filed cross-claims against one another, which they subsequently agreed to dismiss with prejudice. In October 2011, California College reached a settlement with Insidesales.com, the terms of which have not been disclosed and remain confidential. The Company has denied all of the substantive allegations of the complaint and cross-claim and intends to defend the claims vigorously. Management believes the claims against inContact are without merit and no liability has been recorded.

We are the subject of certain other legal matters considered incidental to our business activities. It is the opinion of management that the ultimate disposition of these matters will not have a material impact on our financial position, liquidity or results of operations.

NOTE 10. STOCK-BASED COMPENSATION

Stock-based compensation cost is measured at the grant date based on the fair value of the award granted and recognized as expense using the graded-vesting method over the period in which the award is expected to vest. Stock-based compensation expense recognized during a period is based on the value of the portion of stock-based awards that is ultimately expected to vest during the period. As stock-based compensation expense recognized in the results for the year is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures.

We recorded stock-based compensation expense (including stock options, warrants, restricted stock, restricted stock units and employee stock purchase plan) as follows (*in thousands*):

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Costs of revenue	\$ 78	\$ 53	\$ 208	\$ 109
Selling and marketing	88	140	170	184
Research and development	112	46	235	79
General and administrative	63	115	237	245
Total stock-based compensation expense	<u>\$ 341</u>	<u>\$ 354</u>	<u>\$ 850</u>	<u>\$ 617</u>

We utilize the Black-Scholes model to determine the estimated fair value for grants of stock options and warrants. The Black-Scholes model requires the use of highly subjective and complex assumptions to determine the fair value of stock-based awards, including the option's expected term, expected dividend yield, the risk-free interest rate and the price volatility of the underlying stock. The expected dividend yield is based on our historical dividend rates. Risk-free interest rates are based on U.S. treasury rates. Volatility is based on historical stock prices over a period equal to the estimated life of the option.

The grant date fair value of the restricted stock and restricted stock unit awards was calculated using the closing market price of the Company's common stock on the grant date, with the compensation expense amortized over the vesting period of the restricted stock awards, net of estimated forfeitures.

We estimated the fair value of options granted under our employee stock-based compensation arrangements at the date of grant using the Black-Scholes model using the following weighted-average assumptions for the six months ended June 30, 2012 and 2011:

	Six months ended June 30,	
	2012	2011
Dividend yield	None	None
Volatility	71%	71%
Risk-free interest rate	0.60%	1.52%
Expected life (years)	4.1	4.1

During the six months ended June 30, 2012, we granted 144,000 stock options with exercise prices ranging from \$4.44 to \$5.87 and a weighted-average fair value of \$2.69. During the six months ended June 30, 2011, we granted 705,000 stock options with exercise prices ranging from \$3.10 to \$4.42 and a weighted-average fair value of \$1.83.

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As of June 30, 2012, there was \$1.0 million of unrecognized compensation cost related to non-vested stock-based compensation awards granted under our stock-based compensation plans. The compensation cost is expected to be recognized over a weighted average period of 1.2 years.

NOTE 11. RELATED PARTY TRANSACTIONS

We paid the Chairman of the Board of Directors (the "Chairman") \$7,000 per month during the six months ended June 30, 2012 and 2011 for consulting, marketing and capital raising activities. We owed the Chairman \$7,000 at June 30, 2012 and December 31, 2011. We recognized \$1.0 million and \$1.75 million of software revenue during the three and six months ended June 30, 2012, respectively, under an arrangement with a reseller, a principal shareholder of inContact, which includes revenue from resold software services and amounts up to the quarterly minimum purchase commitments. Under the arrangement, revenue from resold software services reduces the reseller's obligation up to the amount of the quarterly minimum purchase commitments. These quarterly minimum purchase commitments expire at the end of 2013.

NOTE 12. SEGMENTS

We operate under two business segments: Software and Telecom. The Software segment includes all monthly recurring revenue related to the delivery of our software applications, plus the associated professional services and setup fees, and revenue related to quarterly minimum purchase commitments through the year ended 2013, from a related party reseller. The Telecom segment includes all voice and data long distance services provided to customers.

Management evaluates segment performance based on operating data (revenue, costs of revenue, and other operating expenses). Management does not evaluate and manage segment performance based on assets.

For segment reporting, we classify operating expenses as either "direct" or "indirect." Direct expense refers to costs attributable solely to either selling and marketing efforts or research and development efforts. Indirect expense refers to costs that management considers to be overhead in running the business. In evaluating segment performance, management evaluates expenditures for both selling and marketing and research and development efforts at the segment level without the allocation of overhead expenses, such as rent, utilities and depreciation on property and equipment.

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Operating segment revenues and profitability for the three and six months ended June 30, 2012 and 2011 were as follows (*in thousands*):

	Three months ended June 30, 2012			Three months ended June 30, 2011		
	Software	Telecom	Consolidated	Software	Telecom	Consolidated
Net revenue	\$ 12,828	\$ 13,387	\$ 26,215	\$ 9,503	\$ 12,240	\$ 21,743
Costs of revenue	5,259	9,196	14,455	3,993	8,733	12,726
Gross profit	<u>7,569</u>	<u>4,191</u>	<u>11,760</u>	<u>5,510</u>	<u>3,507</u>	<u>9,017</u>
Gross margin	59%	31%	45%	58%	29%	42%
Operating expenses:						
Direct selling and marketing	5,718	767	6,485	4,671	910	5,581
Direct research and development	2,048	—	2,048	1,235	—	1,235
Indirect	3,995	698	4,693	3,132	834	3,966
Total operating expenses	<u>11,761</u>	<u>1,465</u>	<u>13,226</u>	<u>9,038</u>	<u>1,744</u>	<u>10,782</u>
(Loss) income from operations	<u>\$ (4,192)</u>	<u>\$ 2,726</u>	<u>\$ (1,466)</u>	<u>\$ (3,528)</u>	<u>\$ 1,763</u>	<u>\$ (1,765)</u>

	Six months ended June 30, 2012			Six months ended June 30, 2011		
	Software	Telecom	Consolidated	Software	Telecom	Consolidated
Net revenue	\$ 25,130	\$ 26,760	\$ 51,890	\$ 18,837	\$ 24,241	\$ 43,078
Costs of revenue	10,349	18,423	28,772	7,583	17,631	25,214
Gross profit	<u>14,781</u>	<u>8,337</u>	<u>23,118</u>	<u>11,254</u>	<u>6,610</u>	<u>17,864</u>
Gross margin	59%	31%	45%	60%	27%	42%
Operating expenses:						
Direct selling and marketing	11,523	1,610	13,133	8,820	1,664	10,484
Direct research and development	3,702	—	3,702	2,474	—	2,474
Indirect	7,828	1,514	9,342	5,976	1,587	7,563
Total operating expenses	<u>23,053</u>	<u>3,124</u>	<u>26,177</u>	<u>17,270</u>	<u>3,251</u>	<u>20,521</u>
(Loss) income from operations	<u>\$ (8,272)</u>	<u>\$ 5,213</u>	<u>\$ (3,059)</u>	<u>\$ (6,016)</u>	<u>\$ 3,359</u>	<u>\$ (2,657)</u>

NOTE 13. SUBSEQUENT EVENTS

In July 2012, we granted 52,000 restricted stock units to our Board of Directors as part of their annual compensation for Board and Board Committee service. The grants were valued at \$5.40 based on the closing stock price of inContact common stock on the grant date. In July 2012, we granted 250,000 options at an exercise price of \$5.06 to an executive officer.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the audited December 31, 2011 consolidated financial statements and notes thereto, along with the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2011 Annual Report on Form 10-K, filed separately with the U.S. Securities and Exchange Commission.

OVERVIEW

inContact began in 1997 as a reseller of telecommunications services and has evolved to become a leading provider of cloudcontact center software solutions. We help contact centers around the world create effective customer experiences through our powerful portfolio of cloud contact center contact routing, self-service and agent optimization software solutions. Our services and software solutions enable contact centers to operate more efficiently, optimize the cost and quality of every customer interaction, create new pathways to profit and ensure ongoing customer-centric business improvement and growth.

We began offering cloud contact center software solutions to the contact center market in 2005. Our dynamic technology platform provides our customers a solution without the costs and complexities of premise-based systems. Our proven delivery model provides compelling cost savings by removing the complexities of deploying and maintaining a premise-based solution, while providing flexibility to change with business needs.

DEVELOPMENTS

Our primary financial objective is to generate recurring cloudcontact center software solution revenue from sustainable sources by investing in various cloud software growth initiatives, as we believe we are in the early stages of a large, long-term market. In the past, we have grown that business through our direct sales initiatives and referral partner arrangements. In 2011, we added a new sales channel by entering into our first reseller agreement for our cloud contact center software solutions with Siemens Enterprise Communications ("Siemens"). Siemens is a world-wide distributor/reseller of our portfolio of cloud software solutions, which includes the exclusive right to sell our software solutions in Europe, the Middle East and Africa. In November 2011, we entered into a North America reseller agreement with Verizon Business Communications ("Verizon"). We have the opportunity to leverage the marketing and sales capacity of these large enterprises selling to contact center owners and operators to increase our business in North America and establish our business overseas – all of which we believe will generate growth in our recurring cloudcontact center software revenue.

The new opportunity requires us to invest in the infrastructure to deliver our cloudcontact center software solutions to new and larger mid-market enterprise and international customers and increase our customer service and support capacity. We began making that investment in 2011 and have continued making that investment in 2012. The investments made have increased our cost of services and other operating expenses beginning in 2011 and continuing into 2012, which have adversely affected our margins and results of operations ahead of the anticipated revenue. Our ability to recoup that investment depends on how successful our reseller strategy is in 2012 and beyond, but we were able to mitigate the risk associated with future realization of sales, in part, by obtaining minimum purchase commitments from Siemens to generate \$5.0 million of net software revenue in 2012 and \$10.0 million in 2013.

SOURCES OF REVENUE

We derive our revenues from two major business activities: (1) hosting and support of our inContact portfolio of cloudsoftware solutions and associated professional services and (2) reselling telecommunication services. Our primary business focus is marketing and selling our inContact portfolio.

Software

Software delivery and support of our inContact portfolio is provided on a monthly recurring subscription basis. Monthly recurring charges are billed in arrears and recognized for the period in which they are earned. In addition to the monthly recurring revenue, revenue is also received on a non-recurring basis for professional services included in implementing or improving a user's inContact portfolio experience. Customers access cloud software and data through a secure Internet connection. Support services include technical assistance for our software products and product upgrades and enhancements on a when and if available basis. Our telecommunications and data network is fundamental to our inContact portfolio and allows us to provide the all-in-one inContact solution. Software service revenue also includes revenue related to quarterly minimum purchase commitments through the year ended 2013 from a related party reseller.

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Telecom

We continue to derive revenue from traditional telecommunications services such as dedicated transport, switched long distance and data services. These services are provided over our network or through third party telecommunications providers. Revenue for transactional long distance usage is derived based on user specific rate plans and the user's call usage and is recognized in the period the call is initiated. Users are also billed monthly charges in arrears and revenue is recognized for such charges over the billing period. If the billing period spans more than one month, earned but unbilled revenues are recognized as revenue for incurred usage to date.

COSTS OF REVENUE AND OPERATING EXPENSES

Costs of Revenue

Costs of revenue consist primarily of payments to third party long distance service providers for resold telecommunication services to our customers. Costs of revenue also include salaries (including stock-based compensation) and related expenses for our software services delivery, support and professional services organizations, equipment depreciation relating to our services, amortization of acquired intangible assets, amortization of capitalized internal use software development costs, and allocated overhead, such as rent, utilities and depreciation on property and equipment. As a result, overhead expenses are included in costs of revenue and each operating expense category. The cost associated with providing professional services is significantly higher as a percentage of revenue than the cost associated with delivering our software services due to the labor costs associated with providing professional services. We anticipate that we will incur additional costs for long distance service providers, hosting, support, employee salaries and related expenses, to support delivery of our software solutions in the future.

Selling and Marketing

Selling and marketing expenses consist primarily of salaries (including stock-based compensation) and related expenses for employees in sales and marketing, including commissions and bonuses, advertising, marketing events, corporate communications, expenses, travel costs and allocated overhead. Since our Software segment revenue is delivered and therefore recognized over time, we have experienced a delay between increasing sales and marketing expenses and the recognition of the corresponding revenue. We believe it is important to continue investing in selling and marketing to create brand awareness and lead generation opportunities, to increase market share and to support the resellers added in 2011. Accordingly, we expect selling and marketing expenses to increase in absolute dollars as we continue to support growth initiatives.

Research and Development

Research and development expenses consist primarily of the non-capitalized portion of salary (including stock-based compensation) and related expenses for development personnel and costs related to the development of new products, enhancement of existing products, quality assurance, market research, testing, product management and allocated overhead. We expect research and development expenses to increase in absolute dollars in the future as we intend to release new features and functionality on a frequent basis, expand our content offerings, upgrade and extend our service offerings and develop new technologies.

General and Administrative

General and administrative expenses consist primarily of salary (including stock-based compensation) and related expenses for management, finance and accounting, legal, information systems and human resources personnel, professional fees, other corporate expenses and allocated overhead. We anticipate that we will incur additional employee salaries and related expenses, professional service fees and other corporate expenses related to the growth of our business and operations in the future. As such, we expect general and administrative expenses to increase in absolute dollars.

RESULTS OF OPERATIONS**Three Months Ended June 30, 2012 and 2011**

The following is a tabular presentation of our condensed consolidated operating results for the three months ended June 30, 2012 compared to our condensed consolidated operating results for the three months ended June 30, 2011 (*in thousands*):

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Net revenue	\$26,215	\$ 21,743	\$ 4,472	21%
Costs of revenue	14,455	12,726	1,729	14%
Gross profit	<u>11,760</u>	<u>9,017</u>	<u>2,743</u>	
<i>Gross margin</i>	45%	42%		
Operating expenses:				
Selling and marketing	6,898	5,887	1,011	17%
Research and development	2,279	1,372	907	66%
General and administrative	4,049	3,523	526	15%
Total operating expenses	<u>13,226</u>	<u>10,782</u>	<u>2,444</u>	
Loss from operations	<u>(1,466)</u>	<u>(1,765)</u>	<u>(299)</u>	
Other expense	<u>(204)</u>	<u>(357)</u>	<u>(153)</u>	-43%
Loss before income taxes	(1,670)	(2,122)	(452)	
Income tax expense	<u>(15)</u>	<u>(16)</u>	<u>(1)</u>	
Net loss	<u>\$ (1,685)</u>	<u>\$ (2,138)</u>	<u>\$ (453)</u>	

Revenue

Total revenues increased \$4.5 million or 21% to \$26.2 million during the three months ended June 30, 2012 compared to revenues of \$21.7 million for the same period in 2011. The increase relates primarily to revenue generated from our inContact portfolio of cloud contact center solutions and the associated Telecom revenue and is due to our continued focus and investment in sales and marketing through our direct sales initiatives and referral partner arrangements. We recognized \$1.0 million of software revenue during the three months ended June 30, 2012, under an arrangement with a reseller, a principal shareholder of inContact, which includes revenue from resold software services and amounts up to the quarterly minimum purchase commitments. Under the arrangement, revenue from resold software services reduces the reseller's obligation up to the amount of the quarterly minimum purchase commitments. These quarterly minimum purchase commitments expire at the end of 2013. If revenue from resold software services does not meet the quarterly minimum purchase commitment at the end of 2013, there will be a reduction in software revenue from that reseller at the beginning of 2014 to the extent the revenue from resold software services is less than the quarterly minimum purchase commitment at the end 2013. The minimum purchase commitment was negotiated, in part, to mitigate the risks associated with the investment in infrastructure to support our expanded reseller sales and marketing efforts initiated in 2011.

Costs of revenue and gross margin

Costs of revenue increased \$1.7 million or 14% to \$14.4 million during the three months ended June 30, 2012 compared to \$12.7 million for the same period in 2011. Our gross margin increased three percentage points to 45% during the three months ended June 30, 2012 from 42% during the three months ended June 30, 2011. The increase in revenue from our inContact portfolio and the minimum purchase commitment offset increased costs attributable to greater professional service and customer service personnel costs incurred to service larger mid-market and enterprise customers and to support resellers, international infrastructure investments initiated in 2011 and increased amortization of previously capitalized software development costs.

Selling and marketing

Selling and marketing expenses increased \$1.0 million or 17% to \$6.9 million during the three months ended June 30, 2012 from \$5.9 million for the same period in 2011. This increase is primarily a result of headcount additions for direct and channel sales employees and higher levels of investment in marketing efforts to create increased awareness of our inContact portfolio of cloud contact center solutions.

Research and development

Research and development expense increased \$907,000 or 66% to \$2.3 million during the three months ended June 30, 2012 from \$1.4 million during the same period in 2011. The increase relates to our efforts to expand our content offerings, upgrade and extend our service offerings and develop new technologies.

[Table of Contents](#)*General and administrative*

General and administrative expense increased \$526,000 or 15% to \$4.0 million during the three months ended June 30, 2012 compared to \$3.5 million during the same period in 2011. The increase is primarily due to increased personnel costs and costs incurred to support our international business expansion.

Other expense

Other expense decreased \$153,000 to \$204,000 during the three months ended June 30, 2012 from \$357,000 for the same period in 2011. The difference is primarily due to the \$208,000 increase in the fair value of warrants during the three months ended June 30, 2011 as compared to no change in fair value of warrants during 2012 as the associated warrants were exercised in 2011. Net interest expense also decreased \$41,000 for the second quarter of 2012 compared to the comparable period in 2011 due to a lower outstanding balance on our debt facilities for the three months ended June 30, 2012 as compared to the same period in 2011.

Income taxes

Income taxes consist of minimum state income taxes due and remained consistent for the three months ended June 30, 2012 compared to the same period in 2011.

Six Months Ended June 30, 2012 and 2011

The following is a tabular presentation of our condensed consolidated operating results for the six months ended June 30, 2012 compared to our condensed consolidated operating results for the six months ended June 30, 2011 (*in thousands*):

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Net revenue	\$51,890	\$ 43,078	\$ 8,812	20%
Costs of revenue	<u>28,772</u>	<u>25,214</u>	<u>3,558</u>	14%
Gross profit	<u>23,118</u>	<u>17,864</u>	<u>5,254</u>	
<i>Gross margin</i>	45%	42%		
Operating expenses:				
Selling and marketing	13,918	11,097	2,821	25%
Research and development	4,116	2,772	1,344	48%
General and administrative	<u>8,143</u>	<u>6,652</u>	<u>1,491</u>	22%
Total operating expenses	<u>26,177</u>	<u>20,521</u>	<u>5,656</u>	
Loss from operations	<u>(3,059)</u>	<u>(2,657)</u>	<u>402</u>	
Other expense	<u>(345)</u>	<u>(452)</u>	<u>(107)</u>	24%
Loss before income taxes	<u>(3,404)</u>	<u>(3,109)</u>	<u>295</u>	
Income tax expense	<u>(30)</u>	<u>(31)</u>	<u>(1)</u>	
Net loss	<u>\$ (3,434)</u>	<u>\$ (3,140)</u>	<u>\$ 294</u>	

Revenue

Total revenues increased \$8.8 million or 20% to \$51.9 million during the six months ended June 30, 2012 compared to revenues of \$43.1 million for the same period in 2011. The increase relates primarily to revenue generated from our inContact portfolio of cloud contact center solutions and the associated Telecom revenue and is due to our continued focus and investment in sales and marketing through our direct sales initiatives and referral partner arrangements. We recognized \$1.75 million of software revenue during the six months ended June 30, 2012, under an arrangement with a reseller, a principal shareholder of inContact, which includes revenue from resold software services and amounts up to the quarterly minimum purchase commitments. Under the arrangement, revenue from resold software services reduces the reseller's obligation up to the amount of the quarterly minimum purchase commitments. These quarterly minimum purchase commitments expire at the end of 2013. If revenue from resold software services does not meet the quarterly minimum purchase commitment at the end of 2013, there will be a reduction in software revenue from that reseller at the beginning of 2014 to the extent the revenue from resold software services is less than the quarterly minimum purchase commitment at the end 2013. The minimum purchase commitment was negotiated, in part to mitigate the risks associated with the investment in infrastructure to support our expanded reseller sales and marketing efforts initiated in 2011.

Costs of revenue and gross margin

Costs of revenue increased \$3.6 million or 14% to \$28.8 million during the six months ended June 30, 2012 compared to \$25.2 million for the same period in 2011. Our gross margin increased three percentage points to 45% during the six months ended June 30, 2012 from 42% during the six months ended June 30, 2011. The increase in revenue from our inContact portfolio and the minimum purchase commitment offset increased costs attributable to greater professional service and customer service personnel costs incurred to service larger mid-market and enterprise customers and to support resellers, international infrastructure investments initiated in 2011 and increased amortization of previously capitalized software development costs.

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Selling and marketing

Selling and marketing expense increased \$2.8 million or 25% to \$13.9 million during the six months ended June 30, 2012 from \$11.1 million for the same period in 2011. This increase is primarily a result of headcount additions for direct and channel sales employees and higher levels of investment in marketing efforts to create increased awareness of our inContact portfolio of cloud contact center solutions.

Research and development

Research and development expense increased \$1.3 million or 48% to \$4.1 million during the six months ended June 30, 2012 from \$2.8 million for the same period in 2011. The increase relates to our efforts to expand our content offerings, upgrade and extend our service offerings and develop new technologies.

General and administrative

General and administrative expense increased \$1.5 million or 22% to \$8.2 million during the six months ended June 30, 2012 compared to \$6.7 million for the same period in 2011. The increase is primarily due to increased personnel costs and costs incurred to support our international business expansion.

Other expense

Other expense decreased \$107,000 to \$345,000 during the six months ended June 30, 2012 from \$452,000 for the same period in 2011. The difference is primarily due to the \$158,000 increase in fair value of the warrants during the six months ended June 30, 2011 as compared to no change in fair value of warrants during 2012 as the associated warrants were exercised in 2011. Net interest expense also decreased \$79,000 for six months ended June 30, 2012 compared to the same period in 2012 due to a lower outstanding balance on our debt facilities for the six months ended June 30, 2012 as compared to the same period in 2011. The decreases were offset by an increase in other expenses of \$146,000 from losses on disposal of property and equipment.

Income taxes

Income taxes consist of minimum state income taxes due and remained consistent for the six months ended June 30, 2012 compared to the same period in 2011.

SEGMENT REPORTING

We operate under two business segments: Software and Telecom. The Software segment includes all monthly recurring revenue related to the delivery of our software applications, plus the associated professional services and setup fees and revenue related to quarterly minimum purchase commitments through the year ended 2013 from a related party reseller. The Telecom segment includes all voice and data long distance services provided to customers.

For segment reporting, we classify operating expenses as either "direct" or "indirect." Direct expense refers to costs attributable solely to either selling and marketing efforts or research and development efforts. Indirect expense refers to costs that management considers to be overhead in running the business. Management evaluates expenditures for both selling and marketing and research and development efforts at the segment level without the allocation of overhead expenses, such as compensation, rent, utilities and depreciation on property and equipment.

[Table of Contents](#)**Software Segment Results**

The following is a tabular presentation and comparison of our Software segment unaudited condensed consolidated operating results for the three and six months ended June 30, 2012 and 2011 (*in thousands*):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012	2011	\$ Change	% Change	2012	2011	\$ Change	% Change
Net revenue	\$ 12,828	\$ 9,503	\$ 3,325	35%	\$ 25,130	\$ 18,837	\$ 6,293	33%
Costs of revenue	5,259	3,993	1,266	32%	10,349	7,583	2,766	36%
Gross profit	7,569	5,510			14,781	11,254		
Gross margin	59%	58%			59%	60%		
Operating expenses:								
Direct selling and marketing	5,718	4,671	1,047	22%	11,523	8,820	2,703	31%
Direct research and development	2,048	1,235	813	66%	3,702	2,474	1,228	50%
Indirect	3,995	3,132	863	28%	7,828	5,976	1,852	31%
Loss from operations	<u>\$ (4,192)</u>	<u>\$ (3,528)</u>			<u>\$ (8,272)</u>	<u>\$ (6,016)</u>		

Three Months Ended June 30, 2012 and 2011

The Software segment revenue increased by \$3.3 million or 35% to \$12.8 million during the three months ended June 30, 2012 from \$9.5 million for the same period in 2011. The increase relates primarily to revenue generated from our inContact portfolio of cloud contact center solutions and is due to our continued focus and investment in sales and marketing through our direct sales initiatives and referral partner arrangements. We recognized \$1.0 million of software revenue during the three months ended June 30, 2012, under an arrangement with a reseller, a principal shareholder of inContact, which includes revenue from resold software services and amounts up to the quarterly minimum purchase commitments. Under the arrangement, revenue from resold software services reduces the reseller's obligation up to the amount of the quarterly minimum purchase commitments. These quarterly minimum purchase commitments expire at the end of 2013. If revenue from resold software services does not meet the quarterly minimum purchase commitment at the end of 2013, there will be a reduction in software revenue from that reseller at the beginning of 2014 to the extent the revenue from resold software services is less than the quarterly minimum purchase commitment at the end 2013. The minimum purchase commitment was negotiated, in part to mitigate the risks associated with the investment in infrastructure to support our expanded reseller sales and marketing efforts initiated in 2011. Software segment revenue includes revenue from professional services of \$663,000 for the three months ended June 30, 2012 compared to \$572,000 for the same period in 2011.

Gross margin increased one percentage point to 59% for the three months ended June 30, 2012 compared to 58% for the same period in 2011. The increase in revenue from our inContact portfolio and the minimum purchase commitment offset increased costs attributable to greater professional service and customer service personnel costs incurred to service larger mid-market and enterprise customers and to support resellers, international infrastructure investments initiated in 2011 and increased amortization of previously capitalized software development costs.

Direct selling and marketing expenses in the Software segment increased \$1.0 million or 22% to \$5.7 million during the three months ended June 30, 2012 compared to \$4.7 million for the same period in 2011. This increase is a result of headcount additions for direct and channel sales employees and employees focused on managing and enhancing our partner relationships and higher levels of investment in marketing efforts to create increased awareness of our inContact portfolio of cloud contact center solutions.

We also continue to develop the software applications and services provided in the Software segment by investing in research and development. During the three months ended June 30, 2012, we incurred \$2.0 million in direct research and development costs compared to \$1.2 million for the same period in 2011 and have capitalized an additional \$1.4 million of costs incurred during the three months ended June 30, 2012 related to our internally developed software compared to \$1.2 million for the same period in 2011.

Indirect expenses, which consist of overhead, such as compensation, rent, utilities and depreciation on property and equipment, increased \$863,000 or 28% to \$4.0 million during the three months ended June 30, 2012 from \$3.1 million for the same period in 2011 due to more indirect costs being allocated to the Software segment with the continued shift in revenue and direct expense mix from the Telecom segment to the Software segment and the general increase in indirect expenses.

Six Months Ended June 30, 2012 and 2011

The Software segment revenue increased by \$6.3 million or 33% to \$25.1 million during the six months ended June 30, 2012 from \$18.8 million for the same period in 2011. The increase relates primarily to revenue generated from our inContact portfolio of cloud contact center solutions and is due to our continued focus and investment in sales and marketing through our direct sales initiatives and referral partner arrangements. We recognized \$1.75 million of software revenue during the six months ended June 30, 2012, under an arrangement with a reseller, a principal shareholder of inContact, which includes revenue from resold software services and amounts up to the quarterly minimum purchase commitments. Under the arrangement, revenue from resold software services reduces the reseller's obligation up to the amount of the quarterly minimum purchase commitments. These quarterly minimum purchase commitments expire at the end of 2013. If revenue from resold software services does not meet the quarterly minimum purchase commitment at the end of 2013, there will be a reduction in software revenue from that reseller at the beginning of 2014 to the extent the revenue from resold software services is less than the quarterly minimum purchase commitment at the end 2013. The minimum purchase commitment was negotiated, in part to mitigate the risks associated with the investment in infrastructure to support our expanded reseller sales and marketing efforts initiated in 2011. Software segment revenue includes revenue from professional services of \$1.2 million for the first half of 2012 compared to \$1.4 million for the first half of 2011.

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Gross margin decreased one percentage point to 59% in six months ended June 30, 2012 compared to 60% for the same period in 2011. Although Software segment revenue increased during the six months ended June 30, 2012, costs attributable to greater professional service and customer service personnel costs incurred to service larger mid-market and enterprise customers and ongoing investments initiated in the second half of 2011 in international infrastructure to support resellers, compressed Software segment gross margin for the first several months of 2012.

Direct selling and marketing expenses in the Software segment increased \$2.7 million or 31% to \$11.5 million during the six months ended June 30, 2012 compared to \$8.8 million for the same period in 2011. This increase is a result of headcount additions for direct and channel sales employees and employees focused on managing and enhancing our partner relationships and higher levels of investment in marketing efforts to create increased awareness of our inContact portfolio of cloud contact center solutions

We also continue to develop the services provided in the Software segment by investing in research and development. During the six months ended June 30, 2012, we incurred \$3.7 million in direct research and development costs compared to \$2.5 million during the same period in 2011 and have capitalized an additional \$2.8 million of costs incurred during the six months ended June 30, 2012 related to our internally developed software compared to \$2.1 million during the six months ended June 30, 2011.

Indirect expenses, which consist of overhead, such as compensation, rent, utilities and depreciation on property and equipment, increased \$1.8 million or 31% to \$7.8 million during the six months ended June 30, 2012 from \$6.0 million for the same period in 2011 due to more indirect costs being allocated to the Software segment with the continued shift in revenue and direct expense mix from the Telecom segment to the Software segment and the general increase in indirect expenses.

Telecom Segment Results

The following is a tabular presentation and comparison of our Telecom segment condensed consolidated operating results for the three and six months ended June 30, 2012 and 2011 (*in thousands*):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012	2011	\$ Change	% Change	2012	2011	\$ Change	% Change
Net revenue	\$13,387	\$12,240	\$1,147	9%	\$26,760	\$24,241	\$2,519	10%
Costs of revenue	9,196	8,733	463	5%	18,423	17,631	792	4%
Gross profit	4,191	3,507			8,337	6,610		
Gross margin	31%	29%			31%	27%		
Operating expenses:								
Direct selling and marketing	767	910	(143)	-16%	1,610	1,664	(54)	-3%
Indirect	698	834	(136)	-16%	1,514	1,587	(73)	-5%
Income from operations	<u>\$ 2,726</u>	<u>\$ 1,763</u>			<u>\$ 5,213</u>	<u>\$ 3,359</u>		

Three Months Ended June 30, 2012 and 2011

Telecom segment revenue increased \$1.2 million or 9% to \$13.4 million during the three months ended June 30, 2012 compared to \$12.2 million for the same period in 2011 due to the increase of Telecom revenue associated with our inContact portfolio customers exceeding the attrition of our Telecom only customers. Our costs of revenue increased 5% due to the increase in revenue, but Telecom gross margin increased 2% due to increased efficiencies in call routing related to a 2011 investment in technology, which resulted in lower Telecom costs. Selling and marketing expenses decreased \$143,000 or 16% during the three months ended June 30, 2012 as compared to the same period in 2011, primarily due to lower third-party commissions associated with Telecom only customer revenue. Indirect expenses, which consist of overhead, such as compensation, rent, utilities and depreciation on property and equipment decreased \$136,000 or 16% during the three months ended June 30, 2012 compared to the same period in 2011 as a result of more indirect costs being allocated to the Software segment with the continued shift in revenue and direct expense mix from the Telecom segment to the Software segment.

Six Months Ended June 30, 2012 and 2011

Overall Telecom segment revenue increased \$2.5 million or 10% to \$26.7 million during six months ended June 30, 2012 from \$24.2 million for the same period in 2011 due to the increase of Telecom revenue associated with our inContact portfolio customers

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exceeding the attrition of our Telecom only customers. Our costs of revenue increased 4% due to the increase in revenue, but Telecom gross margin increased 4% due to increased efficiencies in call routing related to a 2011 investment in technology, which resulted in lower Telecom costs. Selling and marketing expenses decreased \$54,000 or 3% during the six months ended June 30, 2012 as compared to the same period in 2011, primarily due to lower third-party commissions associated with Telecom only customer revenue. Indirect expenses, which consist of overhead, such as compensation, rent, utilities and depreciation on property and equipment, decreased \$73,000 or 5% during the six months ended June 30, 2012 compared to the same period in 2011 as a result of more indirect costs being allocated to the Software segment with the continued shift in revenue and direct expense mix from the Telecom segment to the Software segment.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash and cash equivalents and available borrowings under our revolving credit note, which expires in July 2014. At June 30, 2012, we had \$16.5 million of cash and cash equivalents. In addition to our \$16.5 million of cash and cash equivalents, subject to meeting covenant requirements, we have access to additional available borrowings under our revolving credit note with Zions entered into in July 2009. The available borrowings under the revolving credit note are \$5.5 million at June 30, 2012, based on the maximum available advance amount calculated on the June 20, 2012 borrowing base certificate, resulting in total cash and additional availability under the revolving credit note of \$22.0 million at June 30, 2012. The balance of our revolving credit note at June 30, 2012 was \$3.0 million. We had no outstanding balance during most of the year. The outstanding balance ranged from \$0.0 to \$3.0 million during the first six months of 2012 and we paid the outstanding balance of \$3.0 million in July 2012.

The Zion's Revolving Credit Agreement contains certain covenants, with the most significant covenant being a requirement that the aggregate value of cash, cash equivalents and marketable securities shall not be less than the outstanding balance on the Revolving Credit Agreement plus \$2.5 million, and if at any time the aggregate value is less than the minimum liquidity position, a minimum quarterly EBITDA of \$1.8 million, calculated as of the last day of each calendar quarter, is required. We were in compliance with all financial covenants related to the Revolving Credit Agreement for the period ended June 30, 2012.

We experienced a net loss of \$3.4 million during the six months ended June 30, 2012. Significant non-cash expenses affecting operations during the six months ended June 30, 2012 were \$4.5 million of depreciation and amortization and \$850,000 of stock compensation. The non-cash expenses were partially offset by an increase in accounts receivable and other assets resulting in cash operating activities providing \$2.7 million of cash during the six months ended June 30, 2012.

We paid \$417,000 of the \$2.5 million Promissory Note to Zions during the six months ended June 30, 2012. The balance of our Promissory Note was \$1.9 million at June 30, 2012, of which \$833,000 is classified as a current liability. During the six months ended June 30, 2012, we utilized the remaining \$1.3 million of the \$3.0 million equipment leasing facility commitment entered into with Zions Credit Corporation. We paid \$1.0 million of capital lease obligations during the six months ended June 30, 2012. The balance of capital lease obligations was \$4.3 million at June 30, 2012, of which \$2.2 million is current.

In April 2012, we entered into a term loan agreement ("Term Loan") with Zions for \$4.0 million, which matures on May 1, 2016. We are allowed to draw up to the total of \$4.0 million through April 30, 2013. We have not drawn from the Term Loan as of June 30, 2012. Interest, if any, will be paid monthly in arrears, commencing the month following a draw, and the principal will be paid in 36 equal monthly installments commencing on June 1, 2013. The interest rate under the Term Loan is 4.5% per annum above the ninety day LIBOR rate, adjusted as of the date of any change in the ninety day LIBOR. The financial covenants are the same as the Revolving Credit Agreement.

We continue to take a proactive approach in managing our operating expenditures and cash flow from operations. We expect to rely on internally generated cash, our Revolving Credit Agreement and our Term Loan to finance operations and capital requirements. We believe that existing cash and cash equivalents, cash from operations, available borrowings under our Revolving Credit Agreement and our Term Loan will be sufficient to meet our cash requirements during at least the next twelve months.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of our significant accounting policies and estimates is discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 1 of our Annual Report on Form 10-K for the year ended December 31, 2011. The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires us to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of assets and liabilities. Significant areas of uncertainty that require judgments, estimates and assumptions include the accounting for income taxes and other contingencies as well as asset impairment and collectability of accounts receivable. We use historical and other information that we consider to be relevant to make these judgments and estimates. However, actual results may differ from those estimates and assumptions that are used to prepare our financial statements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our cash and cash equivalents are invested with high-quality issuers and limit the amount of credit exposure to any one issuer. Due to the short-term nature of the cash equivalents, we believe that we are not subject to any material interest rate risk as it relates to interest income.

Interest rates on our term loan and revolving credit agreement are variable so market fluctuations in interest rate may increase our interest expense.

ITEM 4. CONTROLS AND PROCEDURES

This Report includes the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). See Exhibits 31.1 and 31.2. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in rules and forms adopted by the Securities and Exchange Commission, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, reassessed the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2012.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the second quarter of 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are the subject of certain legal matters, which we consider incidental to our business activities. It is the opinion of management that the ultimate disposition of these other matters will not have a material impact on our financial position, liquidity or results of operations.

During the six months ended June 30, 2012, there were no material developments in any pending legal proceedings previously reported. Please see the discussion of legal proceedings under Part I, Item 3 of our 2011 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 9, 2012.

ITEM 1A. RISK FACTORS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us, except where such statements are made in connection with an initial public offering. All statements, other than statements of historical fact, which address activities, actions, goals, prospects, or new developments that we expect or anticipate will or may occur in the future, including such things as expansion and growth of our operations and other such matters are forward-looking statements. Any one or a combination of factors could materially affect our operations and financial condition. These factors include competitive pressures, success or failure of marketing programs, changes in pricing and availability of services and products offered to customers, legal and regulatory initiatives affecting software or long distance service, and conditions in the capital markets. Forward-looking statements made by us are based on knowledge of our business and the environment in which we operate as of the date of this report. Because of the factors discussed in the 2011 Annual Report on Form 10-K under Item 1A "Risk Factors," actual results may differ from those in the forward-looking statements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 12, 2012, William W. Robinson, Jr., was hired as our Executive Vice President of Sales. As an inducement to Mr. Robinson to accept the engagement we awarded to him options to purchase 250,000 shares of common stock at an exercise price of \$5.06 per share that vest in three equal annual installments commencing July 12, 2013, and are exercisable (with respect to vested options) through July 12, 2017. The options were awarded outside of our 2008 Equity Incentive Plan in reliance on the exemption from registration set forth in Section 4(2) of the Securities Act of 1933.

ITEM 5. OTHER INFORMATION

Modification of Code of Ethics

On August 7, 2012, the board of directors adopted updates and modifications to the Code of Ethics of inContact (the “Code”) originally adopted in June 2007. Many of the changes were clerical updates. Changers that have more substance consist of the following:

- Because of developments in domestic and international law pertaining to corrupt business practices and bribery, we changed the terms of the Code to emphasize the need to comply with the US Foreign Corrupt Practices Act and the UK Bribery Act of 2010 and our zero tolerance with respect to violations of these laws. Furthermore, the Code now emphasizes the need to comply with laws, regulations, and rules of the local jurisdiction when anything of value is exchanged between an inContact representative and third parties. We intend to reinforce this change in the Code with training of our representatives who encounter these situations.
- As a result of our move into international markets, we adopted provisions in the Code acknowledging the need to respect the diverse cultures, customs, and business practices we encounter in the global marketplace. Employees must comply with applicable U.S. international laws, and local laws, rules and regulations of countries wherever we do business. Employees must be familiar with the all laws that impact their work, whether in their direct or supervisory capacity.
- Since inContact has grown significantly since 2007, we added a provision in the Code highlighting for employees their responsibility to abide by laws designed to promote free and fair competition.
- Finally, we made changes to the Code emphasizing that employees must also comply with all applicable trade restrictions and boycotts imposed by the U.S. government.

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Title of Document</u>
10.1	inContact, Inc., 2008 Equity Incentive Plan effective as of July 1, 2008, as amended through June 14, 2012
10.2	Form of Option Agreement with certain executive officers for options awarded outside the 2008 Equity Incentive Plan (1)
14.1	Code of Ethics of inContact, Inc., as amended on August 7, 2012
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements, formatted in XBRL: (i) Condensed Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011, (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2012 and 2011, (iii) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011; and (iv) Notes to the Consolidated Financial Statements. The information in Exhibit 101 is “furnished” and not “filed,” as provided in Rule 402 of Regulation S-T.
(1)	Options were awarded to Sunny Gosain, Executive Vice President and Chief Product Officer, and William W. Robinson, Jr., Executive Vice President for Sales, as an inducement for them to accept employment with inContact. On August 8, 2011, inContact issued to Mr. Gosain options to purchase 300,000 shares of common stock at an exercise price of \$3.57 per share that vest in three equal annual installments commencing August 8, 2012, and are exercisable (with respect to vested options) through August 8, 2016. On July 12, 2012, inContact issued to Mr. Robinson options to purchase 250,000 shares of common stock at an exercise price of \$5.06 per share that vest in three equal annual installments commencing July 12, 2013, and are exercisable (with respect to vested options) through July 12, 2017. The written Option Agreement governing the awards is the same for both persons and was executed by Mr. Gosain on July 26, 2012, and by Mr. Robinson on July 25, 2012.

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.

inContact, INC.

Date: August 9, 2012

By: /s/ Paul Jarman
Paul Jarman
Chief Executive Officer

Date: August 9, 2012

By: /s/ Gregory S. Ayers
Gregory S. Ayers
Chief Financial Officer

INCONTACT, INC.
2008 EQUITY INCENTIVE PLAN

(Effective as of July 1, 2008, and as amended through June 14, 2012)

ARTICLE I.
PURPOSE AND DEFINITIONS

Section 1. *Purpose.* The purpose of this inContact, Inc. 2008 Equity Incentive Plan (the “*Plan*”) is to advance the interests of inContact, Inc. (the “*Company*”) and its stockholders by enhancing the *Company*’s ability to attract, retain, reward and motivate persons who make or are expected to make important contributions to the *Company* and any *Subsidiary* by providing such persons with equity ownership opportunities and performance-based incentives, thereby better aligning the interests of such persons with those of the *Company*’s stockholders. The *Company* intends that the *Plan* comply with Section 409A of the Code (including any amendments or replacements of such section), and the *Plan* shall be so construed.

Section 2. *Definitions.* The following terms shall have the following respective meanings unless the context requires otherwise:

(a) The term “*Administrator*” shall mean the Compensation Committee of the Board or such other committee, individual or individuals appointed or delegated authority pursuant to Article II Section 1 to administer the *Plan*.

(b) The term “*Affiliate*” or “*Affiliates*” shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

(c) The term “*Award Agreement*” shall mean a written agreement between the *Company* and a Participant setting forth the terms, conditions and restrictions of the Award granted to the Participant and any shares acquired upon the exercise thereof.

(d) The term “*Beneficial Owner*” shall mean beneficial owner as defined in Rule 13d-3 under the Exchange Act.

(e) The term “*Board*” shall mean the Board of Directors of the *Company*.

(f) The term “*Cause*” shall mean, unless such term or an equivalent term is otherwise defined with respect to an Award by the Participant’s Award Agreement, Stock Purchase Agreement or written contract of employment or service, any of the following: (i) the Participant’s theft, dishonesty, willful or reckless misconduct, breach of fiduciary duty, or falsification of any *Company* documents or records; (ii) the Participant’s material failure to abide by the *Company*’s code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant’s unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of the *Company* (including, without limitation, the Participant’s improper use or disclosure of the *Company*’s confidential or proprietary information); (iv) any intentional act by the Participant which has a material detrimental effect on the *Company*’s reputation or business; (v) the Participant’s repeated failure or inability to perform any reasonable assigned duties after written notice from the *Company* of, and a reasonable opportunity to cure, such failure or inability; (vi) any

material breach by the Participant of any employment or service agreement between the Participant and the Company, which breach is not cured pursuant to the terms of such agreement; or (vii) the Participant's conviction (including any plea of guilty or *nolo contendere*) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant's ability to perform his or her duties with the Company.

(g) The term "*Code*" shall mean the Internal Revenue Code of 1986, or any successor thereto, as the same may be amended and in effect from time to time.

(h) The term "*Company*" shall mean inContact, Inc., a Delaware corporation, or an successor corporation thereto.

(i) The term "*Consultant*" shall mean a person engaged to provide consulting or advisory services (other than as an Employee or a Director) to the Company.

(j) The term "*Director*" shall mean a member of the Board.

(k) The term "*Disability*" shall mean the inability of the Participant, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of the Participant's position with the Company because of the sickness or injury of the Participant.

(l) The term "*Employee*" shall mean any person treated as an employee (including an Officer or a Director who is also treated as an employee) in the records of the Company or any Subsidiary and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a Director nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual's employment or termination of employment, as the case may be. For purposes of an individual's rights, if any, under the terms of the Plan as of the time of the Company's determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

(m) The term "*Exchange Act*" shall mean the Securities Exchange Act of 1934, or any successor thereto, as the same may be amended and in effect from time to time.

(n) The term "*Fair Market Value*" shall mean, with respect to a share of Stock, if the Stock is then listed and traded on a registered national or regional securities exchange (including The Nasdaq Stock Market), the closing/last sale price of such Stock as reported on such exchange or quotation system on the date of grant of an Option or Stock Appreciation Right (or, if no closing/last sale price was reported on that date, on the next trading date such closing/sale price is reported immediately following such date), or, if Fair Market Value is used herein in connection with any event other than the grant of an Option or Stock Appreciation Right, then Fair Market Value shall mean such closing/last sale price for such Stock on the date of such event. If the Stock is not traded on a registered securities exchange or quoted in such a quotation system, the Administrator shall determine in good faith the Fair Market Value of a share of Stock.

(o) The term “*Incentive Stock Option*” shall mean an option granted under this Plan and which is an incentive stock option within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute.

(p) The term “*Insider*” shall mean an Officer, a Director of the Company or other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(q) The term “*Non-Employee Director*” shall mean any member of the Company’s Board who is not an Employee of the Company or of any Affiliate of the Company.

(r) The term “*Nonqualified Stock Option*” shall mean an option granted under the Plan which is not an Incentive Stock Option.

(s) The term “*Officer*” shall mean any person designated by the Board as an officer of the Company.

(t) The term “*Option*” or “*Options*” shall mean the option to purchase Stock in accordance with Article IV on such terms and conditions as may be prescribed by the Administrator, whether or not such option is an Incentive Stock Option.

(u) The term “*Other Stock-Based Awards*” shall mean awards of Stock or other rights made in accordance with Section 5 on such terms and conditions as may be prescribed by the Administrator.

(v) The term “*Participant*” shall mean any eligible person who is granted a Plan Award hereunder.

(w) The term “*Performance Goals*” shall mean one or more business criteria based on individual, business unit, group, Company or other performance criteria selected by the Administrator.

(x) The term “*Plan*” shall mean the inContact, Inc. 2008 Equity Incentive Plan, as the same may be amended and in effect from time to time.

(y) The term “*Plan Awards*” or “*Awards*” shall mean awards or grants of stock Options and various other rights with respect to shares of Stock.

(z) The term “*Service*” shall mean a Participant’s employment or service with the Company, whether in the capacity of an Employee, a Director or a Consultant. A Participant’s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service to the Company or a change in the Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant’s Service. Furthermore, a Participant’s Service shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company; provided, however, that if any such leave exceeds ninety (90) days, then on the one hundred eighty-first (181st) day following the commencement of such leave any Incentive Stock Option held by the Participant shall cease to be treated as an Incentive Stock Option and instead shall be treated thereafter as a Nonstatutory Stock Option unless the Participant’s right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, a leave of absence shall not be treated as Service for purposes of determining vesting under the Participant’s Award Agreement. Except as otherwise provided by the Administrator, in its discretion, the Participant’s Service shall be deemed to have terminated either upon an actual termination of Service. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant’s Service has terminated and the effective date of and reason for such termination.

(aa) The term “*Stock*” shall mean shares of the Company’s common stock, par value \$0.0001 per share.

(bb) The term “*Stock Appreciation Right*” shall mean the right to receive, without payment to the Company, an amount of cash or Stock as determined in accordance with Article IV, based on the amount by which the Fair Market Value of a share of Stock on the relevant valuation date exceeds the grant price.

(cc) The term “*Subsidiary*” shall mean any “*subsidiary corporation*” within the meaning of Section 424(f) of the Code.

(dd) The term “*Ten Percent Stockholder*” shall mean an individual who owns stock possessing more than ten percent (10%) of the combined voting power of all classes of stock of the Company or of its parent or subsidiary corporations within the meaning of Code Section 422.

ARTICLE II. ADMINISTRATION AND PARTICIPANTS

Section 1. *Administration.* The Plan shall be administered by the Board of Directors or by any other committee appointed by the Board. If the Company has a class of securities registered under the Exchange Act, then such committee shall consist of not fewer than two members of the Board, each of whom shall qualify (at the time of appointment to the committee and during all periods of service on the committee) in all respects as a “non-employee director” as defined in Rule 16b-3 under the Exchange Act, as an outside director as defined in Section 162(m) of the Code and the regulations thereunder, and as a disinterested director under the rules of any stock exchange on which the Stock may be listed. The Administrator shall administer the Plan and perform such other functions as are assigned to it under the Plan. The Administrator is authorized, subject to the provisions of the Plan, from time to time to establish such rules and regulations as it may deem appropriate for the proper administration of the Plan and to make such determinations under, and such interpretations of, and to take such steps in connection with, the Plan and the Plan Awards as it may deem necessary or advisable, in each case in its sole discretion. The Administrator’s decisions and determinations under the Plan need not be uniform and may be made selectively among Participants, whether or not they are similarly situated. Any authority granted to the Administrator may also be exercised by the entire Board. To the extent that any permitted action taken by the Board conflicts with any action taken by the Administrator, the Board action shall control. To the extent permitted by applicable law and except for Awards granted to Persons who are subject to Section 16 of the Exchange Act, the Administrator may delegate any or all of its powers or duties under the Plan, including, but not limited to, its authority to make awards under the Plan to such person or persons as it shall appoint pursuant to such conditions or limitations as the Administrator may establish; provided, however, that the Administrator shall not delegate its authority to amend or modify the Plan pursuant to the provisions of Article XIII Section 2 of the Plan. To the extent of any such delegation, the term “Administrator” when used herein shall mean and include any such delegate.

Section 2. *Administration with Respect to Insiders*. With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3. The Board shall approve and administer all Awards to Non-Employee Directors.

Section 3. *Eligibility for Participation*. Any Employee, Director, Officer or Consultant of the Company or any Subsidiary may be granted Awards under the Plan, provided that Consultants may only be granted Awards under the Plan if they are natural persons that provide bona fide services to the Company or any Subsidiary. The Administrator shall designate each individual who will become a Participant. The Administrator's designation of a Participant in any year shall not require the Administrator to designate such person to receive a Plan Award in any other year.

**ARTICLE III.
STOCK AVAILABLE FOR PLAN AWARDS**

Section 1. *Stock Subject to Plan*. The Stock to be subject to or related to Plan Awards may be either authorized and unissued shares or shares held in the treasury of the Company. The maximum number of shares of Stock with respect to which Plan Awards may be granted under the Plan, subject to adjustment in accordance with the provisions of Article IX, shall be 5,272,500 shares.

Section 2. *Computation of Stock Available for Plan Awards*. For the purpose of computing the total number of shares of Stock remaining available for Plan Awards under this Plan at any time while the Plan is in effect, the total number of shares determined to be available pursuant to Sections 1 and 3 of this Article III shall be reduced by, (a) the maximum number of shares of Stock subject to issuance upon exercise of outstanding Options or outstanding Stock Appreciation Rights granted under this Plan, and (b) the maximum number of shares of Stock related to outstanding Other Stock-Based Awards granted under this Plan, as determined by the Administrator in each case as of the dates on which such Plan Awards were granted.

Section 3. *Terminated, Expired or Forfeited Plan Awards*. The shares involved in the unexercised or undistributed portion of any terminated, expired or forfeited Plan Award shall be made available for further Plan Awards.

**ARTICLE IV.
OPTIONS AND STOCK APPRECIATION RIGHTS**

Section 1. *Option Grant and Option Grant Restrictions*.

(a) The Administrator, at any time and from time to time while the Plan is in effect, may grant Options to such Employees and other eligible individuals as the Administrator may select, subject to the provisions of this Article IV and Article III of the Plan. Subject to any limitations set forth in the Plan, the Administrator shall have complete discretion in determining: (i) the eligible individuals to be granted an Option; (ii) the number of shares of Stock to be subject to the Option; (iii) whether the Option is to be an Incentive Stock Option or a Nonqualified Stock Option (provided, that Incentive Stock Options may be granted only to Employees of the Company or a Subsidiary); and (iv) any other terms and conditions of the Option as determined by the Administrator in its sole discretion.

(b) To the extent required by applicable law, Incentive Stock Options: (i) will be exercisable at a purchase price per share of not less than One Hundred percent (100%) (or, in the case of a Ten Percent Stockholder, one hundred and ten percent (110%)) of the Fair Market Value of the Stock on the date of grant; (ii) will be exercisable over not more than ten (10) years (or, in the case of a Ten Percent Stockholder, five (5) years) after the date of grant; (iii) will terminate not later than three (3) months after the Participant's termination of Service for any reason other than Disability or death and (iv) will comply in all other respects with the provisions of Code Section 422.

(c) Nonqualified Stock Options will be exercisable at purchase prices of not less than one hundred percent (100%) of the Fair Market Value of the Stock on the date of grant, unless otherwise determined by the Administrator. Nonqualified Stock Options will be exercisable during such periods or on such date as determined by the Administrator and shall terminate at such time as the Administrator shall determine.

(d) Notwithstanding the foregoing provisions of Sections 1(a), 1(b) and 1(c) of Article IV, in the event that the Company or an Affiliate consummates a transaction described in Section 424(a) of the Code (e.g., the acquisition of property or stock from an unrelated corporation), persons who become Employees or non-employee Directors on account of such transaction may be granted Options in substitution for options granted by their former employer. If such substitute Options are granted, the Administrator, in its sole discretion and consistent with Section 424(a) of the Code, may determine that such substitute Options shall have a purchase price per share less than the Fair Market Value of the Stock on the date of grant.

(e) Each Award Agreement evidencing an Incentive Stock Option shall provide that, to the extent that the aggregate Fair Market Value of Stock (as determined on the date of the option grant) that may be purchased by a Participant for the first time during any calendar year pursuant Incentive Stock Options granted under the Plan or any other plan of the Company or any Subsidiary exceeds \$100,000, then such option as to the excess shall be treated as a Nonqualified Stock Option. This limitation shall be applied by taking stock options into account in the order in which they were granted.

Section 2. *Grant of Stock Appreciation Rights.*

(a) The Administrator, at any time and from time to time while the Plan is in effect, may grant Stock Appreciation Rights to such Employees and other eligible individuals as it may select, subject to the provisions of this Article IV and Article III of the Plan. Each Stock Appreciation Right may relate to all or a portion of a specific Option granted under the Plan and may be granted concurrently with the Option to which it relates or at any time prior to the exercise, termination or expiration of such Option (a "Tandem SAR"), or may be granted independently of any Option, as determined by the Administrator. If the Stock Appreciation Right is granted independently of an Option, the grant price of such right shall be the Fair Market Value of Stock on the date of grant of such Stock Appreciation Right; provided, however, that the Administrator may, in its discretion, fix a grant price in excess of the Fair Market Value of Stock on such grant date.

(b) Upon exercise of a Stock Appreciation Right, the Participant shall be entitled to receive, without payment to the Company, either (i) that number of shares of Stock determined by dividing (A) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, multiplied by the amount by which the Fair Market Value of a share of Stock on the day the right is exercised exceeds the grant price (such amount being hereinafter referred to as the "Spread"), by (B) the Fair Market Value of a share of Stock on the exercise date; or (ii) cash in an amount determined by multiplying (X) the total number of shares of Stock subject to the Stock Appreciation Right being exercised by the Participant, by (Y) the amount of the Spread; or (iii) a combination of shares of Stock and cash, in amounts determined as set forth in clauses (i) and (ii) above, as determined by the Administrator in its sole discretion; provided, however, that, in the case of a Tandem SAR, the total number of shares which may be received upon exercise of a Stock Appreciation Right for Stock shall not exceed the total number of shares subject to the related Option or portion thereof, and the total amount of cash which may be received upon exercise of a Stock Appreciation Right for cash shall not exceed the Fair Market Value on the date of exercise of the total number of shares subject to the related Option or portion thereof.

Section 3. *Terms and Conditions.*

(a) Each Option and Stock Appreciation Right granted under the Plan shall be exercisable on such date or dates, during such period, for such number of shares and subject to such further conditions, including but not limited to the attainment of Performance Goals, as shall be determined by the Administrator in its sole discretion and set forth in the provisions of the award agreement with respect to such Option and Stock Appreciation Right; provided, however, that a Tandem SAR shall not be exercisable prior to or later than the time the related Option could be exercised; and provided, further, that in any event no Option or Stock Appreciation Right shall be exercised beyond ten (10) years from the date of grant.

(b) The Administrator may impose such conditions as it may deem appropriate upon the exercise of an Option or a Stock Appreciation Right, including, without limitation, a condition that the Option or Stock Appreciation Right may be exercised only in accordance with rules and regulations adopted by the Administrator from time to time and consistent with the Plan.

(c) With respect to Options issued with Tandem SARs, the right of a Participant to exercise the Tandem SAR shall be cancelled if and to the extent the related Option is exercised, and the right of a Participant to exercise an Option shall be cancelled if and to the extent that shares covered by such Option are used to calculate shares or cash received upon exercise of the Tandem SAR.

(d) If any fractional share of Stock would otherwise be issued to a Participant upon the exercise of an Option or Stock Appreciation Right, the Participant shall be paid a cash amount equal to the same fraction of the Fair Market Value of the Stock on the date of exercise.

(e) Subject to earlier termination of the Option as otherwise provided herein and unless otherwise provided by the Administrator in the grant of an Option and set forth in the Award Agreement, an Option shall be exercisable after a Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Article IV Section 3(e) and thereafter shall terminate:

(i) *Disability*. If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) for a minimum period of six (6) months to the extent required by applicable law (or such other legal period of time as determined by the Board, in its discretion) after the date on which the Participant's Service terminated, but in any event no later than the earlier of (A) the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option (the "Option Expiration Date") and (B) one year from the date the Participant's Service terminates.

(ii) *Death*. If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death for a minimum period of twelve (12) months to the extent required by applicable law (or such other legal period of time as determined by the Administrator, in its discretion) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

(iii) *Termination for Cause*. Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service with the Company is terminated for Cause, the Option shall terminate and cease to be exercisable immediately upon such termination of Service.

(iv) *Other Termination of Service*. If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable by the Participant on the date on which the Participant's Service terminated, may be exercised by the Participant for a minimum period of thirty (30) days to the extent required by applicable law (or such other legal period of time as determined by the Administrator, in its discretion) after the date on which the Participant's Service terminated, but in any event no later than the earlier of (A) the Option Expiration Date and (B) three (3) months from the date the Participant's Service terminates.

(f) Notwithstanding the foregoing other than termination for Cause, if the exercise of an Option within the applicable time periods set forth in Article IV Section 3(e) is prevented by the provisions of Article XII below, the Option shall remain exercisable until three (3) months (or such longer period of time as determined by the Administrator, in its discretion) after the date the Participant is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date.

(g) Notwithstanding the foregoing, other than termination for Cause, if a sale within the applicable time periods set forth in Article IV Section 3(e) of shares acquired upon the exercise of the Option would subject the Participant to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i)

the tenth (10th) day following the date on which a sale of such shares by the Participant would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Participant's termination of Service, or (iii) the Option Expiration Date.

Section 4. *Award Agreement* . Each Option and Stock Appreciation Right shall be evidenced by an award agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Administrator from time to time shall approve. No Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions set forth herein.

Section 5. *Payment for Option Shares*.

(a) Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant having a Fair Market Value not less than the exercise price, (iii) by delivery of a properly executed notice together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a " *Cashless Exercise* "), (iv) provided that the Participant is an Employee (unless otherwise not prohibited by law, including, without limitation, any regulation promulgated by the Board of Governors of the Federal Reserve System) and in the Company's sole discretion at the time the Option is exercised, by delivery of the Participant's promissory note in a form approved by the Company for the aggregate exercise price, provided that, to the extent required by applicable law, the Participant shall pay in cash that portion of the aggregate exercise price not less than the par value of the shares being acquired, (v) by such other consideration as may be approved by the Administrator from time to time to the extent permitted by applicable law, or (vi) by any combination thereof. The Administrator may at any time or from time to time, by approval of or by amendment to the standard forms of Award Agreement, or by other means, grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) *Limitations on Forms of Consideration*.

(i) Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. Unless otherwise provided by the Administrator, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Participant for more than six (6) months (and were not used for another Option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

(ii) The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise.

(iii) No promissory note shall be permitted if the exercise of an Option using a promissory note would be a violation of any law. Any permitted promissory note shall be on such terms as the Administrator shall determine. The Administrator shall have the authority to permit or require the Participant to secure any promissory note used to exercise an Option with the shares of Stock acquired upon the exercise of the Option or with other collateral acceptable to the Company. Unless otherwise provided by the Administrator, if the Company at any time is subject to the regulations promulgated by the Board of Governors of the Federal Reserve System or any other governmental entity affecting the extension of credit in connection with the Company's securities, any promissory note shall comply with such applicable regulations, and the Participant shall pay the unpaid principal and accrued interest, if any, to the extent necessary to comply with such applicable regulations.

ARTICLE V.
STOCK AND OTHER STOCK-BASED AND COMBINATION AWARDS

Section 1. *Grants of Other Stock-Based Awards.* The Administrator, at any time and from time to time while the Plan is in effect, may grant Other Stock-Based Awards to such Employees or other eligible individuals as it may select. Such Plan Awards pursuant to which Stock is or may in the future be acquired, or Plan Awards valued or determined in whole or part by reference to or otherwise based on Stock, may include, but are not limited to, awards of restricted Stock or Plan Awards denominated in the form of "stock units", grants of so-called "phantom stock" and options containing terms or provisions differing in whole or in part from Options granted pursuant to Article IV of the Plan. Other Stock-Based Awards may be granted either alone, in addition to, in tandem with or as an alternative to any other kind of Plan Award, grant or benefit granted under the Plan or under any other employee plan of the Company or Subsidiary, including a plan of any acquired entity. Each Other Stock-Based Award shall be evidenced by an Award Agreement in such form as the Administrator may determine.

Section 2. *Terms and Conditions.* Subject to the provisions of the Plan, the Administrator shall have the authority to determine the time or times at which Other Stock-Based Awards shall be made, the number of shares of Stock or stock units and the like to be granted or covered pursuant to such Plan Awards (subject to the provisions of Article III of the Plan) and all other terms and conditions of such Plan Awards, including, but not limited to, whether such Plan Awards shall be subject to the attainment of Performance Goals, and whether such Plan Awards shall be payable or paid in cash, Stock or otherwise.

Section 3. *Consideration for Other Stock-Based Awards.* In the discretion of the Administrator, any Other Stock-Based Award may be granted as a Stock bonus for no consideration other than services rendered.

Section 4. *Dividend Equivalents on Plan Awards.*

(a) The Administrator may determine that a Participant to whom an Other Stock-Based Award is granted shall be entitled to receive payment of the same amount of cash that such Participant would have received as cash dividends if, on each record date during the performance or restriction period relating to such Plan Award, such Participant had been the holder of record of a number of shares of Stock subject to the Award (as adjusted pursuant to Article IX of the Plan). Any such payment may be made at the same time as a dividend is paid or may be deferred until such later date as is determined by the Administrator in its sole discretion. Such cash payments are hereinafter called “dividend equivalents”.

(b) Notwithstanding the provisions of Section 4(a) of this Article V, the Administrator may determine that, in lieu of receiving all or any portion of any such dividend equivalent in cash, a Participant shall receive an award of whole shares of Stock having a Fair Market Value approximately equal to the portion of such dividend equivalent that was not paid in cash. Certificates for shares of Stock so awarded may be issued as of the payment date for the related cash dividend or may be deferred until a later date, and the shares of Stock covered thereby may be subject to the terms and conditions of the Plan Award to which it relates (including but not limited to the attainment of any Performance Goals) and the terms and conditions of the Plan, all as determined by the Administrator in its sole discretion.

ARTICLE VI AWARDS TO PARTICIPANTS OUTSIDE OF THE UNITED STATES

In order to facilitate the granting of Plan Awards to Participants who are foreign nationals or who reside or work outside of the United States of America, the Administrator may provide for such special terms and conditions, including without limitation substitutes for Plan Awards, as the Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Such substitutes for Plan Awards may include a requirement that the Participant receive cash, in such amount as the Administrator may determine in its sole discretion, in lieu of any Plan Award or share of Stock that would otherwise have been granted to or delivered to such Participant under the Plan. The Administrator may approve any supplements to, or amendments, restatements or alternative versions of the Plan as it may consider necessary or appropriate for purposes of this Article VI without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary or other appropriate Officer of the Company may certify any such documents as having been approved and adopted pursuant to properly delegated authority; provided, however, that no such supplements, amendments, restatements or alternative versions shall include any provision that is inconsistent with the terms of the Plan as then in effect. Participants subject to the laws of a foreign jurisdiction may request copies of, or the right to view, any materials that are required to be provided by the Company pursuant to the laws of such jurisdiction.

ARTICLE VII.
PAYMENT OF PLAN AWARDS AND CONDITIONS THEREON

Section 1. *Issuance of Shares*. Certificates for shares of Stock issuable pursuant to a Plan Award shall be issued to and registered in the name of the Participant who received such Award. The Administrator may require that such certificates bear such restrictive legend as the Administrator may specify and be held by the Company in escrow or otherwise pursuant to any form of agreement or instrument that the Administrator may specify. If the Administrator has determined that deferred dividend equivalents shall be payable to a Participant with respect to any Plan Award pursuant to Article V Section 4 of the Plan, then concurrently with the issuance of such certificates, the Company shall deliver to such Participant a cash payment or additional shares of Stock in settlement of such dividend equivalents.

Section 2. *Substitution of Shares*. Notwithstanding the provisions of this Article VII Section 2 or any other provision of the Plan, the Administrator may specify that a Participant's Plan Award shall not be represented by certificates for shares of Stock but shall be represented by rights approximately equivalent (as determined by the Administrator) to the rights that such Participant would have received if certificates for shares of Stock had been issued in the name of such Participant in accordance with Section 1 of this Article VII (such rights being called "Stock Equivalents"). Subject to the provisions of Article IX of the Plan and the other terms and provisions of the Plan, if the Administrator shall so determine, each Participant who holds Stock Equivalents shall be entitled to receive the same amount of cash that such Participant would have received as dividends if certificates for shares of Stock had been issued in the name of such Participant pursuant to Section 1 of this Article VII covering the number of shares equal to the number of shares to which such Stock Equivalents relate. Notwithstanding any other provision of the Plan to the contrary, the Stock Equivalents may, at the option of the Administrator, be converted into an equivalent number of shares of Stock or, upon the expiration of any restriction period imposed on such Stock Equivalents, into cash, under such circumstances and in such manner as the Administrator may determine.

Section 3. *Cooperation*. Anything contained in the Plan to the contrary notwithstanding, if the employment of any Participant shall terminate, for any reason other than death, while any Plan Award granted to such Participant is outstanding hereunder, and such Participant has not yet received the Stock covered by such Plan Award or otherwise received the full benefit of such Plan Award, such Participant, if otherwise entitled thereto, shall receive such Stock or benefit only if, during the entire period from the date of such Participant's termination to the date of such receipt, such Participant shall have made himself or herself available, upon request, at reasonable times and upon a reasonable basis, to consult with, supply information to, and otherwise cooperate with the Company; provided, however, that the failure to comply with such condition may at any time (whether before, at the time of or subsequent to termination of employment) be waived by the Administrator upon its determination that in its sole judgment there shall not have been and will not be any such substantial adverse effect.

Section 4. *Tax and Other Withholding*. Prior to any distribution of cash, Stock or any other benefit available under a Plan Award (including payments under Article V Section 4 and Article VII Section 2 of the Plan) to any Participant, appropriate arrangements (consistent with the Plan and any rules adopted hereunder) shall be made for the payment of any taxes and other amounts required to be withheld by federal, state or local law.

Section 5. *Substitution*. The Administrator, in its sole discretion, may substitute a Plan Award for another outstanding Plan Award or Plan Awards of the same or different type, so long as the substituted Plan Award is substantially equivalent in value to the outstanding Award for which the substitution is being made and so long as such substitution complies with Section 409A of the Code.

**ARTICLE VIII.
NON-TRANSFERABILITY OF PLAN AWARDS**

Section 1. *Restrictions on Transfer of Awards*. To the extent required by applicable law, during the lifetime of the Participant, Plan Awards shall be exercisable only by the Participant or the Participant's guardian or legal representative. No Plan Award shall be assignable or transferable by the Participant, except by will or by the laws of descent and distribution or as specifically provided in the terms of the Award Agreement or as provided in a domestic relations order issued by a court of competent jurisdiction.

Section 2. *Attachment and Levy*. No Plan Award shall be subject, in whole or in part, to attachment, execution or levy of any kind, and any purported transfer in violation hereof shall be null and void. Without limiting the generality of the foregoing, no domestic relations order purporting to authorize a transfer of a Plan Award, or to grant to any person other than the Participant the authority to exercise or otherwise act with respect to a Plan Award, shall be recognized as valid.

**ARTICLE IX.
ADJUSTMENTS TO AWARDS**

In the event that the Administrator shall determine that any dividend or other distribution (whether in the form of cash, Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Stock or other securities of the Company, issuance of warrants or other rights to purchase Stock or other securities of the Company, or other similar corporate transaction or event affects the Stock such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Administrator may, in such manner as it may deem equitable and subject to compliance with Section 409A of the Code (or any successor provision thereto), adjust any or all of (a) the number and type of Stock subject to the Plan and which thereafter may be made the subject of Awards under the Plan, (b) the number and type of Stock subject to outstanding Awards, and (c) the grant, purchase, or exercise price with respect to any Award, or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, however, in each case, that with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b) of the Code (or any successor provision thereto); and provided further that the number of shares of Stock subject to any Award payable or denominated in Stock shall always be a whole number. Such adjustments shall be determined by the Administrator, and its determination shall be final, binding and conclusive.

**ARTICLE X.
UNFUNDED STATUS OF THE PLAN**

Unless otherwise determined by the Administrator, the Plan shall be unfunded and shall not create (or be construed to create) a trust or a separate fund or funds. The Plan shall not establish any fiduciary relationship between the Company and any Participant, any Non-Employee Director, or other Person. To the extent any Person holds any right by virtue of a grant under the Plan, such right (unless otherwise determined by the Administrator) shall be no greater than the right of an unsecured general creditor of the Company.

**ARTICLE XI.
RIGHTS AS A STOCKHOLDER**

A Participant shall not have any rights as a stockholder with respect to any share covered by any Plan Award until such Participant shall have become the holder of record of such share.

**ARTICLE XII.
COMPLIANCE WITH SECURITIES LAW.**

The grant of Awards and the issuance of shares of Stock upon exercise of Awards shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. Awards may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised unless (a) a registration statement under the Securities Act shall at the time of exercise of the Award be in effect with respect to the shares issuable upon exercise of the Award or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of any Award, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

**ARTICLE XIII.
TERM, AMENDMENT, MODIFICATION AND
TERMINATION OF THE PLAN AND AGREEMENTS**

Section 1. *Term.* Unless the Plan is terminated earlier pursuant to Section 2 of this Article XII, no Incentive Stock Options may be granted under the Plan after ten (10) years from the earlier of the date the Plan is adopted by the Board or the date the Plan is duly approved by the stockholders of the Company.

Section 2. *Amendment, Modification and Termination of Plan.* The Board may, at any time, amend or modify the Plan or any outstanding Plan Award, including without limitation, to authorize the Administrator to make Plan Awards payable in other securities or other forms of property of a kind to be determined by the Administrator, and such other amendments as may be necessary or desirable to implement such Plan Awards, and may terminate the Plan or any provision thereof; provided, however, that no amendment shall be made without the approval of the stockholders of the Company if such approval would be required by the Code, any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. Neither the Board or Administrator shall “reprice” or diminish or decrease the consideration required to exercise an outstanding Option without stockholder approval. Subject to the provisions of Section 3 of this Article XII, the Administrator may, at any time and from time to time, amend or modify any outstanding Plan Award to the extent not inconsistent with the terms of the Plan. Neither the Board or Administrator shall “reprice” or diminish or decrease the consideration required to exercise an outstanding Option without stockholder approval, except for the equitable adjustments permitted by Article IX to prevent dilution or enlargement of benefits.

Section 3. *Limitation.* Subject to the provisions of Section 5 of this Article XII, no amendment to or termination of the Plan or any provision hereof, and no amendment or cancellation of any outstanding Plan Award, by the Board, the Administrator or the stockholders of the Company, shall, without the written consent of the affected Participant, adversely affect any outstanding Plan Award.

Section 4. *Survival.* The Administrator’s authority to act with respect to any outstanding Plan Award and the Board’s authority to amend the Plan shall survive termination of the Plan.

Section 5. *Amendment for Changes in Law .* Notwithstanding the foregoing provisions, the Board and Administrator shall have the authority to amend outstanding Plan Awards and the Plan to take into account changes in law and tax and accounting rules as well as other developments, and to grant Plan Awards that qualify for beneficial treatment under such rules, without stockholder approval (unless otherwise required by law or the applicable rules of any securities exchange on which the Stock is then traded) and without Participant consent.

**ARTICLE XIV.
INDEMNIFICATION AND EXCULPATION**

Section 1. *Indemnification.* Each person who is or shall have been a member of the Board and the Administrator shall be indemnified and held harmless by the Company against and from

any and all loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be or become a party or in which such person may be or become involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof (with the Company's written approval) or paid by such person in satisfaction of a judgment in any such action, suit or proceeding, except a judgment in favor of the Company based upon a finding of such person's lack of good faith; subject, however, to the condition that, upon the institution of any claim, action, suit or proceeding against such person, such person shall in writing give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's behalf. The foregoing right of indemnification shall not be exclusive of any other right to which such person may be entitled as a matter of law or otherwise, or any power that the Company may have to indemnify or hold such person harmless.

Section 2. *Exculpation*. Each member of the Board and the Administrator, and each Officer and Employee of the Company, shall be fully justified in relying or acting in good faith upon any information furnished in connection with the administration of the Plan by any appropriate person or persons other than such person. In no event shall any person who is or shall have been a member of the Board, or the Administrator, or an Officer or Employee of the Company, be held liable for any determination made or other action taken or any omission to act in reliance upon any such information, or for any action (including the furnishing of information) taken or any failure to act, if in good faith.

**ARTICLE XV.
EXPENSES OF PLAN**

The entire expense of offering and administering the Plan shall be borne by the Company and any participating Subsidiary; provided, that the costs and expenses associated with the redemption or exercise of any Plan Award, including but not limited to commissions charged by any agent of the Company, may be charged to the Participants.

**ARTICLE XVI.
FINALITY OF DETERMINATIONS**

Each determination, interpretation, or other action made or taken pursuant to the provisions of the Plan by the Board or the Administrator shall be final and shall be binding and conclusive for all purposes and upon all persons, including, but without limitation thereto, the Company, any Subsidiary, the stockholders, the Administrator, Directors, Officers, and Employees of the Company and any Subsidiary, the Participants, and their respective successors in interest.

**ARTICLE XVII.
NO RIGHTS TO CONTINUED EMPLOYMENT OR TO PLAN AWARD**

Section 1. *No Right to Employment* . Nothing contained in this Plan, or in any booklet or document describing or referring to the Plan, shall be deemed to confer on any Participant the right to continue as an Employee of the Company or any Subsidiary, whether for the duration of any performance period, restriction period, or vesting period under a Plan Award, or otherwise, or affect the right of the Company or Subsidiary to terminate the employment of any Participant for any reason.

Section 2. *No Right to Award*. No Employee or other person shall have any claim or right to be granted a Plan Award under the Plan. Receipt of an Award under the Plan shall not give a Participant or any other person any right to receive any other Plan Award under the Plan. A Participant shall have no rights in any Plan Award, except as set forth herein and in the applicable award agreement.

**ARTICLE XVIII.
GOVERNING LAW AND CONSTRUCTION**

The Plan and all actions taken hereunder shall be governed by, and the Plan shall be construed in accordance with, the laws of the state of Utah without regard to principles of conflict of laws. Titles and headings to Sections are for purposes of reference only, and shall in no way limit, define or otherwise affect the meaning or interpretation of the Plan.

INCONTACT, INC.
STOCK OPTION AGREEMENT

The undersigned Employee (the "Optionee") is an individual who has accepted an engagement to render valuable services to inContact, Inc. (the "Company") or one or more Subsidiaries, and this Stock Option Agreement (the "Agreement") is entered as an inducement to the Optionee to perform services for the Company. This is the "Agreement" referenced in Notice of Grant of Stock Option (the "Grant Notice") given by the Company to the Optionee. Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in Section 12 of this Agreement.

NOW, THEREFORE, it is hereby agreed as follows:

- 1. Grant of Option.** Subject to and upon the terms and conditions set forth in this Agreement, the Company made a grant to Optionee as of the grant date specified in the Grant Notice of an option to purchase up to that number of shares (the "Option Shares") of the Company's Stock specified in the Grant Notice. Such Option Shares shall be purchased from time to time during the option term at the exercise price (the "Exercise Price") specified in the Grant Notice.
- 2. Option Term.** The option shall expire at the close of business on the expiration date (the "Expiration Date") specified in the Grant Notice, unless sooner terminated in accordance with Paragraph 5 or 6.
- 3. Limited Transferability.** The option shall be exercisable only by Optionee during Optionee's lifetime and shall not be transferable or assigned by Optionee other than by will or by the laws of descent and distribution following Optionee's death.
- 4. Exercisability.** The option shall become exercisable for the Option Shares in accordance with the installment schedule specified in the Grant Notice. As the option becomes exercisable for one or more installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the option term hereunder. Except as provided in the Grant Notice, the option shall not become exercisable for any additional Option Shares following Optionee's cessation of Service.

(a) Any further conditions for exercise of the option set forth in the provisions of the Grant Notice are a part of this Agreement.

(b) Subject to earlier termination of the Option as otherwise provided herein and unless otherwise provided by the Company in the Grant Notice, the Option shall be exercisable after the Optionee's cessation of Service to the extent it is then vested and only during the applicable time period determined in accordance with this Section 4 and thereafter shall terminate:

(i) *Disability*. If the Optionee's Service terminates because of the Disability of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee (or the Optionee's guardian or legal representative) for a period of six (6) months after the date on which the Optionee's Service terminated, but in any event no later than the Expiration Date of the Option.

(ii) *Death*. If the Optionee's Service terminates because of the death of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee's legal representative or other person who acquired the right to exercise the Option by reason of the Optionee's death for a period of one (1) year after the date on which the Optionee's Service terminated, but in any event no later than the Expiration Date of the Option. The Optionee's Service shall be deemed to have terminated on account of death if the Optionee dies within three (3) months after the Optionee's termination of Service because of Disability of the Optionee.

(iii) *Termination for Cause*. Notwithstanding any other provision of this Agreement to the contrary, if the Optionee's Service with the Company is terminated for Cause, the Option shall terminate and cease to be exercisable immediately upon such termination of Service.

(iv) *Other Termination of Service*. If the Optionee's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable by the Optionee on the date on which the Optionee's Service terminated, may be exercised by the Optionee for a period of thirty (30) days after the date on which the Optionee's Service terminated, but in any event no later than the Expiration Date of the Option.

(c) Notwithstanding the foregoing other than termination for Cause, if the exercise of an Option within the applicable time periods set forth in this Section 4 is prevented by the provisions of this Section 4, the Option shall remain exercisable until three (3) months (or such longer period of time as determined by the Company, in its discretion) after the date the Optionee is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date.

(d) The number of Option Shares purchasable upon the exercise of this option and the Option Price per share shall be subject to adjustment from time to time subject to the following terms. If the outstanding shares of Stock of the Company are increased, decreased, changed into or exchanged for a different number or kind of shares of the Company through reorganization, recapitalization, reclassification, stock dividend, stock split or reverse stock split, the Company or its successors and assigns shall make an appropriate and proportionate adjustment in the number or kind of shares, and the per-share Exercise Price thereof, which may be issued to the Optionee under this Agreement upon exercise of the option. The purchase rights represented by the option shall not be exercisable with respect to a fraction of a share of Stock. Any fractional share of Stock arising from the dilution or other adjustment in the number of Option Shares shall be rounded up to the nearest whole share.

(e) The grant of the Option and the issuance of Option Shares upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. The Option may not be exercised if the issuance of the Option Shares upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Award be in effect with respect to the Option Shares or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any Option Shares shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Optionee to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

5. Privilege of Stock Ownership. The Optionee and its successors shall not have any of the rights of a stockholder with respect to the Option Shares until the option has been exercised and the Exercise Price for the purchased Option Shares paid.

6. Exercising Option. In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or in the case of exercise after Optionee's death, Optionee's executor, administrator, heir or legatee, as the case may be) must take the following actions and otherwise comply with the requirements of the Company:

(a) Deliver to the Corporate Secretary of the Company an executed notice of exercise in substantially the form of Exhibit I to this Agreement (the "Exercise Notice") in which there is specified the number of Option Shares which are to be purchased under the exercised option.

(b) Pay the aggregate Exercise Price for the purchased shares through one or more of the following alternatives, subject to any limitations or restrictions specified by the Company:

(i) full payment in cash or by check made payable to the Company's order;

(ii) full payment in shares of Stock held for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes and valued at fair market value on the Exercise Date;

(iii) full payment through a combination of shares of Stock held for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes and valued at fair market value on the Exercise Date and cash or check payable to the Company's order; or

(iv) full payment effected through a broker-dealer sale and remittance procedure pursuant to which Optionee shall provide concurrent irrevocable written instructions (i) to a brokerage firm acceptable to the Company to effect the immediate sale of the purchased shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased Option Shares plus all applicable Federal, state and local income and employment taxes required to be withheld in connection with such purchase and (ii) to the Company to deliver the certificates for the purchased Option Shares directly to such brokerage firm in order to complete the sale transaction.

7. Governing Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the state of Utah without resort to that state's conflict-of-laws provisions.

8. No Employment/Service Contracts. Nothing in this Agreement confer upon Optionee any right to continue in the Service of the Company (or any Subsidiary employing or retaining Optionee) for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any such Subsidiary) or Optionee, which rights are hereby expressly reserved by each party, to terminate Optionee's Service at any time for any reason whatsoever, with or without cause.

9. Notices. Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company in care of the Company Secretary at the Company's principal offices at 7730 S. Union Park Ave., Suite 500, Salt Lake City, UT 84047. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address listed in the Company's employment records as the address for delivery of the Optionee's Form W-2 or Form 1099, as applicable. All notices shall be deemed to have been given or delivered upon personal delivery or upon deposit in the U. S. Mail, by registered or certified mail, postage prepaid and properly addressed to the party to be notified.

10. Construction. All decisions of the Company with respect to any question or issue arising under this Agreement shall be conclusive and binding on all persons having an interest in this option.

11. Tax Obligations. The Option is not a qualified option within the meaning of Section 422 of the Code. Accordingly, Optionee shall make appropriate arrangements with the Company or any Subsidiary employing Optionee for the satisfaction of all Federal, state or local income and employment tax withholding requirements applicable to the exercise of the option before the Company shall have any obligation to issue Option Shares to the Option following exercise of the option.

12. Definitions. The following terms shall have the following respective meanings unless the context requires otherwise:

(a) The term “*Cause*” means, unless such term or an equivalent term is otherwise defined in the Grant Notice or written contract of employment or service, any of the following: (i) the Optionee’s theft, dishonesty, willful or reckless misconduct, breach of fiduciary duty, or falsification of any Company documents or records; (ii) the Optionee’s material failure to abide by the Company’s code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Optionee’s unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of the Company (including, without limitation, the Optionee’s improper use or disclosure of the Company’s confidential or proprietary information); (iv) any intentional act by the Optionee which has a material detrimental effect on the Company’s reputation or business; (v) the Optionee’s repeated failure or inability to perform any reasonable assigned duties after written notice from the Company of, and a reasonable opportunity to cure, such failure or inability; (vi) any material breach by the Optionee of any employment or service agreement between the Optionee and the Company, which breach is not cured pursuant to the terms of such agreement; or (vii) the Optionee’s conviction (including any plea of guilty or *nolo contendere*) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Optionee’s ability to perform its duties with the Company.

(b) The term “*Code*” means the Internal Revenue Code of 1986, or any successor thereto, as the same may be amended and in effect from time to time.

(c) The term “*Disability*” means the inability of the Optionee, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of the Optionee’s position with the Company because of the sickness or injury of the Optionee.

(d) The term “*Service*” means the Optionee’s employment or service with the Company, whether in the capacity of an employee or a consultant. The Optionee’s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Optionee renders Service to the Company or a change in the Company for which the Optionee renders such Service, provided that there is no interruption or termination of the Optionee’s Service. Furthermore, the Optionee’s Service shall not be deemed to have terminated if the Optionee takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, a leave of absence shall not be treated as Service for purposes of determining vesting under the Grant Notice. The Company, in its discretion, shall determine whether the Optionee’s Service has terminated and the effective date of and reason for such termination.

(e) The term “*Securities Act*” means the Securities Act of 1933, or any successor thereto, as the same may be amended and in effect from time to time.

(f) The term “*Stock*” means shares of the Company’s common stock, par value \$0.0001 per share.

(g) The term “*Subsidiary*” means any “*subsidiary corporation* ” within the meaning of Section 424(f) of the Code.

ACCEPTED AND AGREED as of the _____ day of July 2012.

The Company

By _____
Duly Authorized Officer
inContact, Inc.

The Optionee

Signature _____
Print Name _____

FORM OF PURCHASE
(to be signed only upon exercise of Option)

TO: inContact, Inc.

The Optionee, holder of the attached option, hereby irrevocable elects to exercise the purchase rights represented by the option for, and to purchase thereunder, _____ shares of common stock, par value \$0.0001 per share, of inContact, Inc., and herewith makes payment therefor, and requests that the certificate(s) for such shares be delivered to the Optionee at:

The Optionee agrees and acknowledges that this purported exercise of the option is conditioned on, and subject to, any compliance with requirements of applicable federal and state securities laws deemed necessary by the Company, and to Optionee's satisfaction of all Federal, state or local income and employment tax withholding requirements applicable to this exercise.

DATED this _____ day of _____, _____.

Signature



Code of Ethics

EFFECTIVE DATE: JUNE 7, 2007 (REVISED August 7, 2012)

INTRODUCTION

The purpose of the Code of Ethics (the “Code”) is to deter wrongdoing and promote ethical conduct. inContact’s Code of Ethics helps maintain the standards of business conduct and ensures compliance with legal requirements, specifically Section 406 of the Sarbanes-Oxley Act of 2002, and the SEC rules promulgated there under. The matters covered in this Code are of the utmost importance to the Company, our shareholders and our business partners. Further, these are essential so that we can conduct our business in accordance with our business values. The Code is applicable to all employees (nationally and internationally), and also to the Board of Directors. Furthermore, the Company expects contractors, consultants, agents, representatives and others conducting business with, or on behalf, of the Company to conform to the standards requirements set forth in the Code for Company employees. Nothing in this Code of Ethics shall be construed to deem the relationship of consultant or contract worker to inContact as anything except an independent contractor to inContact.

Ethical business conduct is critical to our business. Accordingly, all employees are expected to read and understand this Code, uphold these standards in day-to-day activities, and comply with: all applicable laws; rules and regulations; any code of conduct the Company may adopt from time to time; and all applicable policies and procedures adopted by the Company that govern the conduct of its employees.

Because the principles described in this Code are general in nature, questions about specific matters or issues should be directed to the CEO, CFO, or Chairman of the Company’s Audit Committee.

Nothing in this Code, in any Company policies and procedures, or in other related communications (verbal or written), creates or implies an employment contract or term of employment.

Employees are required at the time of employment to acknowledge that they have received, read and understood, and agree to comply with, the Code.

HONEST AND ETHICAL CONDUCT

We expect all employees to act in accordance with the highest standards of personal and professional integrity, honesty and ethical conduct, while working on the Company’s premises, at offsite locations where the Company’s business is being conducted, at Company sponsored business and social events, or at any other place where employees are representing the Company. Regardless of your position, you are an ambassador of inContact and should behave accordingly.

We consider honest conduct to be conduct that is free from fraud, deception or theft. We consider ethical conduct to be conduct conforming to the accepted professional standards of conduct. Ethical conduct includes the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

In all cases, if you are unsure about the appropriateness of an event or action, please seek assistance in interpreting the requirements of these practices.

CONFLICTS OF INTEREST

An employee's duty to the Company demands that he or she avoids and discloses actual and apparent conflicts of interest. A conflict of interest exists where the interests or benefits of one person or entity conflict with the interests or benefits of the Company. Examples include:

- A. Employment/ Outside Employment. In consideration of employment with the Company, employees who are employed by the Company on a full time basis are expected to devote their full attention to the business interests of the Company. All employees are prohibited from engaging in any activity that interferes with their performance or responsibilities to the Company, or is otherwise in conflict with or prejudicial to the Company. Our policy is to prohibit all employees from taking simultaneous employment with suppliers, customers, developers or competitors of the Company or from taking part in any activity that enhances or supports a competitor's position. Additionally, employees must disclose to the Company's Audit Committee, any interest that they have that may conflict with the business of the Company.
- B. Acceptance of gifts, payment or commissions. As the general rule, employees can accept a gift from non-governmental customers, suppliers or business partners if it is unsolicited, inexpensive and not given to influence your judgment. Otherwise, an employee should decline the gift and explain the Company's policy to the gift-giver. Employees should consult their supervisor if there is any question about a gift. Employees may provide reasonable (not lavish) entertainment and meals to non-governmental customers, suppliers or other business partners, provided that the entertainment is related to a proper business purpose, that it is not being offered to influence the recipient's business decision, and that it is permitted under applicable laws, regulations, and rules. Similarly, employees should consult their supervisor before accepting an invitation for entertainment that seems lavish or excessive. Gifts and entertainment for officials and employees of governments, whether in the U.S. or elsewhere, are highly regulated and often prohibited. It is the Company's policy that employees and agents should never provide government officials with gifts, entertainment or meals, or cover travel-related expenses of those officials, without satisfying all applicable Company policies and procedures for those types of payments. The Company has developed more detailed guidelines on the application of this policy, which the Company may change from time to time as it gains experience with the application of this policy to specific circumstances. InContact employees are required to familiarize themselves with the guidelines, and a violation of those guidelines will be treated as a violation of this policy.

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- C. Business interests. If an employee is considering investing in any customer, supplier, developer or competitor of the Company, he or she must first take care to ensure that these investments do not compromise their responsibilities to the Company.
- Our policy is that employees should not hold an ownership interest (of stock, partnership interests, etc.) in any customer, supplier, developer or competitor of the Company in excess of 5% in a publicly traded entity or, in the case of a non-public entity, having a fair market value in excess of \$25,000, unless such interest is demonstrably not material.
- It is our policy that approval be obtained from the Company's Audit Committee prior to making an investment exceeding the foregoing limits. Many factors should be considered when determining whether a conflict exists, including the size and nature of the investment; the employee's ability to influence the Company's decisions; his or her access to confidential information of the Company or the other company; and the nature of the relationship between the Company and the other company.
- D. Related parties. Employees should avoid conducting Company business with a relative or with a business in which a relative is associated in any significant role and should be careful not to disclose confidential or proprietary information. Employees should refrain from purchasing or offering services to a firm owned or controlled by an officer, director, employee, or his/her family. Relatives are defined as spouse, siblings, children, parents, grandparents, grandchildren, aunts, uncles, nieces, nephews, cousins, step relationships, and in-laws. Further, the Company prohibits employment of such individuals in position that have financial dependence or influence (e.g. an auditing or control relationship or a supervisor / subordinate relationship).
- E. Ownership in a client or supplier. Employees should refrain from ownership or substantial interest in a competitor, client or supplier.
- F. Outside Directorships. It is a conflict of interest to serve as a director of any company that competes with the Company. Employees must first obtain approval from the Company's Corporate Governance and Nominating Committee prior to accepting a directorship.
- G. Corporate Opportunities. Employees may not exploit for their own personal gain, opportunities that are discovered through the use of corporate property, information or position, unless the opportunity is disclosed fully in writing to the Company's Board of Directors and the Board of Directors declines to pursue such opportunity.

H. Other Situations. Because other conflicts of interest may arise, it would be impractical to attempt to list all possible situations. If a proposed transaction or situation raises any questions or doubts, please contact the CEO, CFO or the Chairman of the Audit Committee or report the violation using the company's whistle blowing site.

Employees are under a continuing obligation to disclose any situation that may present a conflict of interest between an officer, director, or employee and inContact. Disclosure of any potential conflict is required to remain in full compliance with this policy. If a proposed transaction or situation raises any questions or doubts, employees must consult the CEO or CFO or, in the case of the CEO or CFO, the Chairman of the Audit Committee.

COMPLIANCE WITH GOVERNMENTAL LAWS, RULES AND REGULATIONS

Employees must comply with all applicable governmental laws, rules and regulations when conducting business. Employees should compete fairly and ethically for all business opportunities. In situations where there is reason to believe that the release or receipt of non-public information is unauthorized, employees should not attempt to obtain or accept such information.

We acknowledge and respect the diverse cultures, customs, and business practices we encounter in the global marketplace. Employees must comply with applicable U.S. international laws, and local laws, rules and regulations of countries wherever we do business. Employees must be familiar with the all laws that impact their work, whether in their direct, or supervisory, capacity. Cultural differences or local laws and customs may require a different interpretation of this Code, or may conflict with U.S. law. If either of these situations arises, employees must seek advice from their supervisor or the Audit Committee before taking any action.

Employees have a responsibility to abide by law designed to promote free and fair competition. Generally, these laws prohibit: (i) arrangements with competitors that restrain trade in some way, (ii) abuse of intellectual property, and (iii) use of market power to unfairly disadvantage competitors. Employees have a responsibility to avoid the appearance of impropriety regarding these laws. Employees must notify their supervisor or the Audit Committee if they suspect anyone in the Company is violating competition laws.

Employees must also comply with all applicable trade restrictions and boycotts imposed by the U.S. government. Such restrictions may prohibit the Company from engaging in business activities with specified countries, individuals, or entities. The Company, and employees, must also abide by U.S. anti-boycott laws that prohibit companies from participating in any international boycott not sanctioned by the U.S. government.

Employees have a responsibility to avoid even the appearance of speculative or insider trading activities. Inside information is typically described as pending company transactions, corporate finance activity, mergers or acquisitions, unannounced earnings and financial results or other significant developments affecting the Company. inContact employees are required to familiarize themselves with, and comply with the Company's Insider Trading and Black-out Policy, as published on the corporate intranet site. Noncompliance with the Insider Trading and Black-out Policy or otherwise using nonpublic information to buy or sell stock, or to pass it along to others so that they may do so, will be treated as a violation of the Code of Ethics.

Employees are expected to acquire appropriate knowledge of the legal requirements relating to their duties sufficient to enable them to recognize potential dangers, and to know when to seek advice from their supervisor or the Audit Committee. Violations of applicable governmental laws, rules and regulations may subject employees to individual criminal or civil liability, as well as to disciplinary action by the Company.

BRIBERY POLICY

We aim to ensure that our business activities are conducted in a fair, honest, and ethical manner. Employees are expected to uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which the Company operates. Bribery of public officials in the U.S. and abroad is illegal under both U.S. law and the local law of the countries in which inContact operates. This includes offering or giving anything of value to a government official, or third parties expected to pass to government officials, for the purpose of obtaining or retaining business, or to secure any improper advantage. This is true even in countries where it seems that payments to government officials are a normal part of doing business. We take a zero-tolerance approach to any form of corruption. The Company's zero-tolerance approach encompasses not just its internal systems and process, but all of its dealings with external parties wherever they may be based.

In the course of any of the Company's business activities, the Company does not endorse any form of fraud or corruption by employees. We fully endorse all applicable anti-bribery legislation, including the US Foreign Corrupt Practices Act and the UK Bribery Act 2010, which applies to the Company's business activities.

PROTECTION OF COMPANY ASSETS

Employees have a responsibility to ensure the protection and safeguarding of Company assets and proprietary information including but not limited to: customer information, agent information, unreleased product developments or technologies, trade secrets, financial information, operational databases, network security, computer equipment, furniture, etc. Employees should always use Company property in accordance with the corporate policy and should make every effort not to waste, abuse, or jeopardize the value of the asset. Without specific authorization, no employee may take, loan, sell, damage, dispose or make available company property or proprietary information for personal or non-company purposes.

Before sharing critical company information with outside parties, employees should evaluate whether a Non-Disclosure Agreement should be completed before proceeding so as to protect the Company's information from unauthorized use.

DOCUMENT MAINTENANCE AND RETENTION

Employees should make every effort possible to maintain and retain preservation of financial records and agreements in accordance with the Company's Documentation Retention Policy retention periods. Financial information should be electrically archived and accessible where possible and properly stored and labeled. Under no circumstances may Company records be destroyed selectively or maintained outside Company premises or designated storage facilities.

Employees should take proper care to properly dispose of working customer lists, collection information, development documentation, product information, unpublished financial information, etc. If you are unsure whether a document should be maintained and stored or disposed of, please contact either your direct supervisor or the Compliance Department.

VIOLATIONS OF THE CODE

Employees should be alert to possible violations and report such violations to the Internal Control Officer, CEO, or CFO, or in the case of the CEO or CFO, the Chairman of the Audit Committee, or through the whistle blowing services. Employee will be expected to cooperate in any internal or external investigations of possible violations. Reprisal, threat, retribution or retaliation against any person who has, in good faith, reported a violation or a suspected violation of law, this Code or other Company policies, or against any person who is assisting in any investigation or process with respect to such a violation, is prohibited.

Actual violations of law, this Code, or other Company policies or procedures should be promptly reported to Internal Control Officer, CEO, or CFO or in the case of the CEO or CFO, the Chairman of the Audit Committee.

The Company will take appropriate action against any employee whose actions are found to violate the Code or any other policy of the Company. Disciplinary actions may include immediate termination of employment at the Company's sole discretion. In rare cases, a business case for non-compliance can be established; in all such cases the non-compliance situation must be approved in advance through a risk acceptance process. This process requires a risk acceptance memo from the CEO or CFO, or in case of an officer, by the Audit Committee.

Where the Company has suffered a loss, it may pursue its remedies against the individuals or entities responsible. Where laws have been violated, the Company will cooperate fully with the appropriate authorities.

If you have any questions or concerns, please call:

Your Supervisor,

or

Your Human Resources representative,

or

Anonymously report your concerns through the whistleblower website that you can access through our website at www.incontact.com.

or

Call the whistleblower hotlines toll free number to report your concerns at 1-877-314-3996.

The Guideline is one way for employees, vendors, suppliers, customers, and others to report 1) questionable activities—including questionable accounting or auditing matters; 2) complaints regarding the Company's accounting, internal accounting controls or auditing matters; or 3) to ask for guidance on any work-related issues, or to make the Company aware of any suspected unethical or illegal conduct, or violation at the Company.

The whistleblower hotline and website can be accessed or called any time, day or night, as it is available 24 hours a day, 365 days a year. The Company strictly prohibits any form of retaliation against anyone who reports any suspected wrongful conduct to the Company or any governmental agency. Reports are accepted anonymously, and the confidentiality of all reports will be maintained to the extent possible.

DISCLOSURE TO THE SEC AND THE PUBLIC

Our policy is to provide full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in our other public communications. Accordingly, our officers must ensure that they and others in the Company comply with our disclosure controls and procedures, and our internal controls for financial reporting.

WAIVERS AND AMENDMENTS OF THE CODE

We are committed to continuously reviewing and updating our policies and procedures. Therefore, this Code is subject to modification. Any amendment or waiver of any provision of this Code must be approved in writing and be available for employees to review. Changes will be posted on the Company's website and in applicable regulatory filings pursuant to applicable laws and regulations, together with details about the nature of the amendment or waiver. Any waiver of any provision of these standards for employees other than our CEO, CFO or a director must be approved by both the CEO and CFO, and if required by law, publicly disclosed. Any waiver for our CEO, CFO, or a director may be made only by the Board of Directors or a committee of the Board, and must be promptly disclosed to the Company's shareholders as required by applicable law or securities exchange regulations.

Certification

I, Paul Jarman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for period ended June 30, 2012 of inContact, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods 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 9, 2012

By: /s/ Paul Jarman
Paul Jarman
Chief Executive Officer

Certification

I, Gregory S. Ayers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2012 of inContact, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods 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 9, 2012

By: /s/ Gregory S. Ayers
Gregory S. Ayers
Chief Financial Officer

**Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002.**

In connection with the Quarterly Report of inContact, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Jarman, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (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.

Date: August 9, 2012

By: /s/ Paul Jarman
Paul Jarman
Chief Executive Officer

**Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002.**

In connection with the Quarterly Report of inContact, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory S. Ayers, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (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.

Date: August 9, 2012

By: /s/ Gregory S. Ayers
Gregory S. Ayers
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to inContact, Inc. and will be retained by inContact, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

