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

FORM 8-K

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

Date of Report (Date of earliest event reported): July 25, 2007

CELLULAR TECHNICAL SERVICES COMPANY, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware	0-19437	11-2962080
(State or Other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

20 East Sunrise Highway, Suite 200, Valley Stream, New York	11581
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (516) 568-0100

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On July 25, 2007, Cellular Technical Services Company, Inc., a Delaware corporation (“CTS”), SafeStitch LLC, a Virginia limited liability company and all of the holders of the membership interests (the “Membership Interests”) in SafeStitch LLC (the “SafeStitch Members”) entered into a Share Transfer, Exchange and Contribution Agreement (the “Agreement”) whereby SafeStitch Members will transfer all of their Membership Interests to CTS in consideration for an aggregate of 11,256,369 newly issued shares of common stock of CTS. As a result of the transaction, the SafeStitch Members will receive approximately 70% of the issued and outstanding shares of CTS. Dr. Jane Hsaio and Dr. Philip Frost, each a director of CTS, are also members of SafeStitch LLC.

As a condition to the closing of the transaction, The Frost Group, LLC (the "Frost Group"), an entity controlled by Dr. Philip Frost, shall have agreed to provide a line of credit to CTS of up to $4,000,000 and in connection therewith, the Frost Group transactions contemplated by will receive warrants to acquire 805,521 shares of the common stock of CTS, equal to 5% of CTS shares on a fully diluted basis after giving effect to the transactions contemplated by the Agreement.

Upon the closing of the transactions contemplated by the Agreement, all current CTS directors except Dr. Hsaio and Richard C. Pfenniger will resign and new directors will be appointed.

Item 9.01. Financial Statements and Exhibits.

(a) Not applicable

(b) Not applicable

(c) Not applicable

(d) Exhibits

2.1 Share Transfer, Exchange and Contribution Agreement, dated July 25, 2007, by and among Cellular Technical Services Company, Inc., SafeStitch LLC and the members of SafeStitch LLC

2.2 Note and Security Agreement by and among Cellular Technical Services Company, Inc., SafeStitch LLC and The Frost Group, LLC (Exhibit B to the Share Transfer, Exchange and Contribution Agreement)

2.3 Form of Warrant (Exhibit C to the Share Transfer, Exchange and Contribution Agreement)

2.4 Form of Lock-up Agreement (Exhibit D to the Share Transfer, Exchange and Contribution Agreement)

99.1 Press Release of Cellular Technical Services Company, Inc., dated July 25, 2007, reporting the entering into a Share Transfer, Exchange and Contribution Agreement with SafeStitch LLC and the members of SafeStitch LLC

SIGNATURES

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

Dated: July 30, 2007

CELLULAR TECHNICAL SERVICES COMPANY, INC.

By: /s/ Kenneth Block
Name: Kenneth Block
Title: Chief Financial Officer

Exhibit Index

Exhibit No.	Description
2.1	Share Transfer, Exchange and Contribution Agreement, dated July 25, 2007, by and among Cellular Technical Services Company, Inc., SafeStitch LLC and the members of SafeStitch LLC
2.2	Note and Security Agreement by and among Cellular Technical Services Company, Inc., SafeStitch LLC and The Frost Group, LLC (Exhibit B to the Share Transfer, Exchange and Contribution Agreement)
2.3	Form of Warrant (Exhibit C to the Share Transfer, Exchange and Contribution Agreement)
2.4	Form of Lock-up Agreement (Exhibit D to the Share Transfer, Exchange and Contribution Agreement)
99.1	Press Release of Cellular Technical Services Company, Inc., dated July 25, 2007, reporting the entering into a Share Transfer, Exchange and Contribution Agreement with SafeStitch LLC and the members of SafeStitch LLC

Exhibit 2.1

Execution Copy

SHARE TRANSFER, EXCHANGE AND CONTRIBUTION AGREEMENT

by and among

CELLULAR TECHNICAL SERVICES COMPANY, INC.

and

SAFESTITCH LLC

and

THE MEMBERS OF SAFESTITCH LLC

Dated: July 25, 2007

TABLE OF CONTENTS

SHARE TRANSFER, EXCHANGE AND CONTRIBUTION AGREEMENT

This Share Transfer, Exchange and Contribution Agreement (the "**Agreement**") is made and entered into as of July 25, 2007 by and among (i) CELLULAR TECHNICAL SERVICES COMPANY, INC., a Delaware corporation ("**Parent**"), (ii) SAFESTITCH LLC, a Virginia limited liability company (the "**Company**") and (iii) the members of the Company all of whom are identified on Schedule 1 hereto (the "**Company Members**").

RECITALS

WHEREAS, the parties are entering into this Agreement in connection with and as part of a single transaction whereby Parent is acquiring all of the issued and outstanding Membership Interests in the Company from and all of which are held by, the Company Members, in exchange for an aggregate of 11,256,369 shares of the Common Stock, par value $.01 of Parent ("**Parent Common Stock**") in a transaction intended to qualify as transfers to a controlled corporation under Section 351(a) of the Internal Revenue Code of 1986, as amended and Treasury Regulations thereunder; and

WHEREAS, the Parent desires to acquire from the Company Members, and the Company Members desire to contribute to the Parent, all the Membership Interests in the Company in consideration for the number of shares of Parent Common Stock set forth above; and

WHEREAS, in connection with the foregoing, the Board of Directors of the Parent and the Company Members have declared, with the Board of Directors of Parent having received a fairness opinion from an independent financial advisor or investment banking firm of national reputation and standing, a copy of which has been provided to the Company, which states that the transactions contemplated herein are fair to the shareholders of Parent from a financial point of view, that this Agreement is advisable, fair and in the best interests of Parent's stockholders and the Company Members, respectively, and have approved such transfer, exchange and contribution and upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants, promises and representations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, the parties agree as follows:

ARTICLE I
THE TRANSACTION

1.1 The Transaction(a) . The parties hereto shall effect the transfer, exchange and contribution of all of the issued and outstanding Company Interests (the "**Transaction**"), pursuant to which the Company Members hereby agree to transfer, exchange and contribute to Parent, and Parent hereby agrees to acquire from the Company Members at the Closing (as defined in Section 1.2 hereof), all Membership Interests owned, beneficially and of record, by the Company Members, in consideration for the shares of Parent Common Stock as set forth in Section 2.1(a) hereof. Schedule 1.1 attached hereto sets forth the allocation of the shares of Parent Common Stock among the Company Members.

1.2 Closing Date(a) . Subject to the terms and conditions of this Agreement, the closing of the Transaction and the other transactions contemplated by this Agreement (the "**Closing**") shall take place at the offices of Troutman Sanders LLP, 405 Lexington Avenue, New York, New York, at a time and on a date to be designated by the parties (the time and date upon which the Closing actually occurs being referred to herein as the "**Closing Date**"), which shall be no later than the third business day after the satisfaction or waiver of the conditions set forth in Article VII hereof (other than those conditions which by their terms are to be satisfied or waived as of the Closing). At the Closing, in addition to the other documents and instruments set forth in Article VII hereof, Parent shall deliver to the Company Members (i) stock certificates registered in the name of each Company Member representing the appropriate number of shares of Parent Common Stock to be issued to such Company Member in accordance with the provisions of Section 2.1 and (ii) such other documents and instruments as are reasonably required by the Company to be delivered to the Company Members; and the Company Members shall deliver to Parent (a) duly executed assignment documents with respect to the Company Interests, which Company Interests, in the aggregate, shall equal all of the outstanding Company Interests of the Company as of the Closing Date, free and clear of any and all liens and encumbrances and (b) such other documents and instruments as are reasonably required by Parent to be delivered to Parent.

1.3 Directors; Officers.

(a) Directors of Parent. As of the Closing, in connection with the resignations provided for in Section 5.10 hereof, the Board of Directors of Parent shall be as set forth on **Exhibit A**. At or prior to the Closing, Parent shall take all corporate action necessary to cause the composition of Parent's Board of Directors to be as set forth in such **Exhibit A**.

(b) Directors of the Company. The directors of the Company after the Closing shall be the same as the directors of the Parent.

(c) Officers of Parent; Officers of the Company. Immediately following the Closing, the officers of Parent shall consist of those individuals appointed by the Board of Directors of Parent at the Closing, as detailed in **Exhibit A** attached hereto; and the managers and officers of the Company shall consist of those individuals appointed by the Board of Directors of the Company at the Closing.

1.4 Intent to Qualify as a Tax Free Exchange Under Section 351(a) of the Code(a) . The parties intend that the Transaction shall qualify as a tax-free exchange by the Company Members under Section 351(a) of the Internal Revenue Code of 1986, as amended (the "**Code**").

ARTICLE II
EFFECT ON THE CAPITAL STOCK OF THE CONSTITUENT ENTITIES; EXCHANGE OF CERTIFICATES

2.1 Transfer, Exchange and Contribution of Company Interests.

(a) At the Closing, the Company Members will transfer, exchange and contribute to Parent and Parent will acquire from the Company Members, all issued and outstanding Company Interests in exchange for 11,256,369 fully paid and nonassessable shares of Parent Common Stock, such shares of Parent Common Stock to be allocated to the Company Members pro rata, based on their respective ownership of the Company as set forth in Schedule 1.1.

(b) Upon consummation of the transactions contemplated hereby, all issued and outstanding Company Interests shall be owned, beneficially and of record, by Parent.

(c) Any membership interests of the Company held in the treasury of the Company, if any, each equity security of the Company (other than the Company Interests), if any, any debt or other securities convertible into or exercisable for the purchase of the Company Interests, if any, and securities of the Company held by Parent, if any, issued and outstanding immediately prior to the Closing Date shall be canceled at the Closing Date without payment of any consideration therefore and without any conversion thereof.

2.2 Issuance of Certificates(a) . At the Effective Time, Parent will deliver stock certificates reflecting the Parent Common Stock contemplated to be issued pursuant to Section 2.1 to the Company Members.

2.3 No Further Ownership Rights in Company Interests(a) . The consideration issued in accordance with the terms of this Article II upon exchange of the Company Interests shall be deemed to have been issued in full satisfaction of all rights pertaining to such Company Interests. If, after the Closing, any certificates or other documents formerly representing Company Interests are presented to the Parent for any reason, they shall be canceled and exchanged as provided in this Article II.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE COMPANY MEMBERS

References herein to the Company Disclosure Schedule shall mean all of the disclosure schedules required by this Article III, dated as of the date hereof and referenced to the specific sections and subsections of Article III of this Agreement, which have been delivered on the date hereof by the Company to Parent.

The Company and the Company Members hereby, jointly and severally, represent and warrant to Parent as follows:

3.1 Corporate Organization(a) . The Company is a limited liability company duly organized, validly existing and in good standing, under the laws of the State of Virginia and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. The Company is duly qualified or licensed as a foreign entity to do business, and, where applicable is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities makes such qualification or licensing necessary. The Company does not, directly or indirectly, own any stock or other equity interests in, or act as a general partner or managing member of, any corporation, limited liability company, partnership, joint venture or other legal entity.

3.2 Capitalization.

(a) All members of the Company and their respective Company Interests (the "Company Members") are listed in the Company Disclosure Schedule.

(b) Except as disclosed in the Company's Disclosure Schedule: (i) there are no Company Interests issuable upon exercise of outstanding options or outstanding warrants to purchase Company Interests or upon conversion of convertible securities; (ii) all issued and outstanding Company Interests have been and will be duly authorized and validly issued, are and will be fully paid, nonassessable and free of preemptive rights; and (iii) neither the Company nor any of the Company Members has granted or is bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the transfer, purchase, subscription or issuance of any Company Interests of the Company or any securities representing the right to purchase, convert into, subscribe or otherwise receive any such Company Interests or any securities convertible into any such Company Interests, and there are no agreements or understandings with respect to voting of any such Interests.

(c) All of the issued and outstanding Company Interests are owned beneficially and of record by the Company Members. The Company Members now have, and on the Closing Date will have, good and marketable title to and unrestricted power to transfer the Company Interests, free and clear of any lien or encumbrance. Nothing set forth on the Company Disclosure Schedule affects the ability of any of the Company Members to transfer the Company Interests to Parent at the Closing, free and clear of any lien or encumbrance and, notwithstanding the Company Disclosure Schedule, the Company Interests shall be transferred to Parent free and clear of any lien or encumbrance.

3.3 Authority(a) . The Company has all necessary power and authority to execute and deliver this Agreement and to perform its obligations hereunder, the Transaction and the other transactions contemplated by this Agreement. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company or the Company Members are necessary to authorize this Agreement or to consummate the transactions so contemplated. This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent, this Agreement constitutes a legal and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting creditors' rights generally and laws relating to the availability of specific performance, injunctive relief or other equitable remedies. No vote of: (i) any creditor of the Company; or (ii) any holder of any option or warrant granted by Company is necessary in order to approve this Agreement, or to approve or permit the consummation of the Transaction and the other transactions contemplated by this Agreement.

3.4 No Conflict; Required Filings and Consents. Neither the execution and delivery of this Agreement by the Company, nor the consummation by the Company of the transactions contemplated hereby in accordance with the terms hereof, nor compliance by the Company with

any of the terms or provisions hereof, will: (i) conflict with or violate any provision of the Company's Certificate of Formation or limited liability company operating agreement, as amended to the date of this Agreement (the "**Company Charter Documents**"), (ii) subject to compliance with the requirements set forth in the Company Disclosure Schedule, conflict with or violate any law, rule, regulation, judgment, order, writ, decree or injunction applicable to the Company or any of its properties or assets, or (iii) violate, conflict with, result in a breach of any provisions of, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of, accelerate the performance required by, or result in the creation of any lien, security interest, charge or other encumbrance upon any of the properties or assets of the Company under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Company is a party or by which the Company or any of its properties or assets are bound or affected. Except as set forth on the Company Disclosure Schedule, the execution and delivery of this Agreement by the Company does not, and the performance of this Agreement by the Company will not, require any consent, approval, authorization or permit of, or filing with or notification to, any court, administrative agency, commission, governmental or regulatory authority, domestic or foreign (a "**Governmental Entity**") or other third party with respect to the Company.

3.5 Financial Statements.

(a) The Company has delivered to Parent copies of: (i) the balance sheets of the Company as of December 31, 2006 and December 31, 2005, and the statements of operations, members' equity and cash flows for the years ended December 31, 2006 and for the period from September 15, 2005 (inception) through December 31, 2005, in each case accompanied by the audit report of Reznick Group PC, independent accountants with respect to the Company, and (ii) the unaudited balance sheets of the Company as of June 30, 2007 (the "**Company June Balance Sheet**") and the unaudited statements of operations, and members' equity and cash flows for the six-month period ended June 30, 2007 (collectively, the "**Company Financial Statements**"). The Company Financial Statements (including the related notes) have been prepared in accordance with United States generally accepted accounting principles consistently applied ("**GAAP**") during the periods involved (except as may be indicated therein or in the notes thereto), and present fairly the consolidated financial position of the Company as of the respective dates set forth therein, and the consolidated results of the Company's operations and its cash flows for the respective periods set forth therein in accordance with GAAP (subject, in case of any unaudited interim financial statements, to normal year-end adjustments).

(b) The books and records of the Company are being maintained in material compliance with applicable legal and accounting requirements. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, and (ii) access to assets is permitted only in accordance with management's general or specific authorization. The Company has disclosed, based on its most recent evaluation, to the Company's outside auditors (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 Company's ability to record, process, summarize and report financial data and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting. Any such significant deficiency, material weakness or fraud is described on the Company Disclosure Schedule.

(c) Except as and to the extent reflected, disclosed or reserved against in the Company June Balance Sheet, the Company has not, since June 30, 2007, incurred any Liabilities, material to the business, operations, assets, financial condition or prospects of the Company which are required by GAAP (consistently applied) to be disclosed in such financial statements or the notes thereto which have not been either disclosed in the Company Disclosure Schedule

or paid in full prior to the date hereof, except for those Liabilities incurred in the ordinary course of business consistent with past practice or in connection with the Transaction, including without limitation, Transaction Expenses (as defined in Section 9.1).

"**Liabilities**" means all debts, liabilities, demands, expenses, commitments and obligations, (whether absolute, accrued or not, known or unknown, disclosed or undisclosed, fixed or contingent, asserted or unasserted, liquidated or unliquidated).

3.6 Absence of Certain Changes or Events(a) . There has not been any Company Material Adverse Effect since December 31, 2006 and, to the best of the knowledge of the Company and each of its Members (the "**Company's knowledge**"), no fact or condition exists which is likely to cause such a Company Material Adverse Effect in the future.

Except as set forth in the Company Disclosure Schedule, the Company has not taken or permitted any of the actions set forth in Section 5.2 hereof between December 31, 2006 and the date hereof and, except for execution of this Agreement, the Company has conducted its business only in the ordinary course, consistent with past practice.

3.7 Legal Proceedings(a) . The Company is not a party to any, and there are no pending or, to the best of the Company's knowledge, threatened legal, administrative, arbitral or other proceedings, claims, actions or governmental investigations of any nature against the Company or any officer or director of the Company. The Company is not a party to any pending order, judgment or decree entered in any lawsuit or proceeding.

3.8 Compliance with Law(a) . The business of the Company has been conducted in all material respects in accordance with all applicable federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, laws, ordinances, principles, rules, regulations, orders and other requirements of governmental and self-regulating authorities, including, without limitation, all environmental laws, all laws, regulations and orders relating to anti-trust, trade regulation, employment practices and procedures, the health and safety of employees and consumer credit laws. To the Company's knowledge, the Company has not received any notice of alleged violations of any laws, rules, regulations, orders or other requirements of governmental or self-regulatory authorities.

3.9 Material Agreements(a) . Except as disclosed in the Company Disclosure Schedule, the Company is not a party to or otherwise bound by any written or oral contract or instrument or other restriction which individually or in the aggregate is material to the business, financial condition, operations or property of the Company. The Company has performed in all material

respects all the obligations required to be performed by it to date, has received no notice of default and is not in default (with due notice or lapse of time or both) under any lease, agreement or contract described in the Company Disclosure Schedule. The Company has no knowledge of any breach or anticipated breach by the other party to any lease, agreement or contract described in the Company Disclosure Schedule.

3.10 Intellectual Property Assets.

(a) The Company Disclosure Schedule sets forth an accurate and complete list of all patents, patent rights, patent applications (collectively, the "**Patents**"), trademarks, trademark applications, service marks, service mark applications, trade names, copyrights, manufacturing processes, formulae, trade secrets and know-how and all applications for such which are in the process of being prepared, owned by or registered in the name of (or otherwise on behalf of) the Company, or of which the Company is a licensor or licensee or in which the Company has any right (collectively, the "**Intellectual Property**").

(b) The Company is the owner or licensee of all right, title and interest in and to each item of the Intellectual Property, free and clear of all liens and encumbrances, and has the right to use such Intellectual Property without payment to a third party, other than in respect of licenses disclosed on Schedule 3.10 of the Company Disclosure Schedule and as set forth in such license agreements.

(c) No claim is pending against or, to the best of the Company's knowledge, threatened against the Company to the effect that the operations of the Company infringe upon or conflict with the asserted rights of any other person under any Intellectual Property, and, to the Company's knowledge, there is no basis for any such claim (whether or not pending or threatened). No claim is pending or, to the best of the Company's knowledge, threatened to the effect that any such Intellectual Property owned or licensed by the Company, or which the Company otherwise have the right to use, is invalid or unenforceable by the Company, and, to the best of the Company's knowledge, there is no basis for any such claim (whether or not pending or threatened).

(d) The Company has not granted or assigned to any other person or entity any right to manufacture, have manufactured or assemble the products or proposed products of the Company or to provide the services or proposed services of the Company.

(e) Except as disclosed on the Company Disclosure Schedule, the Company does not have any obligation to compensate any person for the use of any Intellectual Property nor has the Company granted to any person any license or other rights to use in any manner any Intellectual Property of the Company.

(f) To the Company's knowledge, all of the issued Patents are currently in compliance with formal legal requirements (including payment of filing, examination and maintenance fees). No Patent has been or is now involved in any interference, reissue, reexamination, or opposition proceeding.

(g) All of the issued Patents are currently in compliance with formal legal requirements (including payment of filing, examination and maintenance fees), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety (90) days after the Closing Date.

3.11 Filing of Tax Returns and Payment of Taxes(a) . The Company has timely filed all tax returns required to be filed by it, each such tax return has been prepared in compliance with all applicable laws and regulations, and all such tax returns are, to the Company's knowledge, true, accurate and complete in all material respects. All taxes that have become due and payable by the Company have been timely paid. The Company has made available to Parent true, correct and complete copies of all tax returns with respect to income taxes filed by or with respect to it with respect to taxable periods ended on or after December 31, 2005. To the Company's knowledge, there is no action, suit, taxing authority proceeding, or audit with respect to any tax now in progress, pending, or, to the best knowledge of the Company, threatened, against or with respect to the Company. To the Company's knowledge, there are no outstanding adjustments, deficiencies, additional assessments or refund claims proposed or outstanding with respect to any tax or tax return of the Company. The Company is not a party to or bound by any tax sharing or allocation agreement and has no current or potential contractual obligation to indemnify any other person with respect to taxes.

3.12 Transactions With Affiliates(a) . Except as disclosed in the Company Disclosure Schedule, no affiliate, as such term is defined in Rule 405 promulgated under the Securities Act, of the Company (i) has any material direct or indirect interest in any entity which transacts business with the Company, (ii) has any direct or indirect interest in any property, asset or right which is used by the Company in the conduct of its business, (iii) has any other contractual relationship with the Company in respect of its business (other than employment agreements and option agreements in the ordinary course of business), (iv) owns any asset used by the Company in connection with its business or (v) has made or received any loans or other debt financing to or from the Company other than compensation described in the Company Disclosure Schedule.

3.13 Broker's and Other Fees(a) . The Company has not incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders fees or agent's commissions or any similar charges in connection with this Agreement or any transaction contemplated hereby, including the Transaction.

3.14 Title to Assets(a) . The Company does not own any real property and has good and marketable title in all personal property owned by the Company that is material to its business, in each case free and clear of all liens and encumbrances. Any real property and facilities held under lease by the Company are held by the Company under valid, subsisting and enforceable leases.

3.15 Section 351(a) of the Code Transaction(a) . Company Members presently own 1,645,000 shares of Parent Common Stock. The Company and Company Members have not taken any action, nor will the Company or Company Members take any action, that the Company or Company Members know may prevent the Transaction from receiving the benefits provided by Section 351(a) of the Code as a result of the Transaction.

3.16 Insurance(a) . The Company maintains third party liability, fire, theft, equipment and employee claim insurance and such other customary insurance policies of types and in amounts as necessary to conduct its business.

3.17 Securities Laws Representations. Each of the Company Members represents and warrants, with respect to itself, to Parent as follows:

(a) The Company Member is an "**accredited investor**" within the meaning of Rule 501 of Regulation D under the Securities Act.

(b) The Company Member has sufficient knowledge and experience in investing in companies similar to Parent so as to be able to evaluate the risks and merits of its investment in Parent and it is able financially to bear the risks thereof.

(c) The Company Member has adequate means of providing for its current financial needs and possible contingencies that may face it and has no need for liquidity in its investment in the Parent.

(d) It is the present intention that the Parent Common Stock being acquired by the Company Member is being acquired for investment and not with a present view to or for sale in connection with any distribution thereof. The Company Member further represents that the Company Member does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or any third person with respect to the Parent Common Stock.

(e) The Company Member understands that (i) the Parent Common Stock has not been registered under the Securities Act by reason of its issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof or Rule 505 or 506 promulgated under the Securities Act, (ii) the Parent Common Stock must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration, (iii) the Parent Common Stock will bear a legend to such effect, and (iv) Parent will make a notation on its transfer books to such effect. The Company Member further acknowledges that if an exemption from registration is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale and the holding period for the Parent Common Stock.

(f) The Company Member has had an opportunity to ask questions and receive answers relating to such matters, including, but not limited to, those matters set forth herein.

3.18 Permits(a) . The Company has all and is not in default under any approvals, consents, licenses, permits, waivers, or other authorizations issued, granted, given, or otherwise made available by or under the authority of any governmental body or pursuant to any applicable laws necessary for the conduct of its business as now conducted.

3.19 Employee Relations(a) . The Company is not a party to any collective bargaining agreement nor does the Company employ any member of a union. The Company believes that its relations with its employees are good. No executive officer of the Company has notified the

Company that such executive officer intends to leave the Company or otherwise terminate such employee's employment with the Company. The Company is in compliance with all applicable laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours.

3.20 Environmental Laws(a) . The Company (i) is in compliance in all material respects with any and all environmental laws applicable to the Company, (ii) has received all permits, licenses or other approvals required of the Company under applicable environmental laws to conduct its business and (iii) is in compliance all material respects with all terms and conditions of any such permit, license or approval.

3.21 Disclosure(a) . No representation or warranty contained in Article III of this Agreement, the Schedules and Exhibits to this Agreement and in any certificate delivered in accordance herewith contains any untrue statement of a material fact or omits to state a material fact required to be stated herein or necessary to make the statements herein in light of the circumstances under which they were made, not misleading as of the date made or reaffirmed.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PARENT

References herein to the Parent Disclosure Schedule shall mean all of the disclosure schedules required by this Article IV, dated as of the date hereof and referenced to the specific sections and subsections of Article IV of this Agreement, and any other sections or subsections to which it is readily apparent from a reading of such disclosure, which have been delivered on the date hereof by Parent to the Company.

Parent hereby represents and warrants to the Company as follows:

4.1 Corporate Organization(a) . Parent is a corporation duly organized and validly existing and in good standing, under the laws of the State of Delaware and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Parent is duly qualified or licensed as a foreign corporation to do business, and, where applicable, is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its activities makes such qualification or licensing necessary. Except as set forth in the Parent SEC Filings (as defined in Section 4.7 hereof), Parent does not, directly or indirectly, own any stock or other equity interests in, or act as a general partner or managing member of, any corporation, limited liability company, partnership, joint venture or other legal entity.

4.2 Capitalization. The authorized capital stock of Parent consists of 30,000,000 shares of Parent Common Stock and 5,000,000 shares of preferred stock, $.01 par value per share ("**Parent Preferred Stock**"). As of the date hereof, there are 4,794,257 shares of Parent Common Stock issued and outstanding and no shares of Parent Preferred Stock issued and outstanding. As of the date hereof, there are 59,800 shares of Parent Common Stock issuable upon exercise of outstanding stock options ("**Parent Stock Options**") under its outstanding stock option plans (collectively, the "**Parent Stock Option Plans**"), no shares of Parent Common Stock issuable upon exercise of outstanding stock options outside of the Parent Stock

Option Plans, no shares of Parent Common Stock issuable upon exercise of outstanding warrants to purchase shares of Parent Common Stock and no shares of Parent Common Stock issuable upon exercise of outstanding convertible securities. Parent has previously furnished to the Company true and complete copies of the option plans and grant agreements pursuant to which the Parent Stock Options were granted and a true and complete list of each outstanding Parent Stock Option. All issued and outstanding shares of Parent Common Stock have been duly authorized and validly issued, are fully paid, nonassessable and free of preemptive rights. Except for the Parent Stock Options disclosed in the Parent Disclosure Schedule, Parent has not granted and is not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the transfer, purchase, subscription or issuance of any shares of capital stock of Parent or any securities representing the right to purchase, subscribe or otherwise receive any shares of such capital stock or any securities convertible into any such shares, and there are no agreements or understandings with respect to voting of any such shares. No additional subscriptions, options, warrants, calls, commitments or agreements of any character calling for the transfer, purchase, subscribing or issuance of any shares of capital stock of Parent or any securities representing the right to purchase, subscribe or otherwise receive any shares of such capital stock or any securities convertible into any such shares shall be issued, granted or entered into and no Parent Stock Options shall be exercised prior to Closing.

4.3 Authority(a) . Parent has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder, the Transaction and the other transactions contemplated by this Agreement. The execution and delivery of this Agreement by Parent and the performance by Parent of its obligations hereunder have been duly and validly authorized by all necessary corporate action on the part of Parent, and no other corporate proceedings on the part of Parent are necessary to authorize this Agreement or for Parent to perform its obligations hereunder, including the issuance of Parent Common Stock in connection with the Transaction. This Agreement has been duly and validly executed and delivered by Parent and, assuming the due authorization, execution and delivery by the Company, the Transaction and other transactions contemplated by this Agreement, constitutes a legal and binding obligation of Parent, enforceable against Parent in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting creditors' rights generally and laws relating to the availability of specific performance, injunctive relief or other equitable remedies. No vote of: (i) any creditor of Parent; or (ii) any holder of any option or warrant granted by Parent; is necessary in order to approve this Agreement, or to approve or permit the consummation of the Transaction and the other transactions contemplated by this Agreement.

4.4 No Conflict; Required Filings and Consents(a) . Neither the execution and delivery of this Agreement by Parent, nor the consummation by Parent of the transactions contemplated hereby in accordance with the terms hereof, nor compliance by Parent with any of the terms or provisions hereto will: (i) conflict with or violate any provision of Parent's Certificate of Incorporation and By-Laws as amended to the date of this Agreement (the "**Parent Charter Documents**"); (ii) subject to compliance with the requirements set forth in the Parent Disclosure Schedule, conflict with or violate any law, rule, regulation, order, judgment, writ, decree or injunction applicable to Parent or any of its properties or assets; or (iii) violate, conflict with, result in any breach of any provisions of, constitute a default (or an event that with notice or lapse of time or both would become a default) under, or materially impair Parent's rights or alter

the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any lien, security interest, charge or other encumbrance upon any of the properties or assets of Parent under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Parent is a party or by which Parent or its properties are bound or affected. Except as disclosed in the Parent Disclosure Schedule, the execution and delivery of this Agreement by Parent does not, and the performance of this Agreement by Parent will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Entity or other third party with respect to Parent.

4.5 Financial Statements.

(a) The Parent SEC Filings (as defined below) set forth copies of the balance sheets of Parent as of March 31, 2007 (the "**Parent March Balance Sheet**"), December 31, 2006 and December 31, 2005, and the statements of operations and shareholders' deficit and cash flows for the years ended December 31, 2006, 2005 and 2004, accompanied by the audit report of Stonefield Josephson, Inc., independent public accountants for the fiscal year ended December 31, 2005 and accompanied by the audit report of Eisner LLP for the fiscal year ended December 31, 2006 (collectively, the "**Parent Financial Statements**"). The Parent Financial Statements (including the related notes) have been prepared in accordance with United States GAAP during the periods involved (except as may be indicated therein or in the notes thereto), and present fairly the consolidated financial position of Parent as of the respective dates set forth therein, and the consolidated results of Parent's operations and its cash flows for the respective periods set forth therein in accordance with GAAP (subject, in case of any unaudited interim financial statements, to normal year end adjustments).

(b) The books and records of Parent are being maintained in material compliance with applicable legal and accounting requirements. Parent maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Parent has disclosed, based on its most recent evaluation, to Parent's outside auditors (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 Parent's ability to record, process, summarize and report financial data and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting. Any such significant deficiency, material weakness or fraud is described on Schedule 4.5 to the Parent Disclosure Schedule.

(c) Except as and to the extent reflected, disclosed or reserved against in the latest audited financial statements included within the Parent Financial Statements (including the notes thereto), Parent has not since March 31, 2007 incurred any Liabilities material to its business, operations, assets, financial condition or prospects which are required by GAAP (consistently applied) to be disclosed in such financial statements or the notes thereto which have

not been either disclosed in Parent Disclosure Schedule or paid in full prior to the date hereof, except for those Liabilities incurred in the ordinary course of business consistent with past practice or in connection with the Transaction, including without limitation, the Transaction Expenses (as defined in Section 9.1).

4.6 Filing of Tax Returns and Payment of Taxes(a) . Parent has timely filed all tax returns required to be filed by it, each such tax return has been prepared in compliance with all applicable laws and regulations, and all such tax returns are true, accurate and complete in all material respects. All taxes that have become due and payable by Parent have been timely paid. Parent has made available to the Company true, correct and complete copies of all tax returns with respect to income taxes filed by or with respect to it with respect to taxable periods ended on or after December 31, 2003. There is no action, suit, taxing authority proceeding, or audit with respect to any tax now in progress, pending, or, to the best knowledge of Parent, threatened, against or with respect to Parent. There are no outstanding adjustments, deficiencies, additional assessments or refund claims proposed or outstanding with respect to any tax or tax return of Parent. Parent is not a party to or bound by any tax sharing or allocation agreement and has no current or potential contractual obligation to indemnify any other person with respect to taxes.

4.7 SEC Filings(a) . Parent has previously made available to the Company a complete copy of each filing by Parent with the SEC since December 31, 2003 pursuant to the Securities Act or the Exchange Act. Except as set forth in the Parent Disclosure Schedule, Parent has filed or furnished, as applicable, on a timely basis all forms, statements, reports and documents required to be filed or furnished by it with the SEC under the Exchange Act or the Securities Act (including in accordance with validly granted extensions for filing under the Exchange Act) (collectively, the "**Parent SEC Filings**"), and will timely file (including in accordance with validly granted extensions for filing under the Exchange Act), all reports, proxy statements, registration statements and filings that Parent will be required to file with the SEC under the Securities Act and the Exchange Act, all of which complied or will comply in all material respects with all applicable requirements of the Securities Act, the Exchange Act the Sarbanes-Oxley Act and any rules and regulations promulgated thereunder applicable to the Parent SEC Filings as the case may be, including Regulation S-X. All documents required to be filed as exhibits to Parent SEC Filings have been so filed. Parent has no material contracts except for agreements listed in the Parent Disclosure Schedule and agreements with its optionholders, which agreements are in full force and effect. Parent is not in material default with respect to such option agreements. As of their respective dates, the Parent SEC Filings, as well as each such report, proxy statement, registration statement, form or other document to be filed by Parent with the SEC after the date hereof and prior to the Closing Date, including without limitation, any financial statements or schedules included therein, did not or will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

4.8 Absence of Certain Changes or Events(a) . There has not been any Parent Material Adverse Effect since December 31, 2006 and, to the best of Parent's knowledge, no facts or condition exists which is likely to cause such a Parent Material Adverse Effect in the future.

Parent has not taken or permitted any of the actions set forth in Section 5.2 hereof between December 31, 2006 and the date hereof and, except for execution of this Agreement, Parent has conducted its business only in the ordinary course, consistent with past practice.

4.9 Absence of Business Operations (a). Parent has not conducted any business since the first quarter of 2004.

4.10 Legal Proceedings(a) . Except as disclosed in the Parent Disclosure Schedule, Parent is not a party to any, and there are no pending or, to the best of Parent's knowledge, threatened legal, administrative, arbitral or other proceedings, claims, actions or governmental investigations of any nature against Parent or any officer or director of Parent in his or her capacity as such. Except as disclosed in the Parent Disclosure Schedule, Parent is not a party to any order, judgment or decree entered in any lawsuit or proceeding.

4.11 Compliance with Law(a) . The business of Parent has been conducted in all material respects in accordance with all applicable federal, state, local, municipal, foreign, international, multinational or other administrative order, constitution, laws, ordinances, principles, rules, regulations, orders and other requirements of governmental and self-regulating authorities, including, without limitation, all environmental laws, all laws, regulations and orders relating to anti-trust or trade regulation, employment practices and procedures, the health and safety of employees and consumer credit and the United States Foreign Corrupt Practices Act of 1977. Parent has not received any notice of alleged violations of any laws, rules, regulations, orders or other requirements of governmental or self-regulatory authorities.

4.12 Certain Regulatory Matters(a) . Parent has not received any notice that the US Justice Department or the SEC has initiated, commenced or threatened to initiate any action (i) to enjoin its business activities; or (ii) alleging any civil or criminal violations of law by it nor is it aware of any circumstances which may give raise to any such action.

4.13 Broker's and Other Fees(a) . Parent has not incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders fees or agent's commissions or any similar charges in connection with this Agreement or any transaction contemplated hereby, including the Transaction.

4.14 Parent Common Stock. At the Closing, the Parent Common Stock to be issued pursuant to the Transaction will be duly authorized and validly issued, fully paid, nonassessable, free of preemptive rights and free and clear of all liens, encumbrances or restrictions created by or through Parent, with no personal liability attaching to the ownership thereof.

4.15 Section 351(a) of the Code Transaction(a) . Parent has not taken any action and will not take any action that Parent knows may prevent the Transaction from receiving the benefits provided by Section 351(a) of the Code.

4.16 Disclosure(a) . No representation or warranty contained in Article IV of this Agreement contains any untrue statement of a material fact or omits to state a material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading as of the date made or reaffirmed.

ARTICLE V
COVENANTS OF THE PARTIES

5.1 Conduct of Business(a) . During the period from the date of this Agreement to the Closing Date, each of Parent and the Company shall:

(i) conduct its business and utilize its cash and cash equivalents only in the ordinary course and consistent with prudent and prior business practice, except for transactions permitted hereunder, or with the prior written consent of the other party, which consent will not be unreasonably withheld; and

(ii) confer on a reasonable basis with each other regarding operational matters and other matters related to the Transaction.

5.2 Prohibited Actions Pending Closing(a) . Except as provided in this Agreement and as disclosed in either the Company Disclosure Schedule or Parent Disclosure Schedule, during the period from the date of this Agreement to the Closing Date, neither of the Company or Parent shall:

(i) amend or otherwise change the Company Charter Documents or the Parent Charter Documents, as the case may be, or other governing documents;

(ii) issue or sell or authorize for issuance or sale, or grant any options or make other agreements with respect to, any shares of their capital stock or any other of their securities or permit any option holder to exercise any outstanding options;

(iii) declare, set aside, make or pay any dividend or other distribution to its shareholders or members, as the case may be, or redeem, purchase or otherwise acquire, directly or indirectly, any of their capital stock, or authorize or effect any split-up or any recapitalization or make any changes in their authorized or issued capital stock;

(iv) sell, license or otherwise dispose of, or agree to sell, license or dispose of, any of its assets or properties, other than any assets or properties where such sale, license or disposition occurs or is to occur in the ordinary course of business consistent with past practice;

(v) take any action or omit to take any action for the purpose of preventing, delaying or impeding the consummation of the Transaction or the other transactions contemplated hereby;

(vi) pay any finders or investment bankers' fees in connection with the transactions contemplated by this Agreement; or

(vii) take any action prior to the Closing Date which would materially breach any of the representations and warranties contained in this Agreement.

5.3 Litigation(a) . Each of Parent and the Company shall promptly notify the other party of (a) any lawsuits, claims, proceedings or investigations of which it has knowledge which after the date hereof are threatened or commenced against it or against any of its officers, directors, employees, consultants, agents or shareholders with respect to or affecting its business or (b) any material change in the status of legal proceedings reported in the Company Disclosure Schedule or the Parent Disclosure Schedule, whichever is applicable.

5.4 Current Information(a) . During the period from the date of this Agreement to the Closing Date, each of the Company and Parent will cause one or more of its designated representatives to confer with representatives of the other party regularly regarding its business, operations, properties, assets and financial condition and matters relating to the completion of the transactions contemplated herein. Each of Parent and the Company shall promptly notify the other party of any material events regarding its business, operations, properties, assets and financial condition and matters relating to the completion of the transactions contemplated herein. Parent shall use its commercially reasonable efforts to file its Exchange Act reports with the SEC on a timely basis, including compliance with the requirements of Form 8-K as it pertains to "**shell companies**" after consummation of the Transaction (the "**Transaction Form 8-K**"), and shall provide copy of the Exchange Act report in draft form to the Company at least one Business Day (as defined below) prior to the proposed filing date. "**Business Day**": any day (other than Friday, Saturday or Sunday) on which clearing banks are open for a full range of banking transactions in New York. The Company and Company Members shall cooperate with the Parent with respect to the Transaction Form 8-K.

5.5 Governmental Consents(a) . The parties hereto will cooperate with each other and use all reasonable efforts to prepare, file and diligently pursue all necessary documentation, to effect all necessary filings and to obtain all necessary permits, consents, approvals and authorizations of all third parties and governmental bodies necessary to consummate the transactions contemplated by this Agreement as soon as possible. The parties shall each have the right to review in advance all filings with, including all information relating to the other, as the case may be, which appears in any filing made with, or written material submitted to, any third party or governmental body in connection with the transactions contemplated by this Agreement.

5.6 Further Assurances(a) . Subject to the terms and conditions herein provided, each of Parent and the Company agrees to use reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to satisfy the conditions to Closing and to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, using reasonable efforts to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated by this Agreement and using reasonable efforts to prevent the breach of any representation, warranty, covenant or agreement of such party contained or referred to in this Agreement and to promptly remedy the same. In case at any time after the Closing Date any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of Parent and the Company shall take all such necessary action. Nothing in this section shall be construed to require any party to participate in any threatened or actual legal, administrative or other proceedings (other than proceedings, actions or investigations to which it is a party or subject or threatened to be made a party or subject) in connection with consummation of the transactions contemplated by this Agreement unless such party shall consent in advance and in writing to such participation and the other party agrees to reimburse and indemnify such party for and against any and all costs and damages related thereto.

5.7 Public Announcements(a) . Parent and the Company shall cooperate with each other in the development and distribution of all news releases and other public filings and disclosures with respect to this Agreement or the Transaction contemplated hereby, and Parent and the Company agree that unless approved mutually by them in advance, they will not issue any press release or written statement for general circulation relating primarily to the transaction contemplated hereby, except as may be otherwise required by law or regulation in the opinion of counsel, provided that the party issuing the release will provide to the other party a draft of the release prior to issuance.

5.8 Tax-Free Exchange Status(a) . The parties hereto shall use commercially reasonable efforts to take (or refrain from taking) any and all actions reasonably necessary to ensure that, for United States federal income tax purposes, the Transaction receives the benefits provided by Section 351(a) of the Code.

5.9 Notice of Certain Matters(a) . Parent shall give prompt notice to the Company, and the Company shall give prompt notice to Parent, as the case may be, of (i) the occurrence, or non-occurrence, of any event the respective occurrence, or non-occurrence, of which would be likely to cause any representation or warranty contained in this Agreement to be materially untrue or inaccurate and (ii) any material failure of the Company or Parent, as the case may be, to comply or satisfy any covenant, condition or agreement to be complied with under this Agreement; provided, however, that the delivery of any notice pursuant to this Section 5.9, shall not relieve any party giving such notice of its obligation hereunder.

5.10 Resignation of Officers and Directors(a) . On or prior to the Closing, Parent shall deliver, or cause to be delivered, to the Company Members the resignation of each officer and director of Parent, effective at the Closing Date, who has not been designated to sit as an officer of Parent or the Company after the Closing in accordance with Section 1.3(c) or to sit on the board of directors of Parent after the Closing in accordance with Section 1.3(a), as the case may be.

5.11 Name Change(a) . As soon as Parent believes to be reasonably practicable, Parent shall take all necessary actions, including receipt of consents representing the requisite stockholder approval under Delaware law, to amend Parent's Certificate of Incorporation to change Parent's name to SafeStitch Medical Devices, Inc. or a derivative thereof and shall file an Information Statement on Schedule 14C with the SEC with respect to such amendment to its Certificate of Incorporation. Parent shall use its best efforts to cause such Information Statement to be mailed to Parent's shareholders in accordance with the applicable rules and regulations of the SEC.

5.12 Financial Statements(a) . As soon as practicable following the execution and delivery of this Agreement, but in no event later than 90 days after the Closing, the Company shall have initiated a system of internal accounting controls reasonably acceptable to Parent to provide reasonable assurance that (i) transactions are executed in accordance with management's

general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. From and after such time, the Company shall disclose to the Company's outside auditors (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 Company's ability to record, process, summarize and report financial data and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

ARTICLE VI
OBLIGATIONS OF PARTIES AFTER CLOSING

6.1 Survival of Representations and Warranties(a) . All representations and warranties contained in this Agreement and in the Company Disclosure Schedule or the Parent Disclosure Schedule, as the case may be, shall survive for a period of twelve (12) months after the Closing Date, except that the representations and warranties contained in Sections 3.2 and 4.2 shall survive the Closing for the applicable statute of limitations. The covenants and agreements of the parties set forth in this Agreement shall survive indefinitely until their final fulfillment.

6.2 Indemnification.

(a) The Company Members shall (each severally and only to the extent such misrepresentation or breach relates to the holding of Company Interests of such Company Member) indemnify and defend and hold harmless Parent and its officers, directors, employees, agents, representatives and affiliates against and with respect to any and all direct damages, claims, losses, penalties, liabilities, actions, fines, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) (all of the foregoing hereinafter collectively referred to as a "**Loss**"), arising from, in connection with or with respect to (i) (A) any misrepresentation or breach of warranty provided in Article III of this Agreement by the Company or any of the Company Members or (B) any failure to fulfill any agreement or covenant hereof on the part of the Company prior to or at, but not following the Closing, or the Company Members and (ii) any and all actions, suits, proceedings, judgments, settlements and any Losses incidental to any of the foregoing; provided, however, the Company Members shall not be required to make any indemnification payment pursuant to this Section 6.2(a) until such time as the total aggregate amount of all Losses that have been suffered or incurred by Parent exceeds $25,000 (the "**Deductible**"). At such time as the total aggregate amount of such Losses exceeds the Deductible, Parent shall be entitled to be indemnified against any Losses in excess of the Deductible. Notwithstanding the foregoing, in no event shall the Company Members in the aggregate be liable for any Losses arising under this Section 6.2(a) in excess of $525,000, except that there shall be no limit to the Company Members' Liability for a breach of Section 3.2.

(b) Parent shall indemnify and defend and hold harmless the Company Members against and with respect to any and all Losses, arising from, in connection with or with respect to (i)(A) any misrepresentation, breach of any warranty provided in Article IV of this

Agreement by Parent or (B) any failure to fulfill any agreement or covenant hereof on the part of Parent prior to (but not after) the Closing; and (ii) any and all actions, suits, proceedings, judgments, settlements and any Losses incidental to any of the foregoing; provided, however, Parent shall not be required to make any indemnification payment pursuant to this Section 6.2(b) until such time as the total aggregate amount of all Losses that have been directly or indirectly suffered or incurred by the Company Members exceeds the Deductible. At such time as the total aggregate amount of such Losses exceeds the Deductible, the Company Members shall be entitled to be indemnified against any Losses in excess of the Deductible. Notwithstanding the foregoing, in no event shall Parent be liable for any Losses arising under this Section 6.2(b) in excess of $525,000, except that there shall be no limit to Parent's liability for a breach of Section 4.2.

(c) If any action or proceeding be commenced, or if any claim, demand or assessment be asserted, in respect of which any party **("Indemnitee**") proposes to hold any other party ("**Indemnitor**") liable under the indemnity provisions of this Section 6.2 (a "**Claim**"), then if the Indemnitor shall, at its option, acknowledge its indemnification obligation and notifies Indemnitee of its election to contest or defend any such Claim, such Indemnitor shall be entitled, at its sole cost and expense, to contest or defend the same with counsel of its own choosing, and Indemnitee shall not admit any liability with respect thereto or settle, compromise, pay or discharge the same without the prior written consent of the Indemnitor so long as any Indemnitor is contesting or defending the same in good faith, and Indemnitee (and its successors and assigns) shall cooperate with the Indemnitor in the contest or defense thereof (and the Indemnitor shall reimburse Indemnitee for the Indemnitee's reasonable actual out-of-pocket expenses incurred in connection with such cooperation) and Indemnitee shall enter into any settlement with respect thereto recommended by Indemnitor so long as the amount of such settlement is paid by the Indemnitor and no obligation to perform or refrain from performing any act shall be imposed upon Indemnitee by reason thereof which could have a Company or Parent, as the case may be, Material Adverse Effect on the results of operations or financial condition of Indemnitee.

(d) Notwithstanding the foregoing, any Indemnitee shall be entitled to conduct its own defense at the reasonable cost and expense of the Indemnitor if not doing so would materially prejudice the Indemnitee due to the nature of any claims or counterclaims presented or by virtue of a conflict between the interest of the Indemnitee and the Indemnitor, and provided further that in any event the Indemnitee may participate in such defense at its own expense. If Indemnitee shall have given Indemnitor thirty (30) days written notice that it intends to assume the defense of any Claim and if the Indemnitor fails to assume the defense of such Claim as provided above by the end of such thirty (30) day period or such later reasonable time (which shall be such period of time as will not result in prejudice to the rights of the Indemnitee), then the Indemnitee shall have the right to prosecute and conduct its own defense by counsel of its choice, and in connection therewith shall have full right to conduct the defense thereof and to enter into any compromise or settlement thereof with the consent of the Indemnitor (which shall not unreasonably be withheld, conditioned or delayed). Such defense shall be at the cost and expense of the Indemnitor if it is subsequently determined that the Indemnitor was obligated to defend or indemnify the Indemnitee with respect to such action, proceeding, claim, demand or assessment.

(e) All indemnification payments by Company Members under this Section 6 shall be effected by the payment of cash or delivery of Parent Common Stock having a Fair Market Value equal to the amount of the Losses, or by a combination of the foregoing (as determined by the Company Members). All indemnification payments by Parent under this Section 6 shall be effected solely by the delivery of Parent Common Stock having a Fair Market Value equal to the amount of the Losses. For the purposes of this Section 6(f), "**Fair Market Value**" shall mean the fair market value of the Parent Common Stock as such value is (x) determined by reference to the average closing sales price of the Parent Common Stock in the market on which the Parent Common Stock is then principally traded, calculated for 20 trading days preceding the delivery date of the applicable indemnification payment, or (y), in the absence of clause (x), agreed to by Parent and the Company Members or (z), in the absence of clause (x) and (y), the fair market value determined and agreed to by two national investment banking firms (the "**Appraisers**"), one chosen by Parent and one chosen by the Company Members. In the absence of agreement of the Appraisers, fair market value shall be determined by a third independent appraiser mutually chosen by the Appraisers. Such determination shall be final, conclusive and binding on all parties. The costs and expenses of the appraisers shall be shared equally by Parent and the Company Members.

6.3 Cooperation; Further Assurances(a) . From time to time, as and when reasonably requested by Parent or the Company Members, respectively, after the Closing, the other of them will execute and deliver, or cause to be executed and delivered, all such documents, instruments and consents and will use reasonable efforts to take all such other action as may be reasonably necessary to carry out the intent and purposes of this Agreement.

6.4 Initial Listing Application(a) . Promptly after the execution of this Agreement, Parent shall use its commercially reasonable best efforts, to the extent allowed under the rules of the American Stock Exchange ("**AMEX**"), to prepare all filings and other documents necessary to be filed with the AMEX in connection with the initial listing application for the inclusion of the Parent Common Stock on the AMEX, conduct ongoing negotiations with the AMEX with the participation of the Company and its counsel with respect to such listing, perform all acts requested by the AMEX to the reasonable satisfaction of the Company and its counsel and take other reasonable actions to cause such listing to take place as soon as reasonably practicable following the Closing.

6.5 Rule 144 Reporting(a) . In order to enable the Company Members to make use, following the Closing Date, of the benefits of Rule 144 of the Securities Act ("**Rule 144**") and any other applicable rule or regulation that may at any time permit a stockholder of Parent to sell securities of Parent to the public without registration, Parent shall, at all times after the date hereof: (i) make and keep public information regarding Parent available, as these terms are understood and defined in Rule 144, at all times; (b) file with the SEC, in a timely manner, all the reports and other documents required to be filed by Parent under the Securities Act and the Exchange Act; and (c) furnish to any Company Member forthwith, upon request, a written statement by Parent as to its compliance with the reporting requirements of Rule 144 and of the Securities Act and the Exchange Act and, to the extent required for compliance with Rule 144, a copy of the most recent annual or quarterly report of the Parent, and such other reports and documents of the Parent as such Company Member may reasonably request in availing itself of any rule or regulation allowing a shareholder to sell securities without registration.

ARTICLE VII
CLOSING CONDITIONS

7.1 Conditions of Each Party's Obligations Under This Agreement. The respective obligations of each party under this Agreement to consummate the Transaction shall be subject to the satisfaction, or, where permissible under applicable law, waiver, at or prior to the Closing of the following conditions:

(a) Suits and Proceedings. No order, judgment or decree shall be outstanding against a party hereto or a third party that would reasonably be likely to prevent completion of the Transaction or any of the other transactions contemplated hereby; and no suit, action or other proceeding shall be pending or threatened by any governmental body in which it is sought to restrain or prohibit the Transaction or any other transactions contemplated hereby.

(b) Credit Facility. Parent shall have entered into the Note and Security Agreement with the Frost Group LLC (the "**Lender**") in an amount of $4,000,000 in the form of **Exhibit B** hereto. In connection therewith, Parent shall have issued to the Lender Warrants in the form of **Exhibit C** to purchase a number of shares of Common Stock of Parent, equal to 5% of its common stock on a fully-diluted basis after giving effect to the transactions contemplated by this Agreement.

7.2 Conditions To the Obligations of Parent Under This Agreement. The obligations of Parent under this Agreement shall be further subject to the satisfaction or waiver, at or prior to the Closing Time, of the following conditions:

(a) Representations and Warranties; Performance of Obligations of the Company. Except for those representations which are made as of a particular date, the representations and warranties of the Company and the Company Members contained in this Agreement shall be true and correct in all material respects on the Closing Date as though made on and as of the Closing Date. The Company and the Company Members shall have performed in all material respects the agreements, covenants and obligations to be performed by it on or prior to the Closing Date. With respect to any representation or warranty which as of the Closing Date has required a supplement or amendment to the Company Disclosure Schedule to render such representation or warranty true and correct in all material respects as of the Closing Date, the representation and warranty shall be deemed true and correct as of the Closing Date only if (i) the information contained in the supplement or amendment to the Disclosure Schedule related to events occurring following the execution of this Agreement and (ii) the facts disclosed in such supplement or amendment would not either alone, or together with any other supplements or amendments to the Company Disclosure Schedule, materially adversely effect the representation as to which the supplement or amendment relates.

(b) Officers' Certificate. The Company shall have furnished Parent with an Officer's Certificate, duly executed by the Company's Chief Executive Officer (and each Company Member as to himself or herself) and dated as of the Closing Date, stating that the conditions to the Closing set forth in this Section 7.2 have been satisfied.

(c) Company Material Adverse Effect. From the date of this Agreement to the Closing Date, no event shall have occurred which is reasonably likely to have a Company Material Adverse Effect. For the purposes of this Agreement, a "**Company Material Adverse Effect**" means a material adverse effect on the business, results of operation, financial condition or prospects of the Company.

(d) Fairness Opinion. Parent shall have received a "**bring-down**" of the opinion it received from CRA International, Inc. stating that as of the Closing Date the Transaction is fair from a financial point of view to the shareholders of Parent.

(e) Lockup Agreements. The Company Members shall have delivered to Parent an executed lockup letter agreement in the form attached hereto as **Exhibit D**.

(f) Information for SEC Filing. Parent shall have received from the Company and the Company Members all information and documents necessary in order to satisfy its filing obligations with the SEC in connection with the Transactions, including, but not limited to, the written consent of the Company's accountants to the inclusion of the financial statements of the Company and their reports thereon in connection therewith in such filings and any future SEC filings.

7.3 Conditions To the Obligations of the Company and the Company Members Under This Agreement. The obligations of the Company and the Company Members under this Agreement shall be further subject to the satisfaction or waiver, at or prior to the Closing Date, of the following conditions:

(a) Representations and Warranties; Performance of Obligations of Parent. Except for those representations which are made as of a particular date, the representations and warranties of Parent contained in this Agreement shall be true and correct in all material respects on the Closing Date as though made on and as of the Closing Date. Parent shall have performed in all material respects, the agreements, covenants and obligations to be performed by it on or prior to the Closing Date. With respect to any representation or warranty which as of the Closing Date has required a supplement or amendment to the Parent Disclosure Schedule to render such representation or warranty true and correct in all material respects as of the Closing Date, the representation and warranty shall be deemed true and correct as of the Closing Date only if (i) the information contained in the supplement or amendment to the Disclosure Schedule related to events occurring following the execution of this Agreement and (ii) the facts disclosed in such supplement or amendment would not either alone, or together with any other supplements or amendments to the Parent Disclosure Schedule, materially adversely effect the representation as to which the supplement or amendment relates.

(b) Officers' Certificate. Parent shall have furnished the Company with an Officer's Certificate, duly executed by Parent's Chief Executive Officer and Chief Financial Officer and dated as of the Closing Date, stating that the conditions to the Closing set forth in this Section 7.3 have been satisfied.

(c) Parent Material Adverse Effect. From the date of this Agreement to the Closing Date, no event shall have occurred which is reasonably likely to have a Parent Material Adverse Effect. For the purposes of this Agreement, a "**Parent Material Adverse Effect**" means a material adverse effect in the business, results of operation, financial condition or prospects of Parent, except for actions taken by Parent as required by this Agreement.

(d) Available Cash. At the Closing, Parent shall have cash and cash equivalents in an amount of not less than $3,000,000.

ARTICLE VIII
TERMINATION, AMENDMENT AND WAIVER

8.1 Termination. This Agreement may be terminated prior to the Closing Date:

(a) by mutual written consent of the parties hereto;

(b) by Parent or the Company (i) if the Closing Date shall not have occurred on or prior to August 31, 2007 (the "**Deadline Date**") unless the failure of such occurrence shall be due to the failure of the party seeking to terminate this Agreement to perform or observe its agreements set forth herein to be performed or observed by such party at or before the Closing Date;

(c) by Parent, if there was a material breach in any representation, warranty, covenant, agreement or obligation of the Company hereunder and such breach (provided it is curable and the Company promptly commences its effort to cure) shall not have been remedied within thirty (30) days after receipt by the Company of notice in writing from Parent to the Company specifying the nature of such breach and requesting that it be remedied;

(d) by the Company, if there was a material breach in any representation, warranty, covenant, agreement or obligation of Parent hereunder and such breach (provided it is curable and Parent promptly commences its effort to cure) shall not have been remedied within thirty (30) days after receipt by Parent of notice in writing from the Company specifying the nature of such breach and requesting that it be remedied;

(e) by Parent, if the conditions set forth in Section 7.2 are not satisfied and are not capable of being satisfied by the Deadline Date; or

(f) by the Company, if the conditions set forth in Section 7.3 are not satisfied and are not capable of being satisfied by the Deadline Date.

8.2 Effect of Termination(a) . In the event of the termination and abandonment of this Agreement by either Parent or the Company pursuant to Section 8.1, this Agreement (other than Sections 9.1, 9.8 and 9.11 which shall survive termination) shall forthwith become void and have no effect, without any liability on the part of any party or its officers, directors or shareholders. Nothing contained herein, however, shall relieve any party from any liability for any breach of this Agreement.

ARTICLE IX
MISCELLANEOUS

9.1 Expenses(a) . Except as otherwise expressly stated herein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby (including legal, accounting and investment banking fees and expenses) (collectively "**Transaction Expenses**") shall be borne by the party incurring such costs and expenses.

Notwithstanding any provision in this Agreement to the contrary, in the event that any of the parties shall willfully default in its obligations hereunder, the non-defaulting party may pursue any remedy available at law or in equity to enforce its rights and shall be paid by the willfully defaulting party for all damages, costs and expenses, including without limitation reasonable legal, reasonable accounting and reasonable printing expenses, incurred or suffered by the non-defaulting party in connection herewith or in the enforcement of its rights hereunder, including reasonable legal fees and expenses incurred in enforcing such rights.

9.2 Notices(a) . All notices or other communications which are required or permitted hereunder shall be in writing and delivered (a) personally, (b) by reputable overnight courier or sent by registered or certified mail, postage prepaid, or (c) by facsimile transmission as follows:

If to Parent, to:

Cellular Technical Services Company, Inc.
20 East Sunrise Highway
Suite 200
Valley Stream, NY 11581
Attn: Steve Katz, Chief Executive Officer
Fax:(516) 568-2440

Copy to:

Troutman Sanders LLP
405 Lexington Avenue
New York, NY 10174
Attn: Edward R. Mandell
Fax: (212) 704-6160

If to the Company, to:

SafeStitch LLC
4400 Biscayne Blvd.
Miami, FL 33137
Attn: Steven D. Rubin, Esq.
Fax:(305) 575-6049

Copy to:

Greenberg Traurig, P.A.
1221 Brickell Avenue
Miami, Florida 33131
Attn: Robert L. Grossman, Esq.
Fax: (305) 579-0717

or such other addresses as shall be furnished in writing by any party.

9.3 Parties In Interest(a) . Other than as provided in Section 6.5, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors. Other than as provided in Section 6.5, nothing in this Agreement is intended to confer, expressly or by implication, upon any other person any rights or remedies under or by reason of this Agreement.

9.4 Entire Agreement(a) . This Agreement, which includes the Disclosure Schedules and other exhibits hereto and the other documents, agreements and instruments executed and delivered pursuant to or in connection with this Agreement, contains the entire Agreement between the parties hereto with respect to the transactions contemplated by this Agreement and supersedes all prior negotiations, arrangements or understandings, written or oral, with respect thereto.

9.5 Amendment(a) . This Agreement may not be amended except by an instrument in writing signed on behalf of all the parties hereto.

9.6 Extension; Waiver(a) . The parties may, at any time prior to the Closing Date of the Transaction, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto; (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant thereto; or (iii) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of any party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party against which the waiver is sought to be enforced.

9.7 Descriptive Headings(a) . The descriptive headings of this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

9.8 Applicable Law; Venue(a) . This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York; provided, however, that any matter involving the internal corporate affairs of Parent, Company or any other party shall be governed by the provisions of the jurisdictions of their incorporation or formation, as the case may be. Each party covenants and agrees that the Supreme Court of the State of New York located in New York City or the United States District Court for the Southern District of New York shall have exclusive personal jurisdiction and be the sole proper venue over any dispute between the parties and no legal proceeding relating to this Agreement or any documents executed in connection herewith may be maintained except in either of such venues.

9.9 Waiver of Jury Trial(a) . Each party hereto waives any right to trial by jury with respect to any action related to or arising out of this Agreement or any transaction contemplated hereby.

9.10 Severability(a) . If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

9.11 Enforcement(a) . The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity.

9.12 Remedies Cumulative(a) . All rights and remedies existing under this Agreement are cumulative to, and not exclusive to, and not exclusive of, any rights or remedies otherwise available.

9.13 Counterparts(a) . This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

IN WITNESS WHEREOF, Parent, the Company and each of the Company Members has duly executed this Agreement as of the day and year first above written.

Parent:

CELLULAR TECHNICAL SERVICES COMPANY, INC.

By: /s/ Stephen Katz
Name: Stephen Katz
Title: Chief Executive Officer and Chairman of the Board

Company:

SAFESTITCH LLC

By: /s/ Jeffrey G. Spragens
Name: Jeffrey G. Spragens
Title: Managing Member

Company Members:

/s/ Dr. Charles Filipi
DR. CHARLES FILIPI

/s/ Jeffrey G. Spragens
JEFFREY G. SPRAGENS

/s/ Jane Hsiao
JANE HSIAO

/s/ Steven Rubin
STEVEN RUBIN

/s/ Rao Uppaluru
RAO UPPALURI

THE JOY F. SPRAGENS FAMILY TRUST
DATED NOVEMBER 18, 2003

By: /s/ Kathleen Norris Hee
Name: Kathleen Norris Hee
Title:

RSLS INVESTMENTS LLC

By: /s/ Jeffrey G. Spragens
Name: Jeffrey G. Spragens
Title: Manager

FROST GAMMA INVESTMENTS TRUST

By: /s/ Philip Frost
Name: Philip Frost
Title: Trustee

Exhibit A

Boards of Parent and Company

Dr. Charles Filipi
Dr. Jane Hsiao
Richard Pfenniger
Steven Rubin
Jeffrey G. Spragens
Kevin Wayne
One other independent director to be selected by the Company prior to the Closing

Exhibit B

Note and Security Agreement

Exhibit C

Warrant

Exhibit D

Lockup Letter

NOTE AND SECURITY AGREEMENT

FOR VALUE RECEIVED, CELLULAR TECHNICAL SERVICES COMPANY, INC., a Delaware corporation with offices at 4400 Biscayne Boulevard, Miami, Florida 33137 ("CTSC") and SAFESTITCH LLC, a Virginia limited liability company and wholly-owned subsidiary of CTSC ("SafeStitch", and, collectively with CTSC, "Borrower"), pursuant to this Note and Security Agreement (this "Note"), hereby promise to pay to THE FROST GROUP, LLC, a Florida limited liability company, ("Lender"), at such place as Lender may designate from time to time in writing, in lawful money of the United States of America, the principal amount of $4,000,000, or such lesser amount as shall equal the outstanding principal balance of the loan (the "Loan") made to Borrower by Lender pursuant to that certain Share Transfer, Exchange and Contribution Agreement, dated as of July 25, 2007, by and among Borrower, Lender and others (the "Share Exchange Agreement") and this Note, and to pay all other amounts due with respect to the Loan on the dates and in the amounts set forth in the Share Exchange Agreement and this Note.

1. Definitions. All terms used, but not defined herein, shall have the meanings ascribed to them in the Share Exchange Agreement. In addition, the terms set forth below shall have the following meanings:

(a) "Advances" means amounts advanced under the Note upon prior written notice to the Lender by the Borrower not later than 3:00 p.m., Eastern Standard Time, on the third business day prior to the date of any advance of credit pursuant hereto. Any such notice shall be in the form of the Borrowing Notice (as hereafter defined), shall be certified by the president of Borrower and shall set forth the aggregate amount of the requested Advance. Upon receiving a request for an Advance to which Borrower is entitled hereunder, the Lender shall make the requested Advance available to Borrower by wire transfer of immediately available funds to a bank account designated by Borrower.

(b) "Affiliate" means any Person that owns or controls directly or indirectly ten percent (10%) or more of the stock of another entity, any Person that controls or is controlled by or is under common control with such Persons or any Affiliate of such Persons and each of such Person's officers, directors, joint venturers or partners.

(c) "Available Amount" means Four Million Dollars ($4,000,000).

(d) "Borrowing Notice" means the Notice of Borrowing set forth as Exhibit A to this Note.

(e) "Code" means the Uniform Commercial Code as adopted and in effect in the State of Florida, as amended from time to time; provided that if by reason of mandatory provisions of law, the creation and/or perfection or the effect of perfection or non-perfection of the security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than Florida, then the term "Code" shall also mean the Uniform Commercial Code as in effect from time to time in such jurisdiction for purposes of the provisions hereof relating to such creation, perfection or effect of perfection or non-perfection.

(f) "Default Rate" shall mean a rate that shall be five percent (5.0%) in excess of the Interest Rate but not more than the maximum rate allowed by law. The Default Rate is imposed as liquidated damages for the purpose of defraying the Lender's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, the Lender's exercise of any rights and remedies hereunder or under applicable law, and any fees and expenses of any agents or attorneys which the Lender may employ in respect of such rights and remedies. In addition, the Default Rate reflects the increased credit risk to the Lender of carrying a loan that is in default. Borrower agrees that the Default Rate is a reasonable forecast of just compensation for anticipated and actual harm incurred by the Lender in the event of Borrower's default hereunder, and that the actual harm incurred by the Lender cannot be estimated with certainty and without difficulty.

(g) "Equity Securities" of Borrower means (1) all common stock, preferred stock, participations, shares, partnership interests, membership interests or other equity interests in and of Borrower (regardless of how designated and whether or not voting or non-voting) and (2) all warrants, options and other rights to acquire any of the foregoing.

(h) "Event of Default" shall mean the occurrence of one or more of the following events:

(1) Borrower shall fail to make any payment due to Lender under this Note when the same shall become due and payable, whether at maturity, by acceleration or otherwise, within five (5) days after receipt of written notice from Lender that such payment is due and unpaid.

(2) Borrower violates any of the covenants contained in Sections 7 and 8 of this Note and fails to remedy such violation within ten (10) days after receipt of written notice from Lender that such a violation has occurred.

(3) Any material portion of Borrower's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within ten (10) days, or if Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if a judgment or other claim becomes a lien or encumbrance upon any material portion of Borrower's assets, or if a notice of lien, levy, or assessment is filed of record with respect to any of Borrower's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal or governmental agency, and the same is not paid within ten (10) days after Borrower receives notice thereof; provided that none of the foregoing shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by Borrower.

(4) One or more defaults shall exist under any agreement with any third party or parties which consists of the failure to pay any Indebtedness at maturity or which results in a right by such third party or parties, whether or not exercised, to accelerate the maturity of Indebtedness in an aggregate amount in excess of One Hundred Fifty Thousand Dollars ($150,000).

(5) A judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least One Hundred Fifty Thousand Dollars ($150,000) shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of ten (10) days or more.

(6) Any material misrepresentation or material misstatement that exists now or hereafter in any warranty, representation, statement, certification or report made to Lender by Borrower or any officer, employee, agent or director of Borrower.

(7) Any document executed in connection with the Loan ceases to be, or Borrower asserts that such document is not, in any material respect, a legal, valid and binding obligation of Borrower enforceable in accordance with its terms.

(8) A proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of Borrower in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee (or similar official) of Borrower or for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) consecutive days or such court shall enter a decree or order granting the relief sought in such proceeding.

(9) Borrower commences a voluntary case under any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally now or hereafter in effect, consents to the entry of an order for relief in an involuntary case under any such law, or consents to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian (or other similar official) of Borrower or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing.

(i) "Indebtedness" means, with respect to Borrower, the aggregate amount of, without duplication, (a) all obligations of Borrower for borrowed money, (b) all obligations of Borrower evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of Borrower to pay the deferred purchase price of property or services (excluding trade payables aged less than one hundred eighty (180) days), (d) all capital lease obligations of Borrower, (e) all obligations or liabilities of others secured by a Lien on any asset of Borrower, whether or not such obligation or liability is assumed, (f) all obligations or liabilities of others guaranteed by Borrower, and (g) any other obligations or liabilities which are required by GAAP to be shown as debt on the balance sheet of Borrower.

(j) "Interest Rate" shall be 10% per annum.

(k) "Intellectual Property" means all of Borrower's right, title and interest in and to patents, patent rights (and applications and registrations therefor), trademarks and service marks (and applications and registrations therefor), inventions, copyrights, mask works (and applications and registrations therefor), trade names, trade styles, software and computer programs, source code, object code, trade secrets, methods, processes, know how, drawings, specifications, descriptions, and all memoranda, notes, and records with respect to any research and development, all whether now owned or licensed to, or subsequently acquired or developed by or licensed to Borrower and whether in tangible or intangible form or contained on magnetic media readable by machine together with all such magnetic media (but not including embedded computer programs and supporting information included within the definition of "goods" under the Code) and including all licenses and sublicenses with respect to any of the foregoing granted to or otherwise acquired by Borrower or to which Borrower is a successor or assignee, including specifically but without limitation the Exclusive License and Development Agreement by and between Creighton University and SafeStitch (the "Creighton License").

(l) "Lender's Expenses" means all reasonable attorneys' fees, costs and expenses incurred in amending (except as contemplated hereby), enforcing or defending the Note (including fees and expenses of appeal or review), including the exercise of any rights or remedies afforded under the Note or under applicable law, whether or not suit is brought, whether before or after bankruptcy or insolvency, including without limitation all fees and costs incurred by Lender in connection with Lender's enforcement of its rights in a bankruptcy or insolvency proceeding filed by or against Borrower or its property.

(m) "Lien" means any voluntary or involuntary security interest, pledge, bailment, lease, mortgage, hypothecation, conditional sales and title retention agreement, encumbrance or other lien with respect to any property of the Borrower in favor of any person.

(n) "Obligations" shall mean actual indebtedness, principal, interest, fees, charges, expenses and reasonable attorneys' fees and costs and other amounts, obligations, covenants and duties owing by Borrower to the Lender (or any permitted assignee) of any kind and description (whether pursuant to or evidenced by this Note or the Share Exchange Agreement), whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including Lender's Expenses, in each case as then outstanding hereunder.

(o) "Permitted Indebtedness" means and includes:

(1) Indebtedness of Borrower to Lender;

(2) Indebtedness arising from the endorsement of instruments in the ordinary course of business;

(3) Indebtedness existing on the date hereof and disclosed in the Disclosure Schedules to the Share Exchange Agreement;

(4) Indebtedness of Borrower in an aggregate original principal amount not to exceed $250,000 which is secured by Liens permitted under clause (5) of the definition of Permitted Liens;

(5) Other Indebtedness in an aggregate amount not exceeding $100,000 at any time; and

(6) Extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower.

(p) "Permitted Investments" means and includes any of the following investments:

(1) Deposits and deposit accounts with commercial banks organized under the laws of the United States or a state thereof to the extent: (i) the deposit accounts of each such institution are insured by the Federal Deposit Insurance Corporation up to the legal limit; and (ii) each such institution has an aggregate capital and surplus of not less than One Hundred Million Dollars ($100,000,000).

(2) Investments in marketable obligations issued or fully guaranteed by the United States and maturing not more than one (1) year from the date of issuance.

(3) Investments in open market commercial paper rated at least "A1" or "P1" or higher by a national credit rating agency and maturing not more than one (1) year from the creation thereof.

(4) Investments pursuant to or arising under currency agreements or interest rate agreements entered into in the ordinary course of business.

(5) Investments, not requiring the use of cash or the assumption of liabilities, in joint ventures, partnerships or similar business arrangements entered into in the ordinary course of business in substantially the same industry and growth stage as Borrower.

(6) Other investments aggregating not in excess of Five Hundred Thousand Dollars ($500,000) at any time.

(q) "Permitted Liens" means:

(1) The Lien created by this Agreement.

(2) Liens for fees, taxes, levies, imposts, duties or other governmental charges of any kind which are not yet delinquent or which are being contested in good faith by appropriate proceedings which suspend the collection thereof (provided that such appropriate proceedings do not involve any substantial danger of the sale, forfeiture or loss of any material item of Collateral or Collateral which in the aggregate is material to Borrower and that Borrower has adequately bonded such Lien or reserves sufficient to discharge such Lien have been provided on the books of Borrower).

(3) Liens existing as of the date of this Note and identified in a Disclosure Schedule or otherwise referred to in the Share Exchange Agreement.

(4) Carriers', warehousemen's, mechanics', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings (provided that such appropriate proceedings do not involve any substantial danger of the sale, forfeiture or loss of any material item of Collateral or Collateral which in the aggregate is material to Borrower and that Borrower has adequately bonded such Lien or reserves sufficient to discharge such Lien have been provided on the books of Borrower).

(5) Liens upon any equipment or other personal property acquired by Borrower after the date hereof to secure (i) the purchase price of such equipment or other personal property, or (ii) lease obligations or indebtedness incurred solely for the purpose of financing the acquisition of such equipment or other personal property; provided that such Liens are confined solely to the equipment or other personal property so acquired and the proceeds thereof and the amount secured does not exceed the acquisition price thereof.

(6) Licenses of Intellectual Property entered into in the ordinary course of business (whether as licensor or licensee);

(7) Bankers' liens, rights of setoff and similar Liens incurred on deposits made in the ordinary course of business and Liens in favor of financial institutions arising in connection with Borrower's deposit accounts or securities accounts held at such institutions to secure customary fees and charges;

(8) Any judgment, attachment or similar Lien not resulting in an Event of Default hereunder; and

(9) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described above but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase.

(r) "Person" means and includes any individual, any partnership, any corporation, any business trust, any joint stock company, any limited liability company, any unincorporated association or any other entity and any domestic or foreign national, state or local government, any political subdivision thereof, and any department, agency, authority or bureau of any of the foregoing.

(s) "Share Exchange Agreement" means the Share Transfer, Exchange and Contribution Agreement, dated as of the date hereof, among Borrower, Lender and others.

(t) "Subsidiary" means any corporation or other entity of which a majority of the outstanding equity securities entitled to vote for the election of directors or other governing body (otherwise than as the result of a default) is owned by Borrower directly or indirectly through Subsidiaries.

(u) "Warrant" means the warrant to acquire a number of shares equal to five percent (5%) of the total fully-diluted shares of common stock of CTSC, dated as of the date hereof, issued to Lender.

2. Advances Under the Note and Obligations. From time to time prior to the Maturity Date, subject to the provisions below, the Lender may make Advances to the Borrower, which the Borrower shall repay to the Lender and, the Borrower after such Advances, may reborrow, so long as the aggregate amount of Advances outstanding at any one time shall not exceed the Available Amount, which the Borrower shall again repay to the Lender. Notwithstanding the face amount of the Note, Borrower's liability under the Note shall include the Obligations. Lender may determine to include Obligations other than interest payable at the Interest Rate in calculating the Available Amount. The obligation of the Lender to make Advances shall be subject to the Lender's receipt of a completed Borrowing Notice and such documents as the Lender may reasonably request and the absence of any continuing Event of Default. Prior to making the first Advance and as a condition to such Advance, Borrower shall provide Lender with a certificate of the duly authorized Secretary of Borrower as to its Bylaws and resolutions adopted by its board of directors authorizing the Share Exchange Agreement, this Note and the transactions contemplated hereby and thereby, and a certified copy of Borrower's Certificate of Incorporation, as well as any and all third-party consents which are required to be procured by Borrower before it can incur the indebtedness evidenced by this Note, issue the Warrants, and otherwise commit itself to its obligations hereunder and under the Share Exchange Agreement.

3. Payments of Obligations, including Principal and Interest. The principal amount of the Loan evidenced hereby, together with any accrued and unpaid interest, and any and all the Obligations, including unpaid costs, fees and expenses accrued, such as Lender's Expenses, shall be due and payable in full on December 31, 2009 (the "Maturity Date").

4. Interest. All amounts outstanding from time to time hereunder shall bear interest until such amounts are paid at the Interest Rate. Following any Event of Default (including before or after any judgment is entered) and after the Maturity Date, the principal balance outstanding hereunder, together with all such other amounts outstanding hereunder, shall bear interest at the Default Rate.

5. Prepayments. Borrower may prepay in cash, at any time or from time to time, all or any portion of the amounts due hereunder, without penalty or premium; provided, however, that any prepayment (whether voluntary or involuntary) shall be applied first to accrued and unpaid interest and second to outstanding principal and other Obligations due hereunder. Prepayments of all or any portion of the Obligations shall not reduce the Available Amount, and funds may be reborrowed hereunder up to the Available Amount, subject to the provision hereof and the Note. If Borrower makes a payment or payments and such payment or payments, or any part thereof, are subsequently invalidated, declared to be fraudulent or preferential, set aside or are required to be repaid to a trustee, receiver, or any other person under any bankruptcy act, state, provincial or federal law, common law or equitable cause, then to the extent of such payment or payments, the obligations or part thereof hereunder intended to be satisfied shall be revived and continued in full force and effect as if said payment or payments had not been made.

6. Security Interest.

(a) Grant of Security Interest. Borrower grants to Lender a valid and continuing first priority security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt, full and complete payment of the amounts due hereunder and in order to secure prompt, full and complete performance by Borrower of each of its covenants and duties under the Share Exchange Agreement and this Note. "Collateral" shall mean and include all right, title, interest, claims and demands of Borrower in and to all personal property of Borrower, including without limitation, all of the following:

(1) All goods (and embedded computer programs and supporting information included within the definition of "goods" under the Code) and equipment now owned or hereafter acquired, including, without limitation, all laboratory equipment, computer equipment, office equipment, machinery, fixtures, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing, wherever located.

(2) All inventory now owned or hereafter acquired, including, without limitation, all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products including such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Borrower's books relating to any of the foregoing.

(3) All contract rights and general intangibles, now owned or hereafter acquired, including, without limitation, goodwill, license agreements, franchise agreements, blueprints, drawings, purchase orders, customer lists, route lists, infringements, claims, software, computer programs, computer disks, computer tapes, literature, reports, catalogs, design rights, income tax refunds, payment intangibles, commercial tort claims, payments of insurance and rights to payment of any kind.

(4) All now existing and hereafter arising accounts, contract rights, royalties, license rights, license fees and all other forms of obligations owing to Borrower arising out of the sale or lease of goods, the licensing of technology or the rendering of services by Borrower (subject, in each case, to the contractual rights of third parties to require funds received by Borrower to be expended in a particular manner), whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower's books relating to any of the foregoing, including specifically with respect to all of the foregoing, but without limitation, the Creighton License.

(5) All documents, cash, deposit accounts, letters of credit (whether or not the letter of credit is evidenced by a writing), certificates of deposit, instruments, promissory notes, chattel paper (whether tangible or electronic) and investment property, including, without limitation, all securities, whether certificated or uncertificated, security entitlements, securities accounts, commodity contracts and commodity accounts, and all financial assets held in any securities account or otherwise, wherever located, now owned or hereafter acquired and Borrower's books relating to the foregoing.

(6) All Intellectual Property of the Borrower.

(7) Any and all claims, rights and interests in any of the above and all substitutions for, additions and accessions to and proceeds thereof, including, without limitation, insurance, condemnation, requisition or similar payments and proceeds of the sale or licensing of Intellectual Property to the extent such proceeds no longer constitute Intellectual Property.

(b) After-Acquired Property. If Borrower shall at any time acquire a commercial tort claim, as defined in the Code, Borrower shall immediately notify Lender in writing signed by Borrower of the brief details thereof and grant to Lender in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Note, with such writing to be in form and substance satisfactory to Lender.

(c) Duration of Security Interest. Lender's security interest in the Collateral shall continue until the payment in full and the satisfaction of all obligations of Borrower under this Note, and the termination of any commitment to fund any Loan, whereupon such security interest shall terminate. Lender shall, at Borrower's sole cost and expense, execute such further documents and take such further actions as may be reasonably necessary to make effective the release contemplated by this Section 6(c). including duly executing and delivering termination statements for filing in all relevant jurisdictions under the Code.

(d) Location and Possession of Collateral. The Collateral is and shall remain in the possession of Borrower at its location at 4400 Biscayne Boulevard, Miami, Florida 33137. Borrower shall remain in full possession, enjoyment and control of the Collateral (except only as may be otherwise required by Lender for perfection of its security interest therein) and so long as no Event of Default has occurred and is continuing, shall be entitled to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided that the possession, enjoyment, control and use of the Collateral shall at all time be subject to the observance and performance of the terms of this Agreement.

(e) Delivery of Additional Documentation Required. Borrower shall from time to time execute and deliver to Lender, at the request of Lender, all financing statements and other documents Lender may reasonably request, in form satisfactory to Lender, to perfect and continue Lender's perfected security interests in the Collateral and in order to consummate fully all of the transactions contemplated under this Note and the Share Exchange Agreement.

(f) Right to Inspect. Lender (through any of its officers, employees, or agents) shall have the right, upon reasonable prior notice, from time to time during Borrower's usual business hours, to inspect Borrower's books and records and to make copies thereof and to inspect, test, and appraise the Collateral in order to verify Borrower's financial condition or the amount, condition of, or any other matter relating to, the Collateral.

(g) Protection of Intellectual Property. Borrower shall use its commercially reasonable efforts to (i) protect, defend and maintain the validity and enforceability of its material Intellectual Property and promptly advise Lender in writing of material infringements which become known to Borrower and (ii) not allow any Intellectual Property material to Borrower's business to be abandoned, forfeited or dedicated to the public except in the ordinary course of Borrower's business. Specifically but without limitation, Borrower shall cause the Creighton License to remain in full force and effect at all times while this Agreement is in effect.

7. Affirmative Covenants. Borrower covenants that, so long as any amounts are due and payable hereunder to Lender or any commitment to make any Loan still exists, Borrower shall:

(a) Maintain its corporate existence and its good standing in its jurisdiction of incorporation and maintain qualification in each jurisdiction in which the failure to so qualify could reasonably be expected to have a material adverse effect on the financial condition, operations or business of Borrower. Borrower shall maintain in force all licenses, approvals and agreements, the loss of which could reasonably be expected to have a material adverse effect on its financial condition, operations or business.

(b) Comply with all statutes, laws, ordinances and government rules and regulations to which it is subject, noncompliance with which could reasonably be expected to materially adversely affect the financial condition, operations or business of Borrower.

(c) Deliver to Lender: (i) as soon as available, but in any event within forty five (45) days after the end of each month, a company prepared balance sheet, income statement and cash flow statement covering Borrower's operations during such period, certified by Borrower's president, treasurer or chief financial officer (each, a "Responsible Officer"); (ii) as soon as available, but in any event within one hundred twenty (120) days after the end of Borrower's fiscal year, audited financial statements of Borrower prepared in accordance with GAAP, together with an unqualified opinion on such financial statements of a nationally recognized or other independent public accounting firm reasonably acceptable to Lender; and (iii) as soon as available, but in any event within ninety (90) days after the end of Borrower's fiscal year or the date of Borrower's board of directors' adoption, Borrower's operating budget and plan for the next fiscal year; and (iv) such other financial information as Lender may reasonably request from time to time. For so long as Borrower is a publicly reporting company, promptly as they are available and in any event: (x) at the time of filing of Borrower's Form 10-K with the Securities and Exchange Commission after the end of each fiscal year of Borrower, the financial statements of Borrower filed with such Form 10-K; and (y) at the time of filing of Borrower's Form 10-Q with the Securities and Exchange Commission after the end of each of the first three fiscal quarters of Borrower, the financial statements of Borrower filed with such Form 10-Q. In addition, Borrower shall deliver to Lender: (i) promptly upon becoming available, copies of all statements, reports and notices sent or made available generally by Borrower to its security holders; (ii) immediately upon receipt of notice thereof, a report of any material legal actions pending or threatened against Borrower or the commencement of any action, proceeding or governmental investigation involving Borrower is commenced that is reasonably expected to result in damages or costs to Borrower of One Hundred Fifty Thousand Dollars ($150,000) or more; and (iii) such other financial information as Lender may reasonably request from time to time.

(d) Each time financial statements are furnished pursuant to Section 7(c) above, deliver to Lender an Officer's Certificate signed by a Responsible Officer in form satisfactory to Lender, certifying such financial statements, Borrower's compliance with the terms of this Note and that no default or Event of Default has occurred under this Note.

(e) As soon as possible, and in any event within five (5) days after the discovery of a default or an Event of Default, provide Lender with an Officer's Certificate setting forth the facts relating to or giving rise to such default or Event of Default and the action which Borrower proposes to take with respect thereto.

(f) Make due and timely payment or deposit of all federal, state, and local taxes, assessments, or contributions required of it by law or imposed upon any property belonging to it, and will execute and deliver to Lender, on demand, appropriate certificates attesting to the payment or deposit thereof; and Borrower will make timely payment or deposit of all tax payments and withholding taxes required of it by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, and will, upon request, furnish Lender with proof satisfactory to Lender indicating that Borrower has made such payments or deposits; provided that Borrower need not make any payment if the amount or validity of such payment is contested in good faith by appropriate proceedings which suspend the collection thereof (provided that such proceedings do not involve any substantial danger of the sale, forfeiture or loss of any material item of Collateral or Collateral which in the aggregate is material to Borrower and that Borrower has adequately bonded such amounts or reserves sufficient to discharge such amounts have been provided on the books of Borrower).

(g) Keep and maintain all items of equipment and other similar types of personal property that form any significant portion or portions of the Collateral in good operating condition and repair and shall make all necessary replacements thereof and renewals thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved. Borrower shall not permit any such material item of Collateral to become a fixture to real estate or an accession to other personal property, without the prior written consent of Lender. Borrower shall not permit any such material item of Collateral to be operated or maintained in violation of any applicable law, statute, rule or regulation. With respect to items of leased equipment (to the extent Lender has any security interest in any residual Borrower's interest in such equipment under the lease), Borrower shall keep, maintain, repair, replace and operate such leased equipment in accordance with the terms of the applicable lease.

(h) Keep its business and the Collateral insured for risks and in amounts as Lender may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to Lender. All property policies shall have a lender's loss payable endorsement showing Lender as an additional loss payee and all liability policies shall show Lender as an additional insured and all policies shall provide that the insurer must give Lender at least thirty (30) days notice before canceling its policy. At Lender's request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy shall, at Lender's option, be payable to Lender on account of the Obligations. Notwithstanding the foregoing, so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy, toward the replacement or repair of destroyed or damaged property; provided that (i) any such replaced or

repaired property (a) shall be of equal or like value as the replaced or repaired Collateral and (b) shall be deemed Collateral in which Lender has been granted a security interest and (ii) after the occurrence and during the continuation of an Event of Default all proceeds payable under such casualty policy shall, at the option of Lender, be payable to Lender, on account of the Indebtedness evidenced by this Note and the Share Exchange Agreement. If Borrower fails to obtain insurance as required under this Section 7(h) or to pay any amount or furnish any required proof of payment to third persons and Lender, Lender may make all or part of such payment or obtain such insurance policies required in this Section 7(h) and take any action under the policies Lender deems prudent. On or prior to the Initial Closing Date and prior to each policy renewal, Borrower shall furnish to Lender certificates of insurance or other evidence reasonably satisfactory to Lender that insurance complying with all of the above requirements is in effect.

(i) Assuming the proper filing of one or more financing statement(s) identifying the Collateral with the proper state and/or local authorities, the security interests in the Collateral granted to Lender pursuant to this Agreement (i) constitute and will continue to constitute first priority security interests (except to the extent any Permitted Liens may have a superior priority to Lender's Lien under this Agreement) and (ii) are and will continue to be superior and prior to the rights of all other creditors of Borrower (except to the extent of such Permitted Liens).

(j) At any time and from time to time Borrower shall execute and deliver such further instruments and take such further action as may reasonably be requested by Lender to make effective the purposes of this Agreement, including without limitation, the continued perfection and priority of Lender's security interest in the Collateral.

8. Negative Covenants. Borrower covenants that so long as any amounts are due and payable hereunder to Lender or any commitment to make any Loan still exists, without the prior approval of Lender, Borrower shall not:

(a) Change its name, jurisdiction of incorporation or principal place of business without thirty (30) days prior written notice to Lender.

(b) Subject to its rights under Section 8(d), remove any items of Collateral from the Collateral location(s) specified in this Note.

(c) Create, incur, assume or suffer to exist any Lien of any kind upon any of Borrower's property, whether now owned or hereafter acquired, except Permitted Liens.

(d) Convey, sell, lease or otherwise dispose of all or any part of the Collateral to any Person (collectively, a "Transfer"), except for: (i) Transfers of inventory in the ordinary course of business; or (ii) Transfers of worn-out or obsolete equipment.

(e) Except as set forth in the Schedule of Exceptions to the Share Exchange Agreement delivered by Borrower as of the date hereof: (i) pay any dividends or make any distributions on its Equity Securities; (ii) purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Securities (other than repurchases pursuant to the terms of employee stock purchase plans, employee restricted stock agreements or similar arrangements in an aggregate amount not to exceed One Hundred Thousand Dollars ($100,000)); (iii) return any capital to any holder of its Equity Securities as such; (iv) make any distribution of assets, Equity Securities, obligations or securities to any holder of its Equity Securities as such; or (v) set apart any sum for any such purpose; provided, however, that Borrower may pay dividends payable solely in common stock.

(f) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower or reasonably related thereto.

(g) Enter into any contractual obligation with any Affiliate or engage in any other transaction with any Affiliate except upon terms at least as favorable to Borrower as an arms-length transaction with persons who are not Affiliates of Borrower.

(h) (i) Prepay, redeem, purchase, defease or otherwise satisfy in any manner prior to the scheduled repayment thereof any Indebtedness for borrowed money (other than amounts due or permitted to be prepaid under this Agreement) or lease obligations, (ii) amend, modify or otherwise change the terms of any Indebtedness for borrowed money or lease obligations so as to accelerate the scheduled repayment thereof or (iii) repay any notes to officers, directors or shareholders.

(i) Create, incur, assume or permit to exist any Indebtedness except Permitted Indebtedness.

(j) Make any investment except for Permitted Investments.

(k) Become an "investment company" or a company controlled by an "investment company" under the Investment Company Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock, or use the proceeds of any Loan for that purpose; fail to meet the minimum funding requirements of the Employment Retirement Income Security Act of 1974, and its regulations, as amended from time to time ("ERISA"), permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower's business or operations or could reasonably be expected to cause a material adverse change, or permit any of its Subsidiaries to do so.

(l) Create, incur, assume or suffer to exist any Lien of any kind upon any Intellectual Property or Transfer any Intellectual Property, whether now owned or hereafter acquired, other than licenses of Intellectual Property entered into in the ordinary course of business.

9. Lender's Rights and Remedies.

(a) Rights and Remedies. Upon the occurrence of an Event of Default, while such Event of Default is continuing (provided that an Event of Default shall be continuing at all times after any cure period therefor expires), Lender shall not have any further obligation to advance money or extend credit to or for the benefit of Borrower. In addition, upon the occurrence and during the continuance of an Event of Default, the entire unpaid principal sum hereunder, plus any and all interest accrued thereon, plus all other sums due and payable to

Lender hereunder shall, at the option of Lender, become due and payable immediately without presentment, demand, notice of nonpayment, protest, notice of protest, or other notice of dishonor, all of which are hereby expressly waived by Borrower. Lender shall have the rights, options, duties and remedies of a secured party as permitted by applicable law and, in addition to and without limitation of the foregoing, Lender may, at its election, without notice of election and without demand, do any one or more of the following, all of which are authorized by Borrower:

(1) Make such payments and do such acts as Lender considers necessary or reasonable to protect Lender's security interest in the Collateral. Borrower agrees to assemble the Collateral if Lender so requires and to make the Collateral available to Lender as Lender may designate. Borrower authorizes Lender and its designees and agents to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any Lien which in Lender's determination appears or is claimed to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Borrower's owned premises, Borrower hereby grants Lender a license to enter into possession of such premises and to occupy the same, without charge, for up to one hundred twenty (120) days in order to exercise any of Lender's rights or remedies provided herein, at law, in equity, or otherwise;

(2) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. Lender and its agents and any purchasers at or after foreclosure are hereby granted a non-exclusive, irrevocable, perpetual, fully paid, royalty-free license or other right, solely pursuant to the provisions of this Section 8, to use, without charge, Borrower's Intellectual Property, including without limitation, labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks and advertising matter, or any property of a similar nature, now or at any time hereafter owned or acquired by Borrower or in which Borrower now or at any time hereafter has any rights; provided that such license shall only be exercisable in connection with the disposition of Collateral upon Lender's exercise of its remedies hereunder;

(3) Sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as Lender determines are commercially reasonable; and

(4) Credit bid and purchase all or any portion of the Collateral at any public sale.

Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Borrower.

(b) Set Off Right. Lender may set off and apply to the obligations hereunder any and all indebtedness at any time owing to or for the credit or the account of Borrower or any other assets of Borrower in Lender's possession or control.

(c) Effect of Sale. Upon the occurrence of an Event of Default and during the continuation thereof, to the extent permitted by applicable law, Borrower covenants that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, except as to rights expressly provided herein, hereby expressly waives for itself and on behalf of each and every Person, except decree or judgment creditors of Borrower, acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to Lender, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of Borrower in and to the property sold, and shall be a perpetual bar, both at law and in equity, against Borrower, its successors and assigns, and against any and all Persons claiming the property sold or any part thereof under, by or through Borrower, its successors or assigns.

(d) Power of Attorney in Respect of the Collateral. Borrower does hereby irrevocably appoint Lender (which appointment is coupled with an interest), the true and lawful attorney in fact of Borrower with full power of substitution, for it and in its name to file any notices of security interests, financing statements and continuations and amendments thereof pursuant to the Code or federal law, as may be necessary to perfect, or to continue the perfection of Lender's security interests in the Collateral. Borrower does hereby irrevocably appoint Lender (which appointment is coupled with an interest) on the occurrence of an Event of Default and during the continuation thereof, the true and lawful attorney in fact of Borrower with full power of substitution, for it and in its name: (a) to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, issues, profits, avails, distributions, income, payment draws and other sums in which a security interest is granted under Section 6 with full power to settle, adjust or compromise any claim thereunder as fully as if Lender were Borrower itself; (b) to receive payment of and to endorse the name of Borrower to any items of Collateral (including checks, drafts and other orders for the payment of money) that come into Lender's possession or under Lender's control; (c) to make all demands, consents and waivers, or take any other action with respect to, the Collateral; (d) in Lender's discretion to file any claim or take any other action or proceedings, either in its own name or in the name of Borrower or otherwise, which Lender may reasonably deem necessary or appropriate to protect and preserve the right, title and interest of Lender in and to the Collateral; (e) endorse Borrower's name on any checks or other forms of payment or security; (f) sign Borrower's name on any invoice or bill of lading for any account or drafts against account debtors; (g) make, settle, and adjust all claims under Borrower's insurance policies; (h) settle and adjust disputes and claims about the accounts directly with account debtors, for amounts and on terms Lender determines reasonable; (i) transfer the Collateral into the name of Lender or a third party as the Code permits; and (j) to otherwise act with respect thereto as though Lender were the outright owner of the Collateral.

10. Remedies Cumulative, Etc.

(a) No right or remedy conferred upon or reserved to Lender hereunder or now or hereafter existing at law or in equity is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and concurrent, and in addition to every other such right or remedy, and may be pursued singly, concurrently, successively or otherwise, at the sole discretion of Lender, and shall not be exhausted by any one exercise thereof but may be exercised as often as occasion therefor shall occur.

(b) Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest, notice of dishonor and any and all other notices in connection with any default in the payment of, or any enforcement of the payment of, all amounts due under this Note. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

(c) Costs and Expenses. Following the occurrence of any Event of Default, Borrower shall pay upon demand all costs and expenses (including reasonable attorneys' fees and expenses) incurred by Lender in the exercise of any of its rights, remedies or powers under this Note and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and shall bear interest at the Default Rate from the date of such demand until paid in full.

11. Indemnification and Waiver. Whether or not the transactions contemplated hereby shall be consummated:

(a) General Indemnity. Borrower agrees upon demand to pay or reimburse Lender for all liabilities, obligations and out-of-pocket expenses, including Lender's expenses and reasonable fees and expenses of counsel for Lender from time to time arising in connection with the enforcement or collection of sums due under this Note or the Share Exchange Agreement, and in connection with any amendment or modification of such documents or any "work-out" in connection with such documents. Borrower shall indemnify, reimburse and hold Lender and each of its respective successors, assigns, agents, attorneys, officers, directors, shareholders, servants, agents and employees (each an "Indemnified Person") harmless from and against all liabilities, losses, damages, actions, suits, demands, claims of any kind and nature (including claims relating to environmental discharge, cleanup or compliance), all costs and expenses whatsoever to the extent they may be incurred or suffered by such Indemnified Person in connection therewith (including reasonable attorneys' fees and expenses), fines, penalties (and other charges of any applicable governmental authority), licensing fees relating to any item of Collateral, damage to or loss of use of property (including consequential or special damages to third parties or damages to Borrower's property), or bodily injury to or death of any person (including any agent or employee of Borrower) (each, a "Claim"), directly or indirectly relating to or arising out of the use of the proceeds of the Loans or otherwise, the falsity of any representation or warranty of Borrower or Borrower's failure to comply with the terms of this Note or the Share Exchange Agreement. The foregoing indemnity shall cover, without limitation, (i) any Claim in connection with a design or other defect (latent or patent) in any item of equipment or product included in the Collateral, (ii) any Claim for infringement of any patent, copyright, trademark or other intellectual property right, (iii) any Claim resulting from the presence on or under or the escape, seepage, leakage, spillage, discharge, emission or release of any Hazardous Substances on the premises owned, occupied or leased by Borrower, including any Claims asserted or arising under any environmental law, or (iv) any Claim for negligence or strict or absolute liability in tort; provided, however, Borrower shall not indemnify Lender for any liability incurred by Lender as a direct and sole result of Lender's gross negligence or willful misconduct. Such indemnities shall continue in full force and effect, notwithstanding the expiration or termination of this Note. Upon Lender's written demand, Borrower shall assume and diligently conduct, at its sole cost and expense, the entire defense of Lender, each of its partners, and each of their respective, agents, employees, directors, officers, shareholders, successors and assigns against any indemnified Claim described in this Section. Borrower shall not settle or compromise any Claim against or involving Lender without first obtaining Lender's written consent thereto, which consent shall not be unreasonably withheld.

12. Notices. All notices required to be given to any of the parties hereunder shall be in writing and shall be deemed to have been sufficiently given for all purposes when presented personally to such party or sent by hand delivery, facsimile, courier service guaranteeing next business day delivery, or overnight U.S. express mail, return receipt requested, to such party at its address set forth in the Share Exchange Agreement with copies to the parties designated to receive copies in the Share Exchange Agreement. Such notice shall be deemed to be given when received. Any notice of any change in such address shall also be given in the manner set forth above. Whenever the giving of notice is required, the giving of such notice may be waived in writing by the party entitled to receive such notice.

13. Severability. In the event that any provision of this Note is held to be invalid, illegal or unenforceable in any respect or to any extent, such provision shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. Any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

14. Successors and Assigns. This Note inures to the benefit of Lender and binds Borrower, and their respective successors and assigns, and the words "Borrower" and "Lender" whenever occurring herein shall be deemed and construed to include such respective successors and assigns; provided, however, neither this Note nor any rights hereunder may be assigned by Borrower without Lender's prior written consent, which consent may be granted or withheld in Lender's sole discretion.

15. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Florida. Borrower agrees that any action or proceeding against it to enforce the Note may be commenced in state or federal court in any county in the State of Florida, and Borrower waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served and shall confer personal jurisdiction if served by registered or certified mail in accordance with the notice provisions set forth herein.

16. Entire Agreement; Construction; Amendments and Waivers.

(a) Entire Agreement. This Note and each of the related loan documents dated as of the date hereof, taken together, constitute and contain the entire agreement between Borrower and Lender with respect to the subject matter hereof and supersede any and all prior agreements, negotiations, correspondence, understandings and communications between the parties, whether written or oral, with respect to such subject matter. Borrower acknowledges that it is not relying on any representation or agreement made by Lender or any employee, attorney or agent thereof, other than the specific agreements set forth in this Note and the related loan documents.

(b) Construction. This Note is the result of negotiations between and has been reviewed by each of Borrower and Lender as of the date hereof and their respective counsel; accordingly, this Note shall be deemed to be the product of the parties hereto, and no ambiguity shall be construed in favor of or against Borrower or Lender. Borrower and Lender agree that they intend the literal words of this Note and the related loan documents and that no parol evidence shall be necessary or appropriate to establish Borrower's or Lender's actual intentions.

(c) Amendments and Waivers. Any and all amendments, modifications, discharges or waivers of, or consents to any departures from any provision of this Note or of any of the related loan documents shall not be effective without the written consent of Lender and Borrower. Any waiver or consent with respect to any provision of such loan documents shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on Borrower in any case shall entitle Borrower to any other or further notice or demand in similar or other circumstances. Any amendment, modification, waiver or consent affected in accordance with this Section shall be binding upon Lender and on Borrower.

17. Reliance by Lender. All covenants, agreements, representations and warranties made herein by Borrower shall be deemed to be material to and to have been relied upon by Lender, notwithstanding any investigation by Lender.

18. No Set-Offs by Borrower. All sums payable by Borrower pursuant to this Note or any of the related loan documents shall be payable without notice or demand and shall be payable in United States Dollars without set-off or reduction of any manner whatsoever.

19. Survival. All covenants, representations and warranties made in this Agreement shall continue in full force and effect so long as any obligations hereunder or commitment to fund remain outstanding. The obligations of Borrower to indemnify Lender with respect to the expenses, damages, losses, costs and liabilities described in Section 11 shall survive until all applicable statute of limitations periods with respect to actions that may be brought against Lender have run.

20. WAIVER OF TRIAL BY JURY. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO TRIAL BY JURY.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Borrower has duly executed this Note and Security Agreement as of the day and year first above written.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

By:
Name: _____
Title: _____

SAFESTITCH LLC

By:
Name: _____
Title: _____

Agreed and Accepted:
THE FROST GROUP, LLC
By: _____

FORM OF WARRANT

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISEABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

CELLULAR TECHNICAL SERVICES COMPANY, INC.
WARRANT TO PURCHASE COMMON STOCK

Warrant No.:_____
Number of Shares of Common Stock: 805,521
Date of Issuance: , 2007 ("**Issuance Date**")

Cellular Technical Services Company, Inc., a Delaware corporation (the "**Company**"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, The Frost Group, LLC, the registered holder hereof or its permitted assigns (the "**Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, the "**Warrant**"), at any time or times on or after the date hereof, but not after 11:59 p.m., New York Time, on the Expiration Date (as defined below), (1) Eight Hundred and Five Thousand, Five Hundred Twenty-One (805,521) fully paid nonassessable shares of Common Stock (as defined below) (the "**Warrant Shares**"). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 14. This Warrant is one of the Warrants to purchase Common Stock (the "**Warrants**") issued in connection with the credit facility being provided by the Holder to the Company in connection with that certain Share Transfer, Exchange and Contribution Agreement, dated as of July 25, 2007 by and among the Company and the investors (the "**Buyers**") referred to therein (the "**Share Exchange Agreement**").

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof (including, without limitation, the limitations set forth in Section 1(f)), this Warrant may be exercised by the Holder on any day on or after the date hereof, in whole or in part, by (i) delivery of a written notice, in the form attached hereto as Exhibit A (the "**Exercise Notice**"), of the

Holder's election to exercise this Warrant and (ii) (A) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the "**Aggregate Exercise Price**") in cash or wire transfer of immediately available funds or (B) by notifying the Company that this Warrant is being exercised pursuant to a Cashless Exercise (as defined in Section 1(d)). Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the first Business Day following the date on which the Company has received each of the Exercise Notice and the Aggregate Exercise Price (or notice of a Cashless Exercise) (the "**Exercise Delivery Documents**"), the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of the Exercise Delivery Documents to the Holder and the Company's transfer agent (the "**Transfer Agent**"). On or before the second Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the "**Share Delivery Date**"), the Company shall (X) provided that the Transfer Agent is participating in The Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of shares of Common Stock to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with DTC through its Deposit Withdrawal Agent Commission system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Notice and Aggregate Exercise Price referred to in clause (ii)(A) above or notification to the Company of a Cashless Exercise referred to in Section 1(d), the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing such Warrant Shares. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than five Business Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 6(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock to be issued shall be rounded to the nearest whole number. The Company shall pay any and all taxes which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant; *provided*, that the Company shall not be required to pay any tax or taxes that may be payable in respect of any transfer involved in the issue or delivery of any Warrant or certificates for Warrant Shares in a name other than that of the registered holder of such Warrant, and no such issue or delivery shall be made unless and until the person requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

(b) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means $(2)_____, subject to adjustment as provided herein.

(c) Cashless Exercise. The Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a "**Cashless Exercise**"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B= the average Closing Sale Price of the shares of Common Stock (as reported by Bloomberg) during the 20 trading-day period ending on the date immediately preceding the date of the Exercise Notice.

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

(d) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and resolve such dispute in accordance with Section 11.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES. The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) Adjustment upon Subdivision or Combination of shares of Common Stock. If the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time on or after the Subscription Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(b) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of the Holder; provided that no such adjustment pursuant to this Section 2(c) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2.

3. FUNDAMENTAL TRANSACTIONS. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes in writing (with the purchase of at least a majority of the outstanding shares of the Company's Common Stock automatically constituting an assumption in writing) all of the obligations of the Company under this Warrant in accordance with the provisions of this Section 3 pursuant to written agreements, including agreements to deliver to each holder of Warrants in exchange for such Warrants a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, an adjusted exercise price equal to the value for the shares of Common Stock reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction. Upon the occurrence of any Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of the Fundamental Transaction, the Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the Fundamental Transaction, in lieu of the shares of the Common Stock (or other securities, cash, assets or other property) purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights) which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had this Warrant been converted immediately prior to such Fundamental Transaction, as adjusted in accordance with the provisions of this Warrant. In addition to and not in substitution for any other rights hereunder, prior to the consummation of any Fundamental Transaction pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock (a "**Corporate Event**"), the Company shall make appropriate provision to insure that the Holder will thereafter have the right to receive upon an exercise of this Warrant at any time after the consummation of the Fundamental Transaction but prior to the Expiration Date, in lieu of the shares of the Common Stock (or other securities, cash, assets or other property) purchasable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of stock, securities, cash, assets or any other property whatsoever (including warrants or other purchase or subscription rights) which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had the Warrant been exercised immediately prior to such Fundamental Transaction. The provisions of this Section shall apply similarly and equally to successive Fundamental Transactions and Corporate Events and shall be applied without regard to any limitations on the exercise of this Warrant.

4. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as any of the Warrants are outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the Warrants, the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of the SE Warrants then outstanding (without regard to any limitations on exercise).

5. WARRANT HOLDER NOT DEEMED A SHAREHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a shareholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

6. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 6(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less then the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 6(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 6(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 6(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional shares of Common Stock shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 6(a) or Section 6(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

7. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section 9.2 of the Share Exchange Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefore. Without limiting the generality of the foregoing, the Company will give written notice to the Holder (i) immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least fifteen days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the shares of Common Stock, or (B) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

8. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Required Holders; provided that no such action may increase the exercise price of any Warrant or decrease the number of shares or class of stock obtainable upon exercise of any Warrant without the written consent of the Holder. No such amendment shall be effective to the extent that it applies to less than all of the holders of the SE Warrants then outstanding.

9. GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Delaware.

10. CONSTRUCTION; HEADINGS. This Warrant shall be deemed to be jointly drafted by the Company and all the Buyers and shall not be construed against any person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

11. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two Business Days of receipt of the Exercise Notice giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within five Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two Business Days submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error. The cost of any proceeding (including the fees and expenses of the investment bank or accountant and reasonable attorney fees and expenses of the parties) pursuant to this Section 11 shall be borne by Holder and the Company in inverse proportion as they may prevail on matters resolved by the investment bank or the accountant.

12. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder right to pursue actual damages for any failure by the Company to comply with the terms of this Warrant. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, the holder of this Warrant shall be entitled, in addition to all other available remedies, to an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

13. TRANSFER. This Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company.

14. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) "**Bloomberg**" means Bloomberg Financial Markets.

(b) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(c) "**Closing Bid Price**" and "**Closing Sale Price**" means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or last trade price, respectively, of such security prior to 4:00:00 p.m., New York Time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price, as the case may be, of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 11. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(d) "**Common Stock**" means (i) the Company's shares of Common Stock, par value $.001 per share, and (ii) any share capital into which such Common Stock shall have been changed or any share capital resulting from a reclassification of such Common Stock.

(e) "**Eligible Market**" means the Principal Market, the New York Stock Exchange, Inc., the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market.

(f) "**Expiration Date**" means the 10th anniversary of the Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a "**Holiday**"), the next date that is not a Holiday.

(g) "**Fundamental Transaction**" means that the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of either the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), or (v) reorganize, recapitalize or reclassify its Common Stock, or (vi) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock.

(h) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(i) "**Principal Market**" means the American Stock Exchange.

(j) "**Required Holders**" means the holders of the SE Warrants representing at least a majority of shares of Common Stock underlying the SE Warrants then outstanding.

(k) "**Successor Entity**" means the Person formed by, resulting from or surviving any Fundamental Transaction or the Person with which such Fundamental Transaction shall have been entered into.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Issuance Date set out above.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

By: _____
Name:
Title:

EXHIBIT A

EXERCISE NOTICE

TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS WARRANT TO PURCHASE COMMON STOCK

CELLULAR TECHNICAL SERVICES COMPANY, INC.

The undersigned holder hereby exercises the right to purchase _____ of the shares of Common Stock ("**Warrant Shares**") of Cellular Technical Services Company, Inc., a Delaware corporation (the "**Company**"), evidenced by the attached Warrant to Purchase Common Stock (the "**Warrant**"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

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

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

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

2. Payment of Exercise Price. In the event that the holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of $_____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.

Date: _____ __, _____

_____
Name of Registered Holder

By: _____
Name:
Title:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs Continental Stock Transfer & Trust Company to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 2007 from the Company and acknowledged and agreed to by Continental Stock Transfer & Trust Company.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

By:_____
Name:
Title:

(1) 10 years.

(2) The exercise price shall be the per share dollar amount equal to the quotient of the CTSC Valuation divided by the total number of fully-diluted shares of CTSC after the purchase of Safestitch, LLC. "CTSC Valuation" means the Stockholders' Equity of the Company plus $1,250,000. "Stockholder's Equity" means the amount determined by subtracting the liabilities of the Company at the Closing Date from the assets of the Company at the Closing Date, all as determined in accordance with generally accepted accounting principles applied on a consistent basis. Liabilities shall include all accrued and contingent liabilities incurred by the Company in connection with the transactions contemplated by the Share Exchange Agreement and related documents and agreements, including all legal, accounting, investment banking and other expenses of the Company as a result of the foregoing transactions.

Form of Lockup Agreement

Cellular Technical Services Company, Inc.
20 East Sunrise Highway
Suite 200
Valley Stream, New York 11581
Attn: Steven Katz

Ladies and Gentlemen:

The undersigned, a holder of membership interests in Safestitch LLC, a Virginia limited liability company ("Safestitch") desires to acquire certain shares of the capital stock of Cellular Technical Services Company, Inc., a Delaware corporation (the "Company"), by exchanging for such shares all membership interests of Safestitch beneficially owned by such holder (the "Share Exchange"; the shares of the Company issuable in connection with the Share Exchange, collectively the "Shares").

For good and valuable consideration, the undersigned hereby irrevocably agrees that following the closing of the Share Exchange, the undersigned will not, directly or indirectly, except with the consent of the Board of Directors of the Company (i) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device that is designed to result in the disposition by any person at any time prior to the second anniversary of the date hereof of) any Shares of the Company, (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of Shares (any such transaction described in clause (i) or (ii) above, a "Sale"), whether any such Sale is to be settled by delivery of Shares or other securities, in cash or otherwise, or (3) publicly disclose the intention to do any of the foregoing, in each case, for a period commencing on the date of the closing of the Share Purchase and ending on the second anniversary of the date hereof.

Any transfers or distributions of Shares and transactions related thereto, from the undersigned to any partners, shareholders, members or other equity holders, managing entities or affiliates of the undersigned which are required or permitted pursuant to the partnership agreement and/or other incorporation and governing documents of the undersigned, or are completed for estate planning purposes, shall be permitted; *provided*, that the transferee or distributee of such Shares shall execute a similar Lock-Up Letter Agreement maintaining the restrictions hereof until the second anniversary of the date hereof.

In furtherance of the foregoing, the Company and its transfer agent on its behalf are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Lock-Up Letter Agreement and the undersigned acknowledges that all certificates for Shares will have an appropriate restrictive legend.

The undersigned understands that the Company will proceed with the Share Purchase in reliance on this Lock-Up Letter Agreement.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Letter Agreement. Any obligations of the undersigned shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

Very truly yours,

By:_____
Name:
Title:

Dated: _____

Exhibit 99.1

FOR IMMEDIATE RELEASE
Company Contact:
Steve Katz
Chairman and CEO
(516) 887-0700

CELLULAR TECHNICAL SERVICES COMPANY, INC. ANNOUNCES AGREEMENT TO COMBINE WITH SAFESTITCH LLC

New York– July 25, 2007 – Cellular Technical Services Company, Inc. ("CTS") (OTC BB: CTSC) announced today that it has entered into a Share Transfer, Exchange and Contribution Agreement (the "Agreement") with SafeStitch LLC and its members whereby SafeStitch members will transfer all of their membership interests to CTS in consideration for an aggregate of 11,256,369 newly issued shares of common stock of CTS. As a result of the transaction, the members of SafeStitch will receive approximately 70% of the issued and outstanding shares of CTS. Dr. Jane Hsaio and Dr. Philip Frost, each a director of CTS, are also members of SafeStitch LLC.

As part of and after the closing of the transaction, the Frost Group, an entity controlled by Dr. Philip Frost, has agreed to provide a line of credit to CTS of up to $4,000,000 and will receive warrants to acquire 805,521 shares of the common stock of CTS, equal to 5% of CTS shares on a fully diluted basis after giving effect to the Agreement.

A fairness opinion was rendered prior to approval of the Agreement by CRA International, Inc., an independent New York Stock Exchange business valuation firm retained by CTS and its independent directors.

Upon the closing of the transactions contemplated by the Agreement, all current CTS directors except Dr. Hsaio and Richard C. Pfenniger will resign and new directors will be appointed and CTS will be re-named SafeStitch Medical Devices. It is expected that CTS will be headquartered in Miami, Florida, with a research and development center in Omaha, Nebraska. Subject to the conditions in the Agreement being satisfied, the transaction is expected to close by the end of 2007.

About CTS and SafeStitch

CTS has no current business. As such, the Company's principal business purpose at this time is to locate and consummate a merger or acquisition with a private entity. Previously it was engaged in marketing and distributing prepaid long-distance phone-card products, prepaid wireless phones and phone-cards.

SafeStitch LLC is a privately owned early-stage endoscopic and minimally invasive surgery medical device company with a product portfolio that includes a device for endoscopic bariatric surgery and endoscopic repair of gastroesophageal reflux disorder (GERD), as well as an endoscopic device for excision of Barrett's esophagus. SafeStitch is also seeking to develop new techniques for hernia repair and natural orifice transesophageal surgery as well as planning to market novel standard bite block devices and the first Smart (Safety) Dilator for esophageal strictures.

This press release contains "forward-looking statements," as that term is defined under the Private Securities Litigation Reform Act of 1995 (PSLRA), regarding product development efforts and other non-historical facts about our expectations, beliefs or intentions regarding our business, technologies and products, financial condition, strategies or prospects. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those described in our filings with the Securities and Exchange Commission ("SEC"), which are available at the SEC's website http://www.sec.gov, as well as risks inherent in funding, developing and obtaining regulatory approvals of new, commercially-viable and competitive products and treatments. In addition, forward-looking statements may also be adversely affected by general market factors, competitive product development, product availability, federal and state regulations and legislation, the regulatory process for new products and indications, manufacturing issues that may arise, patent positions and litigation, among other factors. We do not undertake any obligation to update forward-looking statements and revise statements contained in these materials based on new information or otherwise.