

FULLNET COMMUNICATIONS INC

Form 10-Q/A

November 15, 2011

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

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

For the transition period from _____ to _____

Commission File Number: 000-27031

FULLNET COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

OKLAHOMA

73-1473361

**(State or other jurisdiction of
incorporation or organization)**

(I.R.S. Employer Identification No.)

201 Robert S. Kerr Avenue, Suite 210

Oklahoma City, Oklahoma 73102

(Address of principal executive offices)

(405) 236-8200

(Registrant's telephone number)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

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

As of November 11, 2011, 8,578,161 shares of the registrant's common stock, \$0.00001 par value, were outstanding.

FORM 10-Q

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets – September 30, 2011 (Unaudited) and December 31, 2010 (Derived from Audited Statements)</u>	3
<u>Condensed Consolidated Statements of Operations – Three and Nine months ended September 30, 2011 and 2010 (Unaudited)</u>	4
<u>Condensed Consolidated Statement of Stockholders – Deficit – Nine months ended September 30, 2011 (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows – Nine months ended September 30, 2011 and 2010 (Unaudited)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	7
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	20
<u>Item 4. Controls and Procedures</u>	20
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	22
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	22
<u>Item 3. Defaults Upon Senior Securities</u>	22

Item 5. Other Information 22

Item 6. Exhibits 22

Signatures 27

Exhibit 10.47 Employment Agreement with Timothy J. Kilkenny dated July 6, 2011

Exhibit 10.48 Employment Agreement with Roger P. Baresel dated July 6, 2011

Exhibit 10.49 Employment Agreement with Jason Ayers dated July 6, 2011

Exhibit 31.1

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

Table of Contents**FullNet Communications, Inc. and Subsidiaries****CONDENSED CONSOLIDATED BALANCE SHEETS**

	SEPTEMBER 30, 2011 (Unaudited)	DECEMBER 31, 2010 (Derived from Audited Statements)
ASSETS		
CURRENT ASSETS		
Cash	\$ 11,751	\$ 10,856
Accounts receivable, net	25,661	16,119
Prepaid expenses and other current assets	19,811	6,092
Total current assets	57,223	33,067
PROPERTY AND EQUIPMENT, net	89,023	86,065
OTHER ASSETS	8,599	5,288
TOTAL	\$ 154,845	\$ 124,420
LIABILITIES AND STOCKHOLDERS DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 368,753	\$ 399,882
Accrued and other liabilities, current portion	1,025,919	1,038,311
Notes payable, current portion	78,450	77,452
Deferred revenue	182,994	133,864
Total current liabilities	1,656,116	1,649,509
ACCRUED AND OTHER LIABILITIES, less current portion	22,178	18,265
NOTES PAYABLE, less current portion	256,473	274,848
Total liabilities	1,934,767	1,942,622

STOCKHOLDERS DEFICIT

Common stock \$.00001 par value; authorized, 10,000,000 shares; issued and outstanding, 8,578,161 and 7,852,464 shares in 2011 and 2010, respectively

Additional paid-in capital

Accumulated deficit

86	79
8,406,919	8,397,829
(10,186,927)	(10,216,110)

Total stockholders deficit

(1,779,922)	(1,818,202)
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TOTAL

\$	154,845	\$	124,420
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See accompanying notes to condensed consolidated financial statements.

Table of Contents**FullNet Communications, Inc. and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended		Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
REVENUES				
Access service revenues	\$ 63,353	\$ 67,131	\$ 184,843	\$ 228,956
Co-location and other revenues	427,767	370,553	1,222,884	1,028,533
Total revenues	491,120	437,684	1,407,727	1,257,489
OPERATING COSTS AND EXPENSES				
Cost of access service revenues	42,973	44,786	131,586	142,469
Cost of co-location and other revenues	89,273	111,269	273,855	299,712
Selling, general and administrative expenses	312,624	338,118	914,820	1,037,043
Depreciation and amortization	15,278	14,952	40,066	48,635
Total operating costs and expenses	460,148	509,125	1,360,327	1,527,859
INCOME (LOSS) FROM OPERATIONS	30,972	(71,441)	47,400	(270,370)
INTEREST EXPENSE	(6,001)	(20,567)	(18,217)	(61,125)
INCOME (LOSS) before income taxes	24,971	(92,008)	29,183	(331,495)
Income tax expense (benefit)	-	-	-	-
NET INCOME (LOSS)	\$ 24,971	\$ (92,008)	\$ 29,183	\$ (331,495)

Net income (loss) per common share basic	\$	NIL	\$	(.01)	\$	NIL	\$	(.04)
Net income (loss) per common share assuming dilution	\$	NIL	\$	(.01)	\$	NIL	\$	(.04)
Weighted average shares outstanding basic		8,578,161		7,922,721		8,222,057		7,922,721
Weighted average shares outstanding assuming dilution		8,735,675		7,922,721		8,724,387		7,922,721

9

See accompanying notes to condensed consolidated financial statements.

Table of Contents

FullNet Communications, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIT (UNAUDITED)

Nine Months Ended September 30, 2011

	Common stock			Additional		Accumulated	
	Shares	Amount		Paid In		Deficit	Total
				Capital			
Balance at January 1, 2011	7,852,464	\$ 79	\$	8,397,829	\$	(10,216,110)	\$ (1,818,202)
Stock compensation				1,841			1,841
Stock options exercise	725,697	7		7,249			7,256
Net income						29,183	29,183
Balance at September 30, 2011	8,578,161	\$ 86	\$	8,406,919	\$	(10,186,927)	\$ (1,779,922)

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**FullNet Communications, Inc. and Subsidiaries****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Nine Months Ended	
	September 30, 2011	September 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 29,183	\$ (331,495)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	40,066	48,635
Stock compensation	1,841	63
Provision for uncollectible accounts receivable	901	5,052
Net (increase) decrease in		
Accounts receivable	(10,443)	(19,344)
Prepaid expenses and other current assets	(13,719)	1,570
Net increase (decrease) in		
Accounts payable	(31,129)	66,509
Accrued and other liabilities	(8,479)	218,682
Deferred revenue	49,130	26,480
Net cash provided by operating activities	57,351	16,152
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(36,279)	(19,518)
Acquisition of business	(10,056)	
Net cash used in investing activities	(46,335)	(19,518)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on borrowings under notes payable	(17,377)	
Proceeds from exercise of stock options	7,256	
Net cash used in financing activities	(10,121)	
Net increase (decrease) in cash	895	(3,366)
Cash at beginning of period	10,856	11,905

Cash at end of period	\$	11,751	\$	8,539
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW
INFORMATION

Cash paid for interest	\$	15,795	\$	15,112
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See accompanying notes to the condensed consolidated financial statements.

Table of Contents

FullNet Communications, Inc. and Subsidiaries

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying unaudited condensed consolidated financial statements and related notes should be read in conjunction with the audited consolidated financial statements of the Company and notes thereto for the year ended December 31, 2010.

The information furnished reflects, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of the interim periods presented. Operating results of the interim period are not necessarily indicative of the amounts that will be reported for the year ending December 31, 2011. Certain reclassifications have been made to prior period balances to conform with the presentation for the current period.

2. MANAGEMENT S PLANS

At September 30, 2011, current liabilities exceed current assets by \$1,598,893. The Company does not have a line of credit or credit facility to serve as an additional source of liquidity. Historically the Company has relied on shareholder loans as an additional source of funds. The Company is in default on a convertible promissory note (see Note 8 Notes Payable). These factors raise substantial doubts about the Company s ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon continued operations of the Company that in turn is dependent upon the Company s ability to meet its financing requirements on a continuing basis, to maintain present financing, to achieve the objectives of its business plan and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Table of Contents

The Company's business plan includes, among other things, expansion of its Internet access services through mergers and acquisitions and the development of its web hosting, co-location, and traditional telephone services. Execution of the Company's business plan will require significant capital to fund capital expenditures, working capital needs and debt service. Current cash balances will not be sufficient to fund the Company's current business plan beyond the next few months. As a consequence, the Company is currently focusing on revenue enhancement and cost cutting opportunities as well as working to sell non-core assets and to extend vendor payment terms. The Company continues to seek additional convertible debt or equity financing as well as the placement of a credit facility to fund the Company's liquidity. There can be no assurance that the Company will be able to obtain additional capital on satisfactory terms, or at all, or on terms that will not dilute the shareholder's interests.

3. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

4. INCOME (LOSS) PER SHARE

Income (loss) per share – basic is calculated by dividing net income (loss) by the weighted average number of shares of stock outstanding during the period, including shares issuable without additional consideration. Income (loss) per share – assuming dilution is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the period adjusted for the effect of dilutive potential shares calculated using the treasury stock method.

	Three Months Ended		Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Numerator:				
Net income (loss)	\$ 24,971	\$ (92,008)	\$ 29,183	\$ (331,495)
Denominator:				
Weighted average shares outstanding – basic	8,235,697	7,922,721	8,043,010	7,922,721
Effect of dilutive stock options	43,161		230,823	
Effect of dilutive warrants	167,037		422,437	
	8,445,895	7,922,721	8,696,270	7,922,721

Weighted average shares
outstanding assuming
dilution

Net income (loss) per share basic	\$	NIL	\$	(.01)	\$	NIL	\$	(.04)
Net income (loss) per share assuming dilution	\$	NIL	\$	(.01)	\$	NIL	\$	(.04)

Stock options to purchase 1,519,788 shares of common stock at exercise prices ranging from \$.04 to \$1.00 per share were outstanding for the three and nine months ended September 30, 2011, but were not included in the calculation of income (loss) per share assuming dilution because the options were not dilutive.

Warrants to purchase 371,000 shares of common stock at exercise prices ranging from \$.08 to \$1.00 per share were outstanding for the three and nine months ended September 30, 2011, but were not included in the calculation of income (loss) per share assuming dilution because the warrants were not dilutive.

A convertible promissory note to purchase 107,843 shares of common stock at an exercise price of \$1.00 per share was outstanding for the three and nine months ended September 30, 2011, but was not included in the calculation of income (loss) per share assuming dilution because the convertible promissory note was not dilutive.

Basic and diluted loss per share was the same for the three and nine months ended September 30, 2010 because there was a net loss for each period.

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	September 30, 2011	December 31, 2010
Accounts receivable	\$ 225,040	\$ 214,596
Less allowance for doubtful accounts	(199,379)	(198,477)

\$ 25,661 \$ 16,119

Table of Contents**6. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	September 30, 2011	December 31, 2010
Computers and equipment	\$ 1,515,647	\$ 1,500,229
Leasehold improvements	991,750	970,890
Software	57,337	57,337
Furniture and fixtures	28,521	28,521
	2,593,255	2,556,977
Less accumulated depreciation	(2,504,232)	(2,470,912)
	\$ 89,023	\$ 86,065

Depreciation expense for the three months ended September 30, 2011 and 2010 was \$11,919 and \$14,721, respectively. Depreciation expense for the nine months ended September 30, 2011 and 2010 was \$33,320 and \$47,704, respectively.

7. ACCRUED AND OTHER LIABILITIES

Accrued and other current liabilities consist of the following:

	September 30, 2011	December 31, 2010
Accrued interest	\$ 2,423	\$
Accrued deferred compensation	840,174	867,582
Accrued other liabilities	205,500	188,994
	1,048,097	1,056,576
Less current portion	1,025,919	1,038,311
	\$ 22,178	\$ 18,265

The Company's top three executive officers have employment agreements which contain a Change in Control provision which provides for the immediate lump sum payment of their accrued deferred compensation in the event of a qualifying event. Accrued deferred compensation subject to this provision totaled approximately \$615,865 and \$639,042 at September 30, 2011 and December 31, 2010, respectively.

Table of Contents**8. NOTES PAYABLE**

Notes payable consist of the following:

	September 30, 2011	December 31, 2010
Convertible promissory note; interest at 12.5% of face amount, payable quarterly; this note is unsecured and matured in November 2003 (convertible into approximately 107,843 shares at September 30, 2011 and December 31, 2010) (1)	\$ 55,000	\$ 55,000
Secured promissory note from a shareholder; interest at 6%, requires monthly installments of interest only through December 30, 2010 then monthly installments of \$3,301 including principal and interest; maturing December 30, 2011; secured by all tangible and intangible assets of the Company (2)	279,923	297,300
	334,923	352,300
Less current portion	78,450	77,452
	\$ 256,473	\$ 274,848

(1) This convertible promissory note matured in November 2003. The Company has been unable to pay this note and has been making quarterly interest payments. The lender has not made any demands for payment of the principal. At September 30, 2011, the outstanding principal and accrued interest of the convertible promissory note was \$56,733.

(2) The Company agreed to issue additional shares of stock to the shareholder in the event that any additional shares are issued at less than \$.50 per share, excluding employee stock options, prior to the payment in full of the secured promissory note. At September 30, 2011, the outstanding principal and interest of the secured promissory note was \$280,613.

9. COMMON STOCK OPTIONS AND WARRANTS

The following table summarizes the Company's employee stock option activity for the three and nine months ended September 30, 2011:

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	Three Months Ended September 30, 2011	Weighted Average Exercise Price	Nine Months Ended September 30, 2011	Weighted Average Exercise Price
Options outstanding, beginning of the period	1,729,381	\$.14	1,804,584	\$.50
Options granted during the period	-	-	819,697	.01
Options exercised during the period	-	-	(725,697)	.01
Options expired during the period	(112,593)	.70	(281,796)	.84
Options outstanding, end of the period	1,616,788	\$.10	1,616,788	\$.10

- 10 -

Table of Contents

The Company records compensation cost for new and modified awards over the related vesting period of such awards prospectively.

The following table summarizes the Company's common stock purchase warrant and non-employee stock option activity for the three and nine months ended September 30, 2011:

	Three Months Ended September 30, 2011	Weighted Average Exercise Price	Nine Months Ended September 30, 2011	Weighted Average Exercise Price
Warrants and non-employee stock options outstanding, beginning and end of the period	591,000	\$.49	591,000	\$.49

10. RECENTLY ISSUED ACCOUNTING STANDARDS*Fair Value Measurements*

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). This pronouncement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for reporting periods beginning on or after December 15, 2011, with early adoption prohibited. The new guidance will require prospective application. The Company is currently evaluating the effect that the provisions of this pronouncement will have on its financial statements.

11. COMMON STOCK

Stock options for 725,697 shares of the Company's common stock were exercised in May 2011 for \$7,256.

On December 29, 2009 the Company converted \$248,578 of accrued interest on an interim loan from a shareholder into 497,156 restricted shares of the Company's common stock valued at \$.50 per share. These shares

were equal to approximately 6.8% of the total number of shares outstanding and were issued on January 20, 2010. During the fourth quarter of 2009 this transaction was accounted for as a troubled debt restructuring and a gain on debt forgiveness of \$235,663 was recorded. In connection with the conversion, the Company also agreed to issue additional shares of stock to the holder of a secured promissory note in the event that any additional shares are issued at less than \$.50 per share, excluding employee stock options, prior to the payment in full of the secured promissory note (see Note 8 Notes Payable). During the nine months ended September 30, 2011, no shares other than employee stock options shares were issued by the Company at less than \$.50 per share.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820-10 requires that an entity disclose the fair value of financial instruments for which it is practicable to estimate the value. The Company considers the carrying value of certain financial instruments on the balance sheets, including cash, accounts receivable, and other assets to be reasonable estimates of fair value. At September 30, 2011 and December 31, 2010, the carrying amount of the Company's liabilities for corporate borrowings and other obligations was \$1,934,767 and \$1,942,622, respectively, and the fair value was estimated to be approximately \$155,000 and \$124,000, respectively. These amounts are based on the present value of estimated future cash outflows which is discounted based on the risk of nonperformance due to the uncertainty of the Company's ability to continue as a going concern.

Table of Contents

13. CERTAIN RELATIONSHIPS

The Company has an operating lease for certain equipment which is leased from one of its shareholders whose parent company holds a \$279,923 secured promissory note (see Note 8 Notes Payable). The original lease was dated November 21, 2001 and the terms were \$6,088 per month for 12 months with a fair market purchase option at the end of the lease. Upon default on the lease, the Company was allowed to continue leasing the equipment on a month-to-month basis at the same monthly rate as the original lease. The Company was unable to make the month-to-month payments. In January and November 2006, the Company agreed to extend the expiration date on 425,000 and 140,000, respectively, of common stock purchase warrants for the lessor in return for a credit of \$17,960 and \$3,940, respectively, on the operating lease. In September 2007, the lessor agreed to cease the monthly lease payments effective January 1, 2007 which generated a total of \$54,795 of forgiveness of debt income. The lessor also agreed to accept payments of \$499 per month on the balance owed. In January and December 2009, the Company agreed to extend the expiration date on 425,000 and 140,000, respectively, of common stock purchase warrants for the lessor in return for a credit of \$3,445 and \$773, respectively, on the operating lease. At September 30, 2011 and December 31, 2010 the Company had recorded \$256,443 in unpaid lease payments. The loss of this equipment would have a material adverse effect on the Company's business, financial condition and results of operations. The Company has been unable to make all of the required payments pursuant to the terms of the September 2007 agreement. The lessor has not made any formal demands for payment or instituted collection action; however the Company is in discussions with the lessor to restructure this liability.

14. CONCENTRATIONS

During the nine months ended September 30, 2011, the Company had two customers that each comprised approximately 16% and 9% of total revenues, respectively. During the three months ended September 30, 2011, these two customers each comprised approximately 20% and 9% of total revenues, respectively. During the nine months ended September 30, 2010, the Company had one customer that comprised approximately 14% of total revenues. During the three months ended September 30, 2010, this customer comprised approximately 13% of total revenues.

15. EMPLOYEE BENEFIT PLANS

The Company offers a SIMPLE IRA plan for all eligible employees. Employees meeting certain eligibility requirements can participate in the plan. Under the plan, the Company matches employee contributions to the plan up to 3% of the employee's salary. The Company made matching contributions of \$831 and \$2,841, respectively, during the quarters ended September 30, 2011 and 2010. The Company made matching contributions of \$2,534 and \$8,611, respectively, during the nine months ended September 30, 2011 and 2010.

16. CONTINGENCIES

- 12 -

Table of Contents

As a provider of telecommunications, the Company is affected by regulatory proceedings in the ordinary course of its business at the state and federal levels. These include proceedings before both the Federal Communications Commission and the Oklahoma Corporation Commission (OCC). In addition, in its operations the Company relies on obtaining many of its underlying telecommunications services and/or facilities from incumbent local exchange carriers or other carriers pursuant to interconnection or other agreements or arrangements. In January 2007, the Company concluded a regulatory proceeding pursuant to the Federal Telecommunications Act of 1996 before the OCC relating to the terms of its interconnection agreement with Southwestern Bell Telephone, L.P. d/b/a AT&T, which succeeds a prior interconnection agreement. The OCC approved this agreement in May 2007. This agreement may be affected by regulatory proceedings at the federal and state levels, with possible adverse impacts on the Company. The Company is unable to accurately predict the outcomes of such regulatory proceedings at this time, but an unfavorable outcome could have a material adverse effect on the Company's business, financial condition or results of operations.

17. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the time of filing these financial statements with the Securities and Exchange Commission.

Table of Contents

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

The following discussion is qualified in its entirety by the more detailed information in our Form 10-K and the financial statements contained therein, including the notes thereto, and our other periodic reports filed with the Securities and Exchange Commission since December 31, 2010 (collectively referred to as the Disclosure Documents). Certain forward-looking statements contained in this Report and in the Disclosure Documents regarding our business and prospects are based upon numerous assumptions about future conditions which may ultimately prove to be inaccurate and actual events and results may materially differ from anticipated results described in such statements. Our ability to achieve these results is subject to certain risks and uncertainties, including those inherent risks and uncertainties generally in the Internet service provider and competitive local exchange carrier industries, the impact of competition and pricing, changing market conditions, and other risks. Any forward-looking statements contained in this Report represent our judgment as of the date of this Report. We disclaim, however, any intent or obligation to update these forward-looking statements. As a result, the reader is cautioned not to place undue reliance on these forward-looking statements. References to us in this report include our subsidiaries: FullNet, Inc. (FullNet), FullTel, Inc. (FullTel) and FullWeb, Inc. (FullWeb).

Overview

We are an integrated communications provider offering integrated communications and Internet connectivity to individuals, businesses, organizations, educational institutions and government agencies. Through our subsidiaries, we provide high quality, reliable and scalable Internet access, web hosting, equipment co-location and traditional telephone services. Our overall strategy is to become a successful integrated communications provider for residents and small to medium-sized businesses in Oklahoma.

Our principal executive offices are located at 201 Robert S. Kerr Avenue, Suite 210, Oklahoma City, Oklahoma 73102, and our telephone number is (405) 236-8200. We also maintain Internet sites on the World Wide Web (WWW) at www.fullnet.net, www.fulltel.com and www.callmultiplier.com. Information contained on our Web sites is not and should not be deemed to be a part of this Report.

Company History

We were founded in 1995 as CEN-COM of Oklahoma, Inc., an Oklahoma corporation, to bring dial-up Internet access and education to rural locations in Oklahoma that did not have dial-up Internet access. We changed our name to FullNet Communications, Inc. in December 1995. Today we are a total solutions provider to individuals and companies seeking a one-stop shop in Oklahoma.

Our current business strategy is to become a successful integrated communications provider in Oklahoma. We expect to grow through the acquisition of additional customers for our carrier-neutral co-location space and traditional telephone services, as well as through the acquisition of Internet service providers.

We market our carrier neutral co-location solutions in our network operations center to other competitive local exchange carriers, Internet service providers and web-hosting companies. Our co-location facility is carrier neutral, allowing customers to choose among competitive offerings rather than being restricted to one carrier. Our network operations center is Telco-grade and provides customers a high level of operative reliability and security. We offer flexible space arrangements for customers and 24-hour onsite support with both battery and generator backup.

Table of Contents

Through FullTel, our wholly owned subsidiary, we are a fully licensed competitive local exchange carrier or CLEC in Oklahoma. FullTel activates local access telephone numbers for the cities in which we market, sell and operate our retail FullNet Internet service provider brand, wholesale dial-up Internet service; our business-to-business network design, connectivity, domain and Web hosting businesses; and traditional telephone services. At September 30, 2011 FullTel provided us with local telephone access in approximately 232 cities.

Our common stock trades on the OTC Bulletin Board under the symbol FULO. While our common stock trades on the OTC Bulletin Board, it is very thinly traded, and there can be no assurance that our stockholders will be able to sell their shares should they so desire. Any market for the common stock that may develop, in all likelihood, will be a limited one, and if such a market does develop, the market price may be volatile.

Results of Operations

The following table sets forth certain statement of operations data as a percentage of revenues for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended				Nine Months Ended			
	September 30, 2011		September 30, 2010		September 30, 2011		September 30, 2010	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Revenues:								
Access service revenues	\$ 63,353	12.9%	\$ 67,131	13.7%	\$ 184,843	13.1%	\$ 228,956	17.8%
Co-location and other revenues	427,767	87.1	370,553	86.3	1,222,884	86.9	1,028,533	82.2
Total revenues	491,120	100.0	437,684	100.0	1,407,727	100.0	1,257,489	100.0
Cost of access service revenues	42,973	8.7	44,786	10.2	131,586	9.3	142,469	11.3
Cost of co-location and other revenues	89,273	18.2	111,269	25.4	273,855	19.5	299,712	23.8
Selling, general and administrative expenses	312,624	63.7	338,118	77.3	914,820	65.0	1,037,043	82.5
Depreciation and amortization	15,278	3.1	14,952	3.4	40,066	2.8	48,635	3.9

Total operating costs and expenses	460,148	93.7	509,125	116.3	1,360,327	96.6	1,527,859	121.5
Income (loss) from operations	30,972	6.3	(71,441)	(16.3)	47,400	3.4	(270,370)	(21.5)
Interest expense	(6,001)	(1.2)	(20,567)	(4.7)	(18,217)	(1.3)	(61,125)	(4.9)
Income (loss) before income taxes	24,971	5.1	(92,008)	(21.0)	29,183	2.1	(331,495)	(26.4)
Income tax (benefit)	-	-	-	-	-	-	-	-
Net income (loss)	\$ 24,971	5.1%	\$ (92,008)	(21.0)%	\$ 29,183	2.1%	\$ (331,495)	(26.4)%

Three Months Ended September 30, 2011 (the 2011 3rd Quarter) Compared to Three Months Ended September 30, 2010 (the 2010 3rd Quarter)

Revenues

Access service revenues decreased \$3,778 or 5.6% to \$63,353 for the 2011 3rd Quarter from \$67,131 for the same period in 2010 primarily due to a decline in number of customers.

Co-location and other revenues increased \$57,214 or 15.4% to \$427,767 for the 2011 3rd Quarter from \$370,553 for the same period in 2010. This increase was primarily attributable to the net addition of new customers and the sale of additional services to existing customers.

Operating Costs and Expenses

Cost of access service decreased \$1,813 or 4.0% to \$42,973 for the 2011 3rd Quarter from \$44,786 for the same period in 2010. This decrease was primarily due to reductions in recurring costs associated with our network. Cost of access service revenues as a percentage of access service revenues increased to 67.8% during the 2011 3rd Quarter, compared to 66.7 during the same period in 2010.

Table of Contents

Cost of co-location and other revenues decreased \$21,996 or 19.8% to \$89,273 for the 2011 3rd Quarter from \$111,269 for the same period in 2010. This decrease was primarily due to a non-recurring cost in the 2010 3rd Quarter of \$14,011 in addition to reductions in equipment maintenance costs of \$6,210 and costs of servicing our traditional phone service customers of \$6,359 due to a reduction in the number of customers utilizing that service. These decreases were primarily offset by an increase in recurring rental costs of \$3,868. Cost of co-location and other revenues as a percentage of co-location and other revenues decreased to 20.9% during the 2011 3rd Quarter, compared to 30.0% during the same period in 2010.

Selling, general and administrative expenses decreased \$25,494 or 7.5% to \$312,624 for the 2011 3rd Quarter compared to \$338,118 for the same period in 2010. This decrease was primarily related to a voluntary reduction in compensation and the associated payroll tax expense for the top five executive officers in the amount of approximately \$16,787 per month, effective January 1, 2011 resulting in a reduction of \$46,405 for the 2011 Period compared to the 2010 Period. There were also decreases in professional services and supplies expenses of \$2,505 and \$1,277, respectively. These decreases were offset primarily by increases in employee costs, advertising, repair and maintenance, miscellaneous, taxes, travel and entertainment, bad debt and utilities expenses of \$13,654, \$1,863, \$942, \$1,594, \$1,759, \$1,160, \$2,734 and \$858, respectively. Selling, general and administrative expenses as a percentage of total revenues decreased to 63.7% during the 2011 3rd Quarter from 77.3% during the 2010 3rd Quarter.

Depreciation and amortization expense increased \$326 or 2.2% to \$15,278 for the 2011 3rd Quarter compared to \$14,952 for the 2010 3rd Quarter primarily related to the additional amortization related to the acquisition of a business.

Interest Expense

Interest expense decreased \$14,566 or 70.8% to \$6,001 for the 2011 3rd Quarter compared to \$20,567 for the same period in 2010 primarily due to a decrease in notes payable.

Nine Months Ended September 30, 2011 (the 2011 Period) Compared to Nine Months Ended September 30, 2010 (the 2010 Period)

Revenues

Access service revenues decreased \$44,113 or 18.3% to \$184,843 for the 2011 Period from \$228,956 for the 2010 Period primarily due to a decline in our number of customers.

Co-location and other revenues increased \$194,351 or 18.9% to \$1,222,884 for the 2011 Period from \$1,028,533 for the 2010 Period. This increase was primarily attributable to the net addition of new customers and the sale of additional services to existing customers.

Operating Costs and Expenses

Cost of access service revenues decreased \$10,883 or 7.6% to \$131,586 for the 2011 Period from \$142,469 for the 2010 Period. This decrease was primarily due to reductions in recurring costs associated with our network. Cost of access service revenues as a percentage of access service revenues increased to 71.2% during the 2011 Period, compared to 62.2% during the 2010 Period.

Cost of co-location and other revenues decreased \$25,857 or 8.6% to \$273,855 for the 2011 Period from \$299,712 for the 2010 Period. This decrease was primarily related to a non-recurring cost in the 2010 Period of \$14,011 in addition to reductions in equipment maintenance costs of \$18,629 and costs of servicing our traditional phone service customers of \$11,479 due to a reduction in the number of customers utilizing that service. These decreases were primarily offset by an increase in recurring rental costs of \$10,499 and an increase in usage of long distance by our traditional phone service customers of \$7,027. Cost of co-location and other revenues as a percentage of co-location and other revenues decreased to 22.4% during the 2011 Period, compared to 29.1% during the 2010 Period.

Selling, general and administrative expenses decreased \$122,223 or 11.8% to \$914,820 for the 2011 Period compared to \$1,037,043 for the 2010 Period. This decrease was primarily related to a voluntary reduction in compensation and the associated payroll tax expense for the top five executive officers in the amount of approximately \$16,787 per month, effective January 1, 2011 resulting in a reduction of \$131,305 for the 2011 Period compared to the 2010 Period. There were also decreases in professional services, supplies, bad debt and agent commission expenses of \$13,872, \$3,863, \$2,472 and \$1,711, respectively. These decreases were offset primarily by increases in rent, employee costs, advertising, repair and maintenance, miscellaneous, and utilities expenses of \$10,635, \$7,415, \$5,874, \$2,734, \$2,202, \$1,300, respectively. Selling, general and administrative expenses as a percentage of total revenues decreased to 65.0% during the 2011 Period from 82.5% during the 2010 Period.

Table of Contents

Depreciation and amortization expense decreased \$8,569 or 17.6% to \$40,066 for the 2011 Period compared to \$48,635 for the 2010 Period primarily related to several assets reaching full depreciation.

Interest Expense

Interest expense decreased \$42,908 or 70.2% to \$18,217 for the 2011 Period compared to \$61,125 for the 2010 Period primarily related to a decrease in notes payable.

Liquidity and Capital Resources

As of September 30, 2011, we had \$11,751 in cash and \$1,656,116 in current liabilities, including \$182,994 of deferred revenues that will not require settlement in cash.

At September 30, 2011 and December 31, 2010, we had a working capital deficit of \$1,598,893 and \$1,616,442, respectively. We do not have a line of credit or credit facility to serve as an additional source of liquidity. Historically we have relied on shareholder loans as an additional source of funds.

As of September 30, 2011, of the \$112,310 we owed to our trade creditors \$54,926 was past due. We have no formal agreements regarding payment of these amounts. At September 30, 2011, \$256,443 payable under a matured lease obligation was outstanding. The lessor has not made any formal demands for payment or instituted collection action; however we are in discussions with the lessor to restructure this liability. At September 30, 2011, we had outstanding principal and accrued interest owed on a matured convertible promissory note totaling \$56,733. We have been making quarterly interest payments on this note and the lender has not made any demands for payment of the principal.

In addition, during the nine months ended September 30, 2011, we had two customers that each comprised approximately 16% and 9% of total revenues, respectively. During the 3rd Quarter 2011, these two customers each comprised approximately 20% and 9% of total revenues, respectively. During the nine months ended September 30, 2010, we had one customer that comprised approximately 14% of total revenues. During the 3rd Quarter 2010, this customer comprised approximately 13% of total revenues.

Table of Contents

Cash flow for the nine-month periods ending September 30, 2011 and 2010 consist of the following.

	For the Nine-Month Periods Ended September 30,	
	2011	2010
Net cash flows provided by operations	\$ 57,351	\$ 16,152
Net cash flows used in investing activities	(46,335)	(19,518)
Net cash flows used in financing activities	(10,121)	

Cash used for the purchase of equipment was \$36,279 and \$19,518, respectively, for the nine months ended September 30, 2011 and 2010. Cash used for the acquisition of a business was \$10,056 for the nine months ended September 30, 2011.

Cash used for principal payments on notes payable was \$17,377 for the nine months ended September 30, 2011. Cash provided by the exercise of options was \$7,256 for the nine months ended September 30, 2011.

The planned expansion of our business will require significant capital to fund capital expenditures, working capital needs, and debt service. Our principal capital expenditure requirements will include:

mergers and acquisitions and

further development of operations support systems and other automated back office systems

Because our cost of developing new networks and services, funding other strategic initiatives, and operating our business depend on a variety of factors (including, among other things, the number of subscribers and the service for which they subscribe, the nature and penetration of services that may be offered by us, regulatory changes, and actions taken by competitors in response to our strategic initiatives), it is almost certain that actual costs and revenues will materially vary from expected amounts and these variations are likely to increase our future capital requirements. Our current cash balances will not be sufficient to fund our current business plan beyond a few months. As a consequence, we are currently focusing on revenue enhancement and cost cutting opportunities as well as working to sell non-core assets and to extend vendor payment terms. We continue to seek additional convertible debt or equity financing as well as the placement of a credit facility to fund our liquidity needs. There is no assurance that we will be able to obtain additional capital on satisfactory terms or at all or on terms that will not dilute our shareholders' interests.

Until we obtain sufficient additional capital, the further development of our network will be delayed or we will be required to take other actions. Our inability to obtain additional capital resources has had and will continue to have a material adverse effect on our business, operating results and financial condition.

Our ability to fund the capital expenditures and other costs contemplated by our business plan and to make scheduled payments with respect to borrowings will depend upon, among other things, our ability to seek and obtain additional financing in the near term. Capital will be needed in order to implement our business plan, deploy our network,

expand our operations and obtain and retain a significant number of customers in our target markets. Each of these factors is, to a large extent, subject to economic, financial, competitive, political, regulatory, and other factors, many of which are beyond our control.

There is no assurance that we will be successful in developing and maintaining a level of cash flows from operations sufficient to permit payment of our outstanding indebtedness. If we are unable to generate sufficient cash flows from operations to service our indebtedness, we will be required to modify or abandon our growth plans, limit our capital expenditures, restructure or refinance our indebtedness or seek additional capital or liquidate our assets. There is no assurance that (i) any of these strategies could be effectuated on satisfactory terms, if at all, or on a timely basis or (ii) any of these strategies will yield sufficient proceeds to service our debt or otherwise adequately fund operations.

Financing Activities

We have a secured promissory note from a shareholder which requires monthly installments of interest only through December 30, 2010 then monthly installments of \$3,301 including principal and interest which matures December 30, 2011 and is secured by all of our tangible and intangible assets (see Note 8 Notes Payable to our financial statements, above). We agreed to issue additional shares of stock to the shareholder in the event that any additional shares are issued at less than \$.50 per share, excluding employee stock options, prior to the payment in full of the secured promissory note. At September 30, 2011, the outstanding principal and interest of the secured promissory note was \$280,613.

Table of Contents

We have an operating lease for certain equipment which is leased from one of our shareholders whose parent company holds a \$279,923 secured promissory note (see Note 8 Notes Payable to our financial statements, above). The original lease was dated November 21, 2001 and the terms were \$6,088 per month for 12 months with a fair market purchase option at the end of the lease. Upon default on the lease, we were allowed to continue leasing the equipment on a month-to-month basis at the same monthly rate as the original lease. We have been unable to make the month-to-month payments. In January and November 2006, we agreed to extend the expiration date on 425,000 and 140,000, respectively, of common stock purchase warrants for the lessor in return for a credit of \$17,960 and \$3,940, respectively, on the operating lease. In September 2007, the lessor agreed to cease the monthly lease payments effective January 1, 2007 which generated a total of \$54,795 of forgiveness of debt income. The lessor also agreed to accept payments of \$499 per month on the balance owed. In January and December 2009, we agreed to extend the expiration date on 425,000 and 140,000, respectively, of common stock purchase warrants for the lessor in return for a credit of \$3,445 and \$773, respectively, on the operating lease. At September 30, 2011 and December 31, 2010 we had recorded \$256,443 in unpaid lease payments. The loss of this equipment would have a material adverse effect on our business, financial condition and results of operations. We have been unable to make all of the required payments pursuant to the terms of the September 2007 agreement. The lessor has not made any formal demands for payment or instituted collection action; however we are in discussions with the lessor to restructure this liability.

We have a convertible promissory note that matured in November 2003. We have been unable to pay this note and have been making quarterly interest payments. The lender has not made any demands for payment of the principal. At September 30, 2011, the outstanding principal and accrued interest of the convertible promissory note was \$56,733.

Recently Issued Accounting Standards

Fair Value Measurements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). This pronouncement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for reporting periods beginning on or after December 15, 2011, with early adoption prohibited. The new guidance will require prospective application. Management is currently evaluating the effect that the provisions of this pronouncement will have on our financial statements.

Table of Contents

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect certain reported amounts and disclosures. In applying our accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. As you might expect, the actual results or outcomes are generally different than the estimated or assumed amounts. These differences are usually minor and are included in our consolidated financial statements as soon as they are known. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

We periodically review the carrying value of our property and equipment whenever business conditions or events indicate that those assets may be impaired. If the estimated future undiscounted cash flows to be generated by the property and equipment are less than the carrying value of the assets, the assets are written down to fair market value and a charge is recorded to current operations. Significant and unanticipated changes in circumstances, including significant adverse changes in business climate, adverse actions by regulators, unanticipated competition, loss of key customers and/or changes in technology or markets, could require a provision for impairment in a future period.

We review loss contingencies and evaluate the events and circumstances related to these contingencies. We disclose material loss contingencies that are possible or probable, but cannot be estimated. For loss contingencies that are both estimable and probable the loss contingency is accrued and expense is recognized in the financial statements.

Access service revenues are recognized on a monthly basis over the life of each contract as services are provided. Contract periods range from monthly to yearly. Carrier-neutral telecommunications co-location revenues and traditional telephone services are recognized on a monthly basis over the life of the contract as services are provided. Revenue that is received in advance of the services provided is deferred until the services are provided by us. Revenue related to set up charges is also deferred and amortized over the life of the contract. We classify certain taxes and fees billed to customers and remitted to governmental authorities on a net basis in revenue.

We began billing AT&T (formerly SBC) reciprocal compensation (fees for terminating AT&T customer's local calls onto our network) during 2004, and have billed for the periods of March 2003 through June 2006. AT&T failed to pay and is disputing approximately \$183,700. We are pursuing AT&T for all balances due, however there is significant uncertainty as to whether or not we will be successful. Upon the ultimate resolution of AT&T's challenge, we will recognize the associated revenue, if any. We do not expect reciprocal compensation to be a significant or a long-term revenue source.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required and have not elected to report any information under this item.

Item 4. Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer are responsible primarily for establishing and maintaining disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission. These controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Table of Contents

Furthermore, our Chief Executive Officer and Chief Financial Officer are responsible for the design and supervision of our internal controls over financial reporting that are then effected by and through our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. These policies and procedures

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our Executive Officer and Chief Financial Officer conducted their evaluation using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. Based upon their evaluation of the effectiveness of our disclosure controls and procedures and the internal controls over financial reporting as of the last day of the period covered by this Report, they concluded that our disclosure controls and procedures and internal controls over financial reporting were fully effective during and as of the last day of the period covered by this Report and reported to our auditors and the audit committee of our board of directors that no change in our disclosure controls and procedures and internal control over financial reporting occurred during the period covered by this Report that would have materially affected or is reasonably likely to materially affect our disclosure controls and procedures or internal control over financial reporting. In conducting their evaluation of our disclosure controls and procedures and internal controls over financial reporting, these executive officers did not discover any fraud that involved management or other employees who have a significant role in our disclosure controls and procedures and internal controls over financial reporting. Furthermore, there were no significant changes in our disclosure controls and procedures, internal controls over financial reporting, or other factors that could significantly affect our disclosure controls and procedures or internal controls over financial reporting subsequent to the date of their evaluation. Because no significant deficiencies or material weaknesses were discovered, no corrective actions were necessary or taken to correct significant deficiencies and material weaknesses in our internal controls and disclosure controls and procedures.

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

As a provider of telecommunications, we are affected by regulatory proceedings in the ordinary course of our business at the state and federal levels. These include proceedings before both the Federal Communications Commission and the Oklahoma Corporation Commission (OCC). In addition, in our operations we rely on obtaining many of our underlying telecommunications services and/or facilities from incumbent local exchange carriers or other carriers pursuant to interconnection or other agreements or arrangements. In January 2007, we concluded a regulatory proceeding pursuant to the Federal Telecommunications Act of 1996 before the OCC relating to the terms of our interconnection agreement with Southwestern Bell Telephone, L.P. d/b/a AT&T, which succeeds a prior interconnection agreement. The OCC approved this agreement in May 2007. This agreement may be affected by regulatory proceedings at the federal and state levels, with possible adverse impacts on us. We are unable to accurately predict the outcomes of such regulatory proceedings at this time, but an unfavorable outcome could have a material adverse effect on our business, financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

We are in default on a convertible promissory note that matured in November 2003. This note bears interest at 12.5% per annum and is convertible into approximately 107,843 shares of our common stock. We have been unable to pay this note and have been making quarterly interest payments. The lender has not made any demands for payment of the principal. At September 30, 2011, the outstanding principal and accrued interest of the convertible promissory note was \$56,733.

Item 5. Other Information

During the three months ended September 30, 2011 all events reportable on Form 8-K were reported.

Item 6. Exhibits

(a) The following exhibits are either filed as part of or are incorporated by reference in this Report:

<i>Exhibit</i>	<i>Exhibit</i>
<i>Number</i>	

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- 3.1 Certificate of Incorporation, as amended (filed as Exhibit 2.1 to Registrant's Registration Statement on Form 10-SB, file number 000-27031 and incorporated herein by reference). #
- 3.2 Bylaws (filed as Exhibit 2.2 to Registrant's Registration Statement on Form 10-SB, file number 000-27031 and incorporated herein by reference) #
- 4.1 Specimen Certificate of Registrant's Common Stock (filed as Exhibit 4.1 to the Company's Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference). s #
- 4.2 Certificate of Correction to the Amended Certificate of Incorporation and the Ninth Section of the Certificate of Incorporation (filed as Exhibit 2.1 to Registrant's Registration Statement on form 10-SB, file number 000-27031 and incorporated by reference). #

Table of Contents

<i>Exhibit Number</i>	<i>Exhibit</i>	
4.3	Certificate of Correction to Articles II and V of Registrant's Bylaws (filed as Exhibit 2.1 to Registrant's Registration Statement on Form 10-SB, file number 000-27031 and incorporated herein by reference).	#
4.4	Form of Warrant Agreement for Interim Financing in the amount of \$505,000 (filed as Exhibit 4.1 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).	#
4.5	Form of Warrant Certificate for Florida Investors for Interim Financing in the amount of \$505,000 (filed as Exhibit 4.2 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).	#
4.6	Form of Promissory Note for Florida Investors for Interim Financing in the amount of \$505,000 (filed as Exhibit 4.3 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).	#
4.7	Form of Warrant Certificate for Georgia Investors for Interim Financing in the amount of \$505,000 (filed as Exhibit 4.4 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).	#
4.8	Form of Promissory Note for Georgia Investors for Interim Financing in the amount of \$505,000 (filed as Exhibit 4.5 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).	#
4.9	Form of Warrant Certificate for Illinois Investors for Interim Financing in the amount of \$505,000 (filed as Exhibit 4.6 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).	#
4.10	Form of Promissory Note for Illinois Investors for Interim Financing in the amount of \$505,000 (filed as Exhibit 4.7 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).	#
4.11	Form of Warrant Agreement for Interim Financing in the amount of \$500,000 (filed as Exhibit 4.8 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).	#
4.12	Form of Warrant Certificate for Interim Financing in the amount of \$500,000 (filed as Exhibit 4.9 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).	#
4.13		#

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Form of Promissory Note for Interim Financing in the amount of \$500,000 (filed as Exhibit 4.10 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).

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| 4.14 | Form of Convertible Promissory Note for September 29, 2000, private placement (filed as Exhibit 4.13 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000 and incorporated herein by reference). | # |
| 4.15 | Form of Warrant Agreement for September 29, 2000, private placement (filed as Exhibit 4.13 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000 and incorporated herein by reference). | # |
| 4.16 | Form of 2001 Exchange Warrant Agreement (filed as Exhibit 4.16 to Registrant's Form 10-QSB for the quarter ended June 30, 2001 and incorporated herein by reference) | # |
| 4.17 | Form of 2001 Exchange Warrant Certificate (filed as Exhibit 4.17 to Registrant's Form 10-QSB for the quarter ended June 30, 2001 and incorporated herein by reference) | # |
| 10.1 | Financial Advisory Services Agreement between the Company and National Securities Corporation, dated September 17, 1999 (filed as Exhibit 10.1 to Registrant's Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference). | # |

Table of Contents

<i>Exhibit Number</i>	<i>Exhibit</i>	
10.2	Lease Agreement between the Company and BOK Plaza Associates, LLC, dated December 2, 1999 (filed as Exhibit 10.2 to Registrant's Form 10-KSB for the fiscal year ended December 31, 1999, and incorporated herein by reference).	#
10.3	Interconnection agreement between Registrant and Southwestern Bell dated March 19, 1999 (filed as Exhibit 6.1 to Registrant's Registration Statement on Form 10-SB, file number 000-27031 and incorporated herein by reference).	#
10.4	Stock Purchase Agreement between the Company and Animus Communications, Inc. (filed as Exhibit 6.2 to Registrant's Registration Statement on Form 10-SB, file number 000-27031 and incorporated herein by reference).	#
10.5	Registrar Accreditation Agreement effective February 8, 2000, by and between Internet Corporation for Assigned Names and Numbers and FullWeb, Inc. d/b/a FullNic f/k/a Animus Communications, Inc. (filed as Exhibit 10.1 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended March 31, 2000 and incorporated herein by reference).	#
10.6	Master License Agreement For KMC Telecom V, Inc., dated June 20, 2000, by and between FullNet Communications, Inc. and KMC Telecom V, Inc. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-QSB for the Quarter ended June 30, 2000 and incorporated herein by reference).	#
10.7	Domain Registrar Project Completion Agreement, dated May 10, 2000, by and between FullNet Communications, Inc., FullWeb, Inc. d/b/a FullNic and Think Capital (filed as Exhibit 10.2 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended June 30, 2000 and incorporated herein by reference).	#
10.8	Amendment to Financial Advisory Services Agreement between Registrant and National Securities Corporation, dated April 21, 2000 (filed as Exhibit 10.3 to Registrant's Quarterly Report on Form 10-QSB for the Quarter ended June 30, 2000 and incorporated herein by reference).	#
10.9	Asset Purchase Agreement dated June 2, 2000, by and between FullNet of Nowata and FullNet Communications, Inc. (filed as Exhibit 99.1 to Registrant's Form 8-K filed on June 20, 2000 and incorporated herein by reference).	#
10.10	Asset Purchase Agreement dated February 4, 2000, by and between FullNet of Bartlesville and FullNet Communications, Inc. (filed as Exhibit 2.1 to Registrant's Form 8-K filed on February 18, 2000 and incorporated herein by reference).	#

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| 10.11 | Agreement and Plan of Merger Among FullNet Communications, Inc., FullNet, Inc. and Harvest Communications, Inc. dated February 29, 2000 (filed as Exhibit 2.1 to Registrant's Form 8-K filed on March 10, 2000 and incorporated herein by reference). | # |
| 10.12 | Asset Purchase Agreement dated January 25, 2000, by and between FullNet of Tahlequah, and FullNet Communications, Inc. (filed as Exhibit 2.1 to Registrant's Form 8-K filed on February 9, 2000 and incorporated herein by reference). | # |
| 10.13 | Promissory Note dated August 2, 2000, issued to Timothy J. Kilkenny (filed as Exhibit 10.13 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000). | # |
| 10.14 | Warrant Agreement dated August 2, 2000, issued to Timothy J. Kilkenny (filed as Exhibit 10.14 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000). | # |
| 10.15 | Warrant Certificate dated August 2, 2000 issued to Timothy J. Kilkenny (filed as Exhibit 10.15 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000). | # |
| 10.16 | Stock Option Agreement dated December 8, 2000, issued to Timothy J. Kilkenny (filed as Exhibit 10.16 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000). | # |

Table of Contents

<i>Exhibit Number</i>	<i>Exhibit</i>	
10.17	Warrant Agreement dated November 9, 2000, issued to Roger P. Baresel (filed as Exhibit 10.17 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.18	Warrant Agreement dated December 29, 2000, issued to Roger P. Baresel (filed as Exhibit 10.18 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.19	Stock Option Agreement dated February 29, 2000, issued to Wallace L. Walcher (filed as Exhibit 10.19 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.20	Stock Option Agreement dated February 17, 1999, issued to Timothy J. Kilkenny (filed as Exhibit 3.1 to Registrant's Registration Statement on Form 10-SB, file number 000-27031 and incorporated herein by reference).	#
10.21	Stock Option Agreement dated October 19, 1999, issued to Wesdon C. Peacock (filed as Exhibit 10.21 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.22	Stock Option Agreement dated April 14, 2000, issued to Jason C. Ayers (filed as Exhibit 10.22 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.23	Stock Option Agreement dated May 1, 2000, issued to B. Don Turner (filed as Exhibit 10.23 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.24	Form of Stock Option Agreement dated December 8, 2000, issued to Jason C. Ayers, Wesdon C. Peacock, B. Don Turner and Wallace L. Walcher (filed as Exhibit 10.24 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.25	Warrant Certificate Dated November 9, 2000, issued to Roger P. Baresel (filed as Exhibit 10.25 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.26	Warrant Certificate Dated November 9, 2000, issued to Roger P. Baresel (filed as Exhibit 10.26 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.27		#

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Warrant Certificate Dated December 29, 2000, issued to Roger P. Baresel (filed as Exhibit 10.27 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).

10.28	Stock Option Agreement dated October 13, 2000, issued to Roger P. Baresel (filed as Exhibit 10.28 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.29	Stock Option Agreement dated October 12, 1999, issued to Travis Lane (filed as Exhibit 10.29 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.30	Promissory Note dated January 5, 2001, issued to Generation Capital Associates (filed as Exhibit 10.30 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.31	Placement Agency Agreement dated November 8, 2000 between FullNet Communications, Inc. and National Securities Corporation (filed as Exhibit 10.31 to Registrant's Form 10-KSB for the fiscal year ended December 31, 2000).	#
10.32	Promissory Note dated January 25, 2000, issued to Fullnet of Tahlequah, Inc.	#
10.33	Promissory Note dated February 7, 2000, issued to David Looper	#
10.34	Promissory Note dated February 29, 2000, issued to Wallace L. Walcher	#
10.35	Promissory Note dated June 2, 2000, issued to Lary Smith	#
10.36	Promissory Note dated June 15, 2001, issued to higganbotham.com L.L.C.	#
10.37	Promissory Note dated November 19, 2001, issued to Northeast Rural Services	#
10.38	Promissory Note dated November 19, 2001, issued to Northeast Rural Services	#

Table of Contents

<i>Exhibit Number</i>	<i>Exhibit</i>	
10.39	Form of Convertible Promissory Note dated September 6, 2002	#
10.40	Employment Agreement with Timothy J. Kilkenny dated July 31, 2002	#
10.41	Employment Agreement with Roger P. Baresel dated July 31, 2002	#
10.42	Letter from Grant Thornton LLP to the Securities and Exchange Commission dated January 30, 2003	#
10.43	Form 8-K dated January 30, 2003 reporting the change in certifying accountant	#
10.44	Form 8-K dated September 20, 2005 reporting the change in certifying accountant	#
10.45	Secured Promissory Note and Security Agreement dated December 30, 2009, issued to High Capital Funding, LLC	#
10.46	Employment Agreement with Jason Ayers dated January 1, 2011	#
10.47	Employment Agreement with Timothy J. Kilkenny dated July 6, 2011	*
10.48	Employment Agreement with Roger P. Baresel dated July 6, 2011	*
10.49	Employment Agreement with Jason Ayers dated July 6, 2011	*
22.1	Subsidiaries of the Registrant	#
31.1	Certification pursuant to Rules 13a-14(a) and 15d-14(a) of Timothy J. Kilkenny	*
31.2	Certification pursuant to Rules 13a-14(a) and 15d-14(a) of Roger P. Baresel	*
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Timothy J. Kilkenny	*
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Roger P. Baresel	*

Incorporated by reference.

* Filed herewith.

Table of Contents

SIGNATURES

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

REGISTRANT:

FULLNET COMMUNICATIONS, INC.

Date: November 14, 2011

By: /s/ TIMOTHY J. KILKENNY
Timothy J. Kilkenny
Chief Executive Officer

Date: November 14, 2011

By: /s/ ROGER P. BARESEL
Roger P. Baresel
President and Chief Financial and
Accounting Officer

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Table of Contents

EXHIBIT 10.47

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered into this 6th day of July 2011, but is effective for all purposes as of the Commencement Date (as hereinafter defined), by and between FullNet Communications, Inc. (the "Company"), an Oklahoma corporation, and Timothy J. Kilkenny ("Kilkenny"), an individual.

WITNESSETH:

WHEREAS, the Company and Kilkenny desire to enter into a new long-term employment agreement to replace the existing employment agreement between them dated July 31, 2002, on the terms and conditions hereinafter provided;

NOW, THEREFORE, for and in consideration of the conditions herein below to be performed on the part of the respective parties hereto, and in consideration of the mutuality thereof, the parties hereto agree as follows:

1. *Term of Employment.* The Company hereby agrees to employ Kilkenny as Chairman of the Board and Chief Executive Officer of the Company, and Kilkenny hereby accepts such employment and agrees to serve the Company as its Chairman of the Board and Chief Executive Officer. The term of employment under this Agreement shall commence on July 1, 2011 (the Commencement Date), and shall continue through December 31, 2016; provided, however, the term of this agreement shall automatically be extended for additional three-year terms, unless either party give notice of termination to the other on or before June 30 in the year of termination, commencing June 30, 2016 ("Period of Employment").

2. *Duties.* Substantially all of the duties and responsibilities of Kilkenny, subject to such travel as the duties of Kilkenny hereunder may reasonably require, shall be performed by Kilkenny at and from the corporate offices of the Company in Oklahoma City, Oklahoma.

2.1 *Time and Best Efforts.* During the term of employment hereunder, Kilkenny shall be a full-time employee and shall devote his time, attention, skill, energy and best efforts as a full-time employee to the duties assigned to him from time to time as Chairman of the Board and Chief Executive Officer by the Board of Directors of the Company, which duties shall be of the general character referred to in Section 2.2, and shall, but without obligation hereunder, serve the Company in the other executive officer positions to which he may be elected or appointed by the Board of Directors of the Company, subject to acceptance by Kilkenny of such other executive officer position or positions. Notwithstanding the foregoing, Kilkenny may (i) engage in other business pursuits or other endeavors which do not conflict with his ability to perform his duties on a best efforts basis to the business interests of the Company and (ii) become a director of other corporations and engage in charitable, civic and other similar pursuits; provided, however, that such other business pursuits or other endeavors do not interfere with his devoting his best efforts to his duties to the Company or violate the duty of loyalty and care which Kilkenny has to the Company by reason of this Agreement or in his capacity as an executive officer of the Company.

2.2 *Supervision.* As an employee and Chairman of the Board and Chief Executive Officer of the Company (and other executive officer positions held by Kilkenny), Kilkenny shall be responsible for the general management of the business operations of the Company which shall be subject to the overall supervision and instructions of the Board of Directors of the Company.

3. *Compensation and Other Benefits.* During the Period of Employment, the Company shall pay or provide to Kilkenny, and Kilkenny shall be entitled to receive or have maintained for his benefit, for his services such compensation as the Board of Directors shall fix from time to time, but not less than the following amounts and benefits:

3.1 *Regular Compensation.* The salary paid by the Company to Kilkenny under this Section 3.1 shall be not less than \$5,138 per month, such monthly salary shall be subject to not less than a five percent (5%) increase, on each January 1 during the Period of Employment, based upon the monthly compensation paid Kilkenny during the month of December immediately preceding the applicable January 1. Payment of such salary shall be made in installments in accordance with the Company's compensation payments to its other employees. Salary paid in accordance with this Section 3.1 shall be considered Kilkenny's "regular compensation."

3.2 *Bonus Compensation.* In addition to regular compensation, Kilkenny shall be eligible for annual bonuses that are not guaranteed and are to be determined by the Company's Board of Directors.

3.3 *Grant of Stock Options.* From time to time the Company may grant stock options to its executive officers as determined by the Board of Directors (or the Compensation Committee and/or Stock Option Committee established by the Board of Directors). To the extent that stock options are granted by the Board of Directors (or the Compensation Committee and/or Stock Option Committee established by the Board of Directors) to its executive officers, Kilkenny shall be deemed to be a member of the group to which stock options are granted, and his stock option grants shall be determined in the same manner as are the stock option grants of other executives in the group.

In no event shall this Agreement have any effect upon the stock options granted to Kilkenny prior to the date of execution of this Agreement.

3.4 *Entertainment, Travel and Similar Expense Reimbursement.* Kilkenny is hereby authorized to incur reasonable expenses for the promotion of the Company's business, including entertainment, travel, lodging, meals, and similar expenses, and he shall be reimbursed therefore, by the Company upon his presentation of itemized accounts of such expenditures.

3.5 *Health, Dental, and Disability Insurance Arrangements and Programs.* The Company shall provide to Kilkenny (including coverage of the dependents of Kilkenny) health, medical, dental, and disability insurance benefits comparable to those provided to the executive officers of the Company either as a group or individually.

3.6 *Vacation and Leave; Holidays.* Kilkenny shall be entitled to (i) vacation leave with pay (at his regular compensation rate at the time such vacation leave is taken) during each calendar year of the Period of Employment, and (ii) reasonable periods of sick leave with pay (at his regular compensation rate at the time such sick leave is taken) commensurate with his position, in accordance with Company policy as established by the Board of Directors. Any annual vacation leave not taken by Kilkenny during a calendar year shall accumulate, and, at the option of Kilkenny, he may elect to receive his vacation compensation (at his regular compensation rate at the time of such election) in lieu of taking vacation leave. Kilkenny shall be entitled to all paid holidays observed by the Company.

3.7 *Automobile and Cellular Phone.* At Kilkenny's sole option, the Company shall (i) pay to Kilkenny an automobile allowance of seven hundred dollars (\$700) per month, payable on the first day of each month, or (ii) the use of a Company owned or leased automobile, the make and model to be selected and determined in Kilkenny's sole discretion and pay all costs and expenses of operation, including without limitation insurance (in such amounts as mutually agreed upon by Kilkenny and the Company), gasoline, repairs, maintenance. Furthermore, and the Company shall provide to Kilkenny, at the sole cost and expense of the Company, a cellular phone to assist Kilkenny in the performance of his duties and responsibilities as an executive officer and employee of the Company.

3.8 *Life Insurance.* The Company shall provide to Kilkenny and maintain term insurance, at the Company's sole cost and expense, covering the life of Kilkenny in the face amount of \$500,000 (the "Life Insurance Policy"), the proceeds of which shall be payable to such beneficiary that Kilkenny shall designate or, in the event of failure to designate a named beneficiary, shall be payable to the estate of Kilkenny. Upon expiration of the Period of Employment, the Company shall assign and transfer to Kilkenny, without any payment therefore by Kilkenny, the Life Insurance Policy in the event ownership thereof is not maintained in the name of Kilkenny.

3.9 *No Limitation on Other Obligations of Company.* No regular compensation or bonus compensation payment or the providing of any other compensation benefits to Kilkenny pursuant to this Agreement shall in any way limit or reduce any other obligation of the Company to Kilkenny as an employee of the Company. Kilkenny shall be entitled to participate in and receive benefits under any employee benefit plan or arrangement made available by the Company

(both as of the effective date of this Agreement as well as in the future) to its employees or to any executive officer of the Company.

3.10 *Employment Termination.* In the event of (i) a termination (as defined below) of Kilkenny's employment with the Company prior to the end of the Period of Employment, or (ii) termination of Kilkenny's employment at the end of the Period of Employment, the Company shall pay or provide the following:

3.10.1 *Lump Sum Payment of Regular Compensation and Bonus Compensation.* The Company shall pay to Kilkenny (i) in a lump sum an amount equal to the regular compensation payments for the remainder of the Period of Employment at the salary rate of regular compensation as provided in Section 3.1 to which Kilkenny would have been entitled if Kilkenny had remained in the employ of the Company for the remainder of the Period of Employment, (ii) the automobile allowance, in such amount and payable in accordance with and as provided by Section 3.7 during the remainder of the Period of Employment, and (iii) payment of the insurance premiums on the policies of insurance required to be maintained by the Company in accordance with and as provided by Sections 3.8 and 4.1 during the remainder of the Period of Employment. The lump sum payment pursuant to (i) of this Section 3.10.1 shall be paid to Kilkenny on or before the date of termination of Kilkenny's employment pursuant to Section 3.10.

3.10.2 *Incentive Compensation and Stock Options.* The Company shall provide Kilkenny with the following (or the value thereof):

(i) incentive compensation (including, but not limited to, the right to receive and exercise stock options and stock appreciation rights and to receive restricted stock and grants thereof and similar incentive compensation benefits) to which Kilkenny would have been entitled under all incentive compensation plans maintained by the Company if Kilkenny had remained in the employ of the Company for the remainder of the Period of Employment; and

(ii) the employee benefits (including, but not limited to, coverage under medical, dental, disability and life insurance arrangements or programs) to which Kilkenny would have been entitled under all employee benefit plans, programs and arrangements maintained by the Company in the event Kilkenny had remained employed by the Company for the remainder of the Period of Employment.

3.10.3 *Release of Personal Liability for the Company's Liabilities.* The Company shall obtain the complete release of Kilkenny from all personal liability for any and all of the Company's debts, including but not limited to leases and promissory notes, and provide Kilkenny with acceptable proof (as determined in Kilkenny's sole discretion) of said release no later than ten business days prior to the last day of Kilkenny's employment by the Company.

3.10.4 *Lump Sum Payment of Other Amounts Due Kilkenny.* The Company shall pay to Kilkenny in a lump sum an amount equal to the sum of (i) all accrued but unpaid compensation that has been previously deferred due to the

Company's financial difficulties, (ii) all amounts advanced and/or loaned by Kilkenny to the Company, and (iii) any and all other amounts due Kilkenny. The Company shall pay the lump sum payment pursuant to this Section 3.10.4 to Kilkenny on or before the last day of Kilkenny's employment.

3.11 *Termination and Cause Defined.* The term "termination" shall mean termination by the Company, upon 60 days prior written notice to Kilkenny, of the employment of Kilkenny with the Company for any reason other than cause (as defined below), or resignation of Kilkenny upon the occurrence of either (i) a significant change in the nature or scope of Kilkenny's authorities or duties from those described in Section 2, a reduction in his compensation or breach by the Company of any other provision of this Agreement, (ii) a reasonable determination by Kilkenny that, as a result of a change in circumstances regarding his duties, he is unable to exercise his authorities, powers, functions or duties attached to his executive officer position or positions with the Company as contemplated in Section 2, or (iii) a change in control within the meaning of Section 3.12. The term "cause" means gross misconduct materially injurious to the Company or willful and material breach of this Agreement by Kilkenny that results in material injury to the Company.

3.12 *Change of Control Defined.* For purposes of this Agreement, each of the following specified events shall be deemed a "change of control": (i) any third person, including a "group" as defined in Sections 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, becomes the beneficial owner of shares of the Company or of proxies or other rights pertaining to the Company which carry 25 percent or more of the total number of votes for the election of the Board of Directors of the Company or with respect to a merger, consolidation or sale; (ii) as result of, or in connection with, any cash tender offer, merger, or other business combination of the foregoing, the persons who were directors of the Company immediately prior to such event cease to constitute a majority of the Board of Directors of the Company; (iii) the approval of an agreement providing either for a transaction or series of transactions by which the Company will cease to be an independent publicly-owned company or for a sale, lease or other disposition of all or substantially all of the assets of the Company; (iv) the determination by Kilkenny, in his sole discretion, that a Change of Control has occurred; or following any public offering of securities of the Company during any period of 24 consecutive months the persons who were members of the Company's Board of Directors at the commencement of the period cease for any reason to constitute a majority of the Company's Board of Directors.

4. *Disability or Death.*

4.1 *Disability.* The Company shall provide and maintain, at its sole cost and expense, a policy of disability insurance covering the sickness, disability or incapacity of Kilkenny (the "Disability Policy"), the terms, extent of coverage (including the nature of disabilities cover thereby) and the issuer thereof shall be within the sole discretion of Kilkenny. In no event shall the Disability Policy provide for a monthly disability payment to Kilkenny of less than \$5,000 per month in the event of his disability within the meaning of the Disability Policy. During any period from the date of the commencement of period that Kilkenny's is absent from work due to sickness, disability or incapacity and until commencement of his receipt of payments of the monthly disability benefits under the Disability Policy, Kilkenny shall continue to be entitled to receive and the Company shall pay and provide his regular compensation, bonus compensation and the other compensation and benefits, in accordance with and as provided in Sections 3.1 through 3.8 during the remaining Period of Employment. The Company hereby agrees and acknowledges that the Company undertakes and assumes the risk of all such disability, incapacity or inability of Kilkenny during the Period of Employment (except to the extent such risk is insured against pursuant to the Disability Policy) to perform the services contemplated by Section 2 by reason of sickness, disability, incapacity or other inability. Upon expiration of

the Period of Employment, the Company shall assign and transfer to Kilkenny, without any payment therefore by Kilkenny, the Disability Policy in the event ownership thereof is not maintained in the name of Kilkenny.

4.2 *Death.* In the event Kilkenny shall die during the period Kilkenny is employed by the Company pursuant to this Agreement, this Agreement shall terminate effective on the last day of the month following the date of death, and the Company shall pay to the wife of Kilkenny, or if unmarried at the time of his death, to the estate of Kilkenny, the regular compensation and bonus compensation payable to Kilkenny pursuant to Sections 3.1 and 3.2 and for a period of three (3) months following the effective date of such employment termination pursuant to this Section 4.2, payable on the dates provided for such compensation payment there under.

4.3 *Accrued Compensation; Benefits; Reimbursement.* In the event of termination of this Agreement pursuant to Section 4.1 and/or Section 4.2 of this Agreement, Kilkenny (or his wife or if unmarried on the date of his death his estate) shall be entitled to receive accrued and unpaid expense reimbursements, automobile allowance and any unpaid bonus amounts awarded to Kilkenny prior to such termination and stock option grants awarded to Kilkenny prior to such termination exercisable in accordance with the terms of such stock option grants, as well as the benefits set forth Sections 3.10.3 and 3.10.4.

5. *Termination for Cause.* In the event the Board of Directors of the Company determines in good faith that Kilkenny is guilty of willful misconduct or gross negligence materially injurious to the Company in the performance of the services contemplated by this Agreement, the Company shall have the right, by resolution unanimously adopted by all members (other than Kilkenny) of the Board of Directors of the Company, to terminate this Agreement at the end of any month by giving not less than 60 days' prior written notice to Kilkenny of its election to so terminate this Agreement, and all obligations hereunder shall thereupon terminate thereafter, except for those obligations set forth in Sections 3.10.3 and 3.10.4.

6. *Non-Competition.* During the period Kilkenny is employed by the Company pursuant to this Agreement, Kilkenny may engage in any other employment or pursuit of other endeavors which does not conflict with his ability to perform his duties to the business interests of the Company, provided that such other employment or pursuit of other endeavors does not violate the duty of loyalty and care which Kilkenny has to the Company by reason of this Agreement or in his capacity as an executive officer of the Company.

7. *Confidentiality.* During the period that Kilkenny is employed by the Company, and for a period of one year thereafter, Kilkenny will not divulge to anyone, other than the Company or persons designated by the Company in writing, any confidential material information directly or indirectly useful in any aspect of the business of the Company or any of its subsidiaries or affiliates, as conducted from time to time, as to which Kilkenny is now, or at any time during employment shall become, informed and which is not then generally known to the public or recognized as standard practice.

8. *Certain Provisions to Survive Termination; Etc.* Notwithstanding any termination of his employment under this Agreement, Kilkenny, in consideration of his employment hereunder to the date of such termination, shall remain bound by the provisions of Section 7, and consequently, in addition to all other remedies that may be available to it, the Company shall be entitled to injunctive relief for any actual or threatened violation of such Sections.

9. *Non-Assignability.* Neither party hereto shall have the right to assign this Agreement or any rights or obligations hereunder without the written consent of the other party.

10. *Arbitration.* Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in the City of Oklahoma City in accordance with the laws of the State of Oklahoma by three arbitrators, one of whom shall be appointed by the Company, one by Kilkenny and the third by the two arbitrators appointed by the Company and Kilkenny. If the arbitrators appointed by the Company and Kilkenny cannot agree on the appointment of a third arbitrator, then the third arbitrator shall be appointed by the Chief Judge of the United States District Court of the Western District of Oklahoma. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 10. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that it shall be necessary or desirable for Kilkenny to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, he shall be entitled to recover from the Company reasonable attorneys' fees and costs and expenses incurred by him in connection with the enforcement of said rights, regardless of the final outcome.

11. *Notice.* All notices required or permitted to be given hereunder shall be in writing and shall be deemed to have been given forty-eight (48) hours after depositing in the United States mail, certified mail, postage prepaid, addressed to the party to receive such notice at the address set forth herein below or such other address as either party may give to the other in writing pursuant to written notice pursuant to this Section:

If to Kilkenny:

Mr. Timothy J. Kilkenny

2571 S. Penn

Newcastle, OK 73065

If to the Company:

FullNet Communications, Inc.

201 Robert S. Kerr Avenue, Suite 210

Oklahoma City, OK 73102

12. *General.* The terms and provisions herein contained (i) may be amended or modified only by a written instrument executed by the parties hereto, and (ii) shall be construed and enforced in accordance with the laws in effect in the State of Oklahoma without regard to its conflicts of law provisions. Failure by a party hereto to require performance of any provision of this Agreement shall not affect, impair or waive such party's right to require full performance at any time thereafter.

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

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the 6th day of July, 2011.

"Company"

FULLNET COMMUNICATIONS, INC.

By: /s/ Roger P. Baresel_____

Roger P. Baresel, President & Chief Financial Officer

Kilkenny

/s/ Timothy J. Kilkenny_____

Timothy J. Kilkenny

Table of Contents

EXHIBIT 10.48

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered into this 6th day of July 2011, but is effective for all purposes as of the Commencement Date (as hereinafter defined), by and between FullNet Communications, Inc. (the "Company"), an Oklahoma corporation, and Roger P. Baresel ("Baresel"), an individual.

WITNESSETH:

WHEREAS, the Company and Baresel desire to enter into a new long-term employment agreement to replace the existing employment agreement between them dated July 31, 2002, on the terms and conditions hereinafter provided;

NOW, THEREFORE, for and in consideration of the conditions herein below to be performed on the part of the respective parties hereto, and in consideration of the mutuality thereof, the parties hereto agree as follows:

1. *Term of Employment.* The Company hereby agrees to employ Baresel as President and Chief Financial Officer of the Company, and Baresel hereby accepts such employment and agrees to serve the Company as its President and Chief Financial Officer. The term of employment under this Agreement shall commence on July 1, 2011 (the Commencement Date), and shall continue through December 31, 2016; provided, however, the term of this agreement shall automatically be extended for additional three-year terms, unless either party give notice of termination to the other on or before June 30 in the year of termination, commencing June 30, 2016 ("Period of Employment").

2. *Duties.* Substantially all of the duties and responsibilities of Baresel, subject to such travel as the duties of Baresel hereunder may reasonably require, shall be performed by Baresel at and from the corporate offices of the Company in Oklahoma City, Oklahoma.

2.1 *Time and Best Efforts.* During the term of employment hereunder, Baresel shall be a full-time employee and shall devote his time, attention, skill, energy and best efforts as a full-time employee to the duties assigned to him from time to time as President and Chief Financial Officer by the Board of Directors of the Company, which duties shall be of the general character referred to in Section 2.2, and shall, but without obligation hereunder, serve the Company in the other executive officer positions to which he may be elected or appointed by the Board of Directors of the Company, subject to acceptance by Baresel of such other executive officer position or positions. Notwithstanding the foregoing, Baresel may (i) engage in other business pursuits or other endeavors which do not conflict with his ability to perform his duties on a best efforts basis to the business interests of the Company and (ii) become a director of other corporations and engage in charitable, civic and other similar pursuits; provided, however, that such other business pursuits or other endeavors do not interfere with his devoting his best efforts to his duties to the Company or violate the duty of loyalty and care which Baresel has to the Company by reason of this Agreement or in his capacity as an executive officer of the Company.

2.2 *Supervision.* As an employee and President and Chief Financial Officer of the Company (and other executive officer positions held by Baresel), Baresel shall be responsible for overseeing and managing the financial activities of the Company which shall be subject to the overall supervision and instructions of the Board of Directors of the Company.

3. *Compensation and Other Benefits.* During the Period of Employment, the Company shall pay or provide to Baresel, and Baresel shall be entitled to receive or have maintained for his benefit, for his services such compensation as the Board of Directors shall fix from time to time, but not less than the following amounts and benefits:

3.1 *Regular Compensation.* The salary paid by the Company to Baresel under this Section 3.1 shall be not less than \$3,751 per month, such monthly salary shall be subject to not less than a five percent (5%) increase, on each January 1 during the Period of Employment, based upon the monthly compensation paid Baresel during the month of December immediately preceding the applicable January 1. Payment of such salary shall be made in installments in accordance with the Company's compensation payments to its other employees. Salary paid in accordance with this Section 3.1 shall be considered Baresel's "regular compensation."

3.2 *Bonus Compensation.* In addition to regular compensation, Baresel shall be eligible for annual bonuses that are not guaranteed and are to be determined by the Company's Board of Directors.

3.3 *Grant of Stock Options.* From time to time the Company may grant stock options to its executive officers as determined by the Board of Directors (or the Compensation Committee and/or Stock Option Committee established by the Board of Directors). To the extent that stock options are granted by the Board of Directors (or the Compensation Committee and/or Stock Option Committee established by the Board of Directors) to its executive officers, Baresel shall be deemed to be a member of the group to which stock options are granted, and his stock option grants shall be determined in the same manner as are the stock option grants of other executives in the group. In no event shall this Agreement have any effect upon the stock options granted to Baresel prior to the date of execution of this Agreement.

3.4 *Entertainment, Travel and Similar Expense Reimbursement.* Baresel is hereby authorized to incur reasonable expenses for the promotion of the Company's business, including entertainment, travel, lodging, meals, and similar expenses, and he shall be reimbursed therefore, by the Company upon his presentation of itemized accounts of such expenditures.

3.5 *Health, Dental, and Disability Insurance Arrangements and Programs.* The Company shall provide to Baresel (including coverage of the dependents of Baresel) health, medical, dental, and disability insurance benefits comparable to those provided to the executive officers of the Company either as a group or individually.

3.6 *Vacation and Leave; Holidays.* Baresel shall be entitled to (i) vacation leave with pay (at his regular compensation rate at the time such vacation leave is taken) during each calendar year of the Period of Employment, and (ii) reasonable periods of sick leave with pay (at his regular compensation rate at the time such sick leave is taken) commensurate with his position, in accordance with Company policy as established by the Board of Directors. Any annual vacation leave not taken by Baresel during a calendar year shall accumulate, and, at the option of Baresel, he may elect to receive his vacation compensation (at his regular compensation rate at the time of such election) in lieu of taking vacation leave. Baresel shall be entitled to all paid holidays observed by the Company.

3.7 Automobile and Cellular Phone. At Baresel's sole option, the Company shall (i) pay to Baresel an automobile allowance of five hundred dollars (\$500) per month, payable on the first day of each month, or (ii) the use of a Company owned or leased automobile, the make and model to be selected and determined in Baresel's sole discretion and pay all costs and expenses of operation, including without limitation insurance (in such amounts as mutually agreed upon by Baresel and the Company), gasoline, repairs, maintenance. Furthermore, and the Company shall provide to Baresel, at the sole cost and expense of the Company, a cellular phone to assist Baresel in the performance of his duties and responsibilities as an executive officer and employee of the Company.

3.8 Life Insurance. The Company shall provide to Baresel and maintain term insurance, at the Company's sole cost and expense, covering the life of Baresel in the face amount of \$250,000 (the "Life Insurance Policy"), the proceeds of which shall be payable to such beneficiary that Baresel shall designate or, in the event of failure to designate a named beneficiary, shall be payable to the estate of Baresel. Upon expiration of the Period of Employment, the Company shall assign and transfer to Baresel, without any payment therefore by Baresel, the Life Insurance Policy in the event ownership thereof is not maintained in the name of Baresel.

3.9 No Limitation on Other Obligations of Company. No regular compensation or bonus compensation payment or the providing of any other compensation benefits to Baresel pursuant to this Agreement shall in any way limit or reduce any other obligation of the Company to Baresel as an employee of the Company. Baresel shall be entitled to participate in and receive benefits under any employee benefit plan or arrangement made available by the Company (both as of the effective date of this Agreement as well as in the future) to its employees or to any executive officer of the Company.

3.10 Employment Termination. In the event of (i) a termination (as defined below) of Baresel's employment with the Company prior to the end of the Period of Employment, or (ii) termination of Baresel's employment at the end of the Period of Employment, the Company shall pay or provide the following:

3.10.1 Lump Sum Payment of Regular Compensation and Bonus Compensation. The Company shall pay to Baresel (i) in a lump sum an amount equal to the regular compensation payments for the remainder of the Period of Employment at the salary rate of regular compensation as provided in Section 3.1 to which Baresel would have been entitled if Baresel had remained in the employ of the Company for the remainder of the Period of Employment, (ii) the automobile allowance, in such amount and payable in accordance with and as provided by Section 3.7 during the remainder of the Period of Employment, and (iii) payment of the insurance premiums on the policies of insurance required to be maintained by the Company in accordance with and as provided by Sections 3.8 and 4.1 during the remained of the Period of Employment. The lump sum payment pursuant to (i) of this Section 3.10.1 shall be paid to Baresel on or before the date of termination of Baresel's employment pursuant to Section 3.10.

3.10.2 Incentive Compensation and Stock Options. The Company shall provide Baresel with the following (or the value thereof):

(i) incentive compensation (including, but not limited to, the right to receive and exercise stock options and stock appreciation rights and to receive restricted stock and grants thereof and similar incentive compensation benefits) to which Baresel would have been entitled under all incentive compensation plans maintained by the Company if Baresel had remained in the employ of the Company for the remainder of the Period of Employment; and

(ii) the employee benefits (including, but not limited to, coverage under medical, dental, disability and life insurance arrangements or programs) to which Baresel would have been entitled under all employee benefit plans, programs and arrangements maintained by the Company in the event Baresel had remained employed by the Company for the remainder of the Period of Employment.

3.10.3 *Release of Personal Liability for the Company's Liabilities.* The Company shall obtain the complete release of Baresel from all personal liability for any and all of the Company's debts, including but not limited to leases and promissory notes, and provide Baresel with acceptable proof (as determined in Baresel's sole discretion) of said release no later than ten business days prior to the last day of Baresel's employment by the Company.

3.10.4 *Lump Sum Payment of Other Amounts Due Baresel.* The Company shall pay to Baresel in a lump sum an amount equal to the sum of (i) all accrued but unpaid compensation that has been previously deferred due to the Company's financial difficulties, (ii) all amounts advanced and/or loaned by Baresel to the Company, and (iii) any and all other amounts due Baresel. The Company shall pay the lump sum payment pursuant to this Section 3.10.4 to Baresel on or before the last day of Baresel's employment.

3.11 *Termination and Cause Defined.* The term "termination" shall mean termination by the Company, upon 60 days prior written notice to Baresel, of the employment of Baresel with the Company for any reason other than cause (as defined below), or resignation of Baresel upon the occurrence of either (i) a significant change in the nature or scope of Baresel's authorities or duties from those described in Section 2, a reduction in his compensation or breach by the Company of any other provision of this Agreement, (ii) a reasonable determination by Baresel that, as a result of a change in circumstances regarding his duties, he is unable to exercise his authorities, powers, functions or duties attached to his executive officer position or positions with the Company as contemplated in Section 2, or (iii) a change in control within the meaning of Section 3.12. The term "cause" means gross misconduct materially injurious to the Company or willful and material breach of this Agreement by Baresel that results in material injury to the Company.

3.12 *Change of Control Defined.* For purposes of this Agreement, each of the following specified events shall be deemed a "change of control": (i) any third person, including a "group" as defined in Sections 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, becomes the beneficial owner of shares of the Company or of proxies or other rights pertaining to the Company which carry 25 percent or more of the total number of votes for the election of the Board of Directors of the Company or with respect to a merger, consolidation or sale; (ii) as result of, or in connection with, any cash tender offer, merger, or other business combination of the foregoing, the persons who were directors of the Company immediately prior to such event cease to constitute a majority of the Board of Directors of the Company; (iii) the approval of an agreement providing either for a transaction or series of transactions by which the Company will cease to be an independent publicly-owned company or for a sale, lease or other disposition of all or substantially all of the assets of the Company; (iv) the determination by Baresel, in his sole

discretion, that a Change of Control has occurred; or following any public offering of securities of the Company during any period of 24 consecutive months the persons who were members of the Company's Board of Directors at the commencement of the period cease for any reason to constitute a majority of the Company's Board of Directors.

4. *Disability or Death.*

4.1 *Disability.* The Company shall provide and maintain, at its sole cost and expense, a policy of disability insurance covering the sickness, disability or incapacity of Baresel (the "Disability Policy"), the terms, extent of coverage (including the nature of disabilities cover thereby) and the issuer thereof shall be within the sole discretion of Baresel.

In no event shall the Disability Policy provide for a monthly disability payment to Baresel of less than \$3,334 per month in the event of his disability within the meaning of the Disability Policy. During any period from the date of the commencement of period that Baresel's is absent from work due to sickness, disability or incapacity and until commencement of his receipt of payments of the monthly disability benefits under the Disability Policy, Baresel shall continue to be entitled to receive and the Company shall pay and provide his regular compensation, bonus compensation and the other compensation and benefits, in accordance with and as provided in Sections 3.1 through 3.8 during the remaining Period of Employment. The Company hereby agrees and acknowledges that the Company undertakes and assumes the risk of all such disability, incapacity or inability of Baresel during the Period of Employment (except to the extent such risk is insured against pursuant to the Disability Policy) to perform the services contemplated by Section 2 by reason of sickness, disability, incapacity or other inability. Upon expiration of the Period of Employment, the Company shall assign and transfer to Baresel, without any payment therefore by Baresel, the Disability Policy in the event ownership thereof is not maintained in the name of Baresel.

4.2 *Death.* In the event Baresel shall die during the period Baresel is employed by the Company pursuant to this Agreement, this Agreement shall terminate effective on the last day of the month following the date of death, and the Company shall pay to the wife of Baresel, or if unmarried at the time of his death, to the estate of Baresel, the regular compensation and bonus compensation payable to Baresel pursuant to Sections 3.1 and 3.2 and for a period of three (3) months following the effective date of such employment termination pursuant to this Section 4.2, payable on the dates provided for such compensation payment there under.

4.3 *Accrued Compensation; Benefits; Reimbursement.* In the event of termination of this Agreement pursuant to Section 4.1 and/or Section 4.2 of this Agreement, Baresel (or his wife or if unmarried on the date of his death his estate) shall be entitled to receive accrued and unpaid expense reimbursements, automobile allowance and any unpaid bonus amounts awarded to Baresel prior to such termination and stock option grants awarded to Baresel prior to such termination exercisable in accordance with the terms of such stock option grants, as well as the benefits set forth Sections 3.10.3 and 3.10.4.

5. *Termination for Cause.* In the event the Board of Directors of the Company determines in good faith that Baresel is guilty of willful misconduct or gross negligence materially injurious to the Company in the performance of the services contemplated by this Agreement, the Company shall have the right, by resolution unanimously adopted by all members (other than Baresel) of the Board of Directors of the Company, to terminate this Agreement at the end of any month by giving not less than 60 days' prior written notice to Baresel of its election to so terminate this Agreement,

and all obligations hereunder shall thereupon terminate thereafter, except for those obligations set forth in Sections 3.10.3 and 3.10.4.

6. *Non-Competition.* During the period Baresel is employed by the Company pursuant to this Agreement, Baresel may engage in any other employment or pursuit of other endeavors which does not conflict with his ability to perform his duties to the business interests of the Company, provided that such other employment or pursuit of other endeavors does not violate the duty of loyalty and care which Baresel has to the Company by reason of this Agreement or in his capacity as an executive officer of the Company.

7. *Confidentiality.* During the period that Baresel is employed by the Company, and for a period of one year thereafter, Baresel will not divulge to anyone, other than the Company or persons designated by the Company in writing, any confidential material information directly or indirectly useful in any aspect of the business of the Company or any of its subsidiaries or affiliates, as conducted from time to time, as to which Baresel is now, or at any time during employment shall become, informed and which is not then generally known to the public or recognized as standard practice.

8. *Certain Provisions to Survive Termination; Etc.* Notwithstanding any termination of his employment under this Agreement, Baresel, in consideration of his employment hereunder to the date of such termination, shall remain bound by the provisions of Section 7, and consequently, in addition to all other remedies that may be available to it, the Company shall be entitled to injunctive relief for any actual or threatened violation of such Sections.

9. *Non-Assignability.* Neither party hereto shall have the right to assign this Agreement or any rights or obligations hereunder without the written consent of the other party.

10. *Arbitration.* Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in the City of Oklahoma City in accordance with the laws of the State of Oklahoma by three arbitrators, one of whom shall be appointed by the Company, one by Baresel and the third by the two arbitrators appointed by the Company and Baresel. If the arbitrators appointed by the Company and Baresel cannot agree on the appointment of a third arbitrator, then the third arbitrator shall be appointed by the Chief Judge of the United States District Court of the Western District of Oklahoma. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 10. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that it shall be necessary or desirable for Baresel to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, he shall be entitled to recover from the Company reasonable attorneys' fees and costs and expenses incurred by him in connection with the enforcement of said rights, regardless of the final outcome.

11. *Notice.* All notices required or permitted to be given hereunder shall be in writing and shall be deemed to have been given forty-eight (48) hours after depositing in the United States mail, certified mail, postage prepaid, addressed

to the party to receive such notice at the address set forth herein below or such other address as either party may give to the other in writing pursuant to written notice pursuant to this Section:

If to Baresel:

Mr. Roger P. Baresel

3509 Banner Court

Edmond, OK 73013

If to the Company:

FullNet Communications, Inc.

201 Robert S. Kerr Avenue, Suite 210

Oklahoma City, OK 73102

12. *General.* The terms and provisions herein contained (i) may be amended or modified only by a written instrument executed by the parties hereto, and (ii) shall be construed and enforced in accordance with the laws in effect in the State of Oklahoma without regard to its conflicts of law provisions. Failure by a party hereto to require performance of any provision of this Agreement shall not affect, impair or waive such party's right to require full performance at any time thereafter.

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

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the 6th day of July, 2011.

"Company"

FULLNET COMMUNICATIONS, INC.

By: /s/ Timothy J. Kilkenny

Timothy J. Kilkenny, Chief Executive Officer

Baresel

/s/ Roger P. Baresel

Roger P. Baresel

Table of Contents

EXHIBIT 10.49

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made and entered into this 6th day of July 2011, but is effective for all purposes as of the Commencement Date (as hereinafter defined), by and between FullNet Communications, Inc. (the "Company"), an Oklahoma corporation, and Jason Ayers ("Ayers"), an individual.

WITNESSETH:

WHEREAS, the Company and Ayers desire to enter into a new long-term employment agreement to replace the existing employment agreement between them dated January 1, 2011, on the terms and conditions hereinafter provided;

NOW, THEREFORE, for and in consideration of the conditions herein below to be performed on the part of the respective parties hereto, and in consideration of the mutuality thereof, the parties hereto agree as follows:

1. *Term of Employment.* The Company hereby agrees to employ Ayers as VP - Operations of the Company, and Ayers hereby accepts such employment and agrees to serve the Company as its VP - Operations. The term of employment under this Agreement shall commence on July 1, 2011 (the Commencement Date), and shall continue through December 31, 2016; provided, however, the term of this agreement shall automatically be extended for additional three-year terms, unless either party give notice of termination to the other on or before June 30 in the year of termination, commencing June 30, 2016 ("Period of Employment").

2. *Duties.* Substantially all of the duties and responsibilities of Ayers, subject to such travel as the duties of Ayers hereunder may reasonably require, shall be performed by Ayers at and from the corporate offices of the Company in Oklahoma City, Oklahoma.

2.1 *Time and Best Efforts.* During the term of employment hereunder, Ayers shall be a full-time employee and shall devote his time, attention, skill, energy and best efforts as a full-time employee to the duties assigned to him from time to time as VP - Operations by the Board of Directors of the Company, which duties shall be of the general character referred to in Section 2.2, and shall, but without obligation hereunder, serve the Company in the other executive officer positions to which he may be elected or appointed by the Board of Directors of the Company, subject to acceptance by Ayers of such other executive officer position or positions. Notwithstanding the foregoing, Ayers may (i) engage in other business pursuits or other endeavors which do not conflict with his ability to perform his duties on a best efforts basis to the business interests of the Company and (ii) become a director of other corporations and engage in charitable, civic and other similar pursuits; provided, however, that such other business pursuits or other endeavors do not interfere with his devoting his best efforts to his duties to the Company or violate the duty of loyalty and care which Ayers has to the Company by reason of this Agreement or in his capacity as an executive officer of the Company.

2.2 *Supervision.* As an employee and VP - Operations of the Company (and other executive officer positions held by Ayers), Ayers shall be responsible for overseeing and managing the operational activities of the Company which shall be subject to the overall supervision and instructions of the Chief Executive Officer, President and Board of Directors of the Company.

3. *Compensation and Other Benefits.* During the Period of Employment, the Company shall pay or provide to Ayers, and Ayers shall be entitled to receive or have maintained for his benefit, for his services such compensation as the Board of Directors shall fix from time to time, but not less than the following amounts and benefits:

3.1 *Regular Compensation.* The salary paid by the Company to Ayers under this Section 3.1 shall be not less than \$5,703 per month, such monthly salary shall be subject to not less than a five percent (5%) increase, on each January 1 during the Period of Employment, based upon the monthly compensation paid Ayers during the month of December immediately preceding the applicable January 1. Payment of such salary shall be made in installments in accordance with the Company's compensation payments to its other employees. Salary paid in accordance with this Section 3.1 shall be considered Ayers' "regular compensation."

3.2 *Bonus Compensation.* In addition to regular compensation, Ayers shall be eligible for annual bonuses that are not guaranteed and are to be determined by the Company's Board of Directors.

3.3 *Grant of Stock Options.* From time to time the Company may grant stock options to its executive officers as determined by the Board of Directors (or the Compensation Committee and/or Stock Option Committee established by the Board of Directors). To the extent that stock options are granted by the Board of Directors (or the Compensation Committee and/or Stock Option Committee established by the Board of Directors) to its executive officers, Ayers shall be deemed to be a member of the group to which stock options are granted, and his stock option grants shall be determined in the same manner as are the stock option grants of other executives in the group. In no event shall this Agreement have any effect upon the stock options granted to Ayers prior to the date of execution of this Agreement.

3.4 *Entertainment, Travel and Similar Expense Reimbursement.* Ayers is hereby authorized to incur reasonable expenses for the promotion of the Company's business, including entertainment, travel, lodging, meals, cell phone, Internet access and similar expenses, and he shall be reimbursed therefore, by the Company upon his presentation of itemized accounts of such expenditures.

3.5 *Health, Dental and Disability Insurance Arrangements and Programs.* The Company shall provide to Ayers (including coverage of the dependents of Ayers) health, medical, dental and disability insurance benefits comparable to those provided to the executive officers of the Company either as a group or individually.

3.6 *Vacation and Leave; Holidays.* Ayers shall be entitled to (i) vacation leave with pay (at his regular compensation rate at the time such vacation leave is taken) during each calendar year of the Period of Employment, and (ii) reasonable periods of sick leave with pay (at his regular compensation rate at the time such sick leave is taken) commensurate with his position, in accordance with Company policy as established by the Board of Directors. Any annual vacation leave not taken by Ayers during a calendar year shall accumulate, and, at the option of Ayers, he may elect to receive his vacation compensation (at his regular compensation rate at the time of such election) in lieu of taking vacation leave. Ayers shall be entitled to all paid holidays observed by the Company.

3.7 *No Limitation on Other Obligations of Company.* No regular compensation or bonus compensation payment or the providing of any other compensation benefits to Ayers pursuant to this Agreement shall in any way limit or reduce any other obligation of the Company to Ayers as an employee of the Company. Ayers shall be entitled to participate in and receive benefits under any employee benefit plan or arrangement made available by the Company (both as of the effective date of this Agreement as well as in the future) to its employees or to any executive officer of the Company.

3.8 *Employment Termination.* In the event of (i) a termination (as defined below) of Ayers' employment with the Company prior to the end of the Period of Employment, or (ii) termination of Ayers' employment at the end of the Period of Employment, the Company shall pay or provide the following:

3.8.1 *Lump Sum Payment of Regular Compensation and Bonus Compensation.* The Company shall pay to Ayers (i) in a lump sum an amount equal to the regular compensation payments for the remainder of the Period of Employment at the salary rate of regular compensation as provided in Section 3.1 to which Ayers would have been entitled if Ayers had remained in the employ of the Company for the remainder of the Period of Employment, and (ii) payment of the insurance premiums on the policies of insurance required to be maintained by the Company in accordance with and as provided by Section 3.5 during the remainder of the Period of Employment. The lump sum payment pursuant to (i) of this Section 3.8.1 shall be paid to Ayers on or before the date of termination of Ayers' employment pursuant to Section 3.8.

3.8.2 *Incentive Compensation and Stock Options.* The Company shall provide Ayers with the following (or the value thereof):

(i) incentive compensation (including, but not limited to, the right to receive and exercise stock options and stock appreciation rights and to receive restricted stock and grants thereof and similar incentive compensation benefits) to which Ayers would have been entitled under all incentive compensation plans maintained by the Company if Ayers had remained in the employ of the Company for the remainder of the Period of Employment; and

(ii) the employee benefits (including, but not limited to, coverage under medical, dental, and disability insurance arrangements or programs) to which Ayers would have been entitled under all employee benefit plans, programs and arrangements maintained by the Company in the event Ayers had remained employed by the Company for the remainder of the Period of Employment.

3.8.3 *Release of Personal Liability for the Company's Liabilities.* The Company shall obtain the complete release of Ayers from all personal liability for any and all of the Company's debts, including but not limited to leases and promissory notes, and provide Ayers with acceptable proof (as determined in Ayers' sole discretion) of said release no later than ten business days prior to the last day of Ayers' employment by the Company.

3.8.4 *Lump Sum Payment of Other Amounts Due Ayers.* The Company shall pay to Ayers in a lump sum an amount equal to the sum of (i) all accrued but unpaid compensation that has been previously deferred due to the Company's financial difficulties, (ii) all amounts advanced and/or loaned by Ayers to the Company, and (iii) any and all other amounts due Ayers. The Company shall pay the lump sum payment pursuant to this Section 3.8.4 to Ayers on or before the last day of Ayers' employment.

3.9 *Termination and Cause Defined.* The term "termination" shall mean termination by the Company, upon 60 days prior written notice to Ayers, of the employment of Ayers with the Company for any reason other than cause (as defined below), or resignation of Ayers upon the occurrence of either (i) a significant change in the nature or scope of Ayers' authorities or duties from those described in Section 2, a reduction in his compensation or breach by the

Company of any other provision of this Agreement, (ii) a reasonable determination by Ayers that, as a result of a change in circumstances regarding his duties, he is unable to exercise his authorities, powers, functions or duties attached to his executive officer position or positions with the Company as contemplated in Section 2, or (iii) a change in control within the meaning of Section 3.10. The term "cause" means gross misconduct materially injurious to the Company or willful and material breach of this Agreement by Ayers that results in material injury to the Company.

3.10 Change of Control Defined. For purposes of this Agreement, each of the following specified events shall be deemed a "change of control": (i) any third person, including a "group" as defined in Sections 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, becomes the beneficial owner of shares of the Company or of proxies or other rights pertaining to the Company which carry 25 percent or more of the total number of votes for the election of the Board of Directors of the Company or with respect to a merger, consolidation or sale; (ii) as result of, or in connection with, any cash tender offer, merger, or other business combination of the foregoing, the persons who were directors of the Company immediately prior to such event cease to constitute a majority of the Board of Directors of the Company; (iii) the approval of an agreement providing either for a transaction or series of transactions by which the Company will cease to be an independent publicly-owned company or for a sale, lease or other disposition of all or substantially all of the assets of the Company; (iv) the determination by Ayers, in his sole discretion, that a Change of Control has occurred; or following any public offering of securities of the Company during any period of 24 consecutive months the persons who were members of the Company's Board of Directors at the commencement of the period cease for any reason to constitute a majority of the Company's Board of Directors.

4. Disability or Death.

4.1 Disability. Ayers shall maintain at his sole cost and expense a policy of disability insurance covering the sickness, disability or incapacity of Ayers (the "Disability Policy"), the terms, extent of coverage (including the nature of disabilities cover thereby) and the issuer thereof shall be within the sole discretion of Ayers. During any period from the date of the commencement of period that Ayers' is absent from work due to sickness, disability or incapacity and until commencement of his receipt of payments of the monthly disability benefits under the Disability Policy, Ayers shall continue to be entitled to receive and the Company shall pay and provide his regular compensation, bonus compensation and the other compensation and benefits, in accordance with and as provided in Sections 3.1 through 3.6 during the remaining Period of Employment. The Company hereby agrees and acknowledges that the Company undertakes and assumes the risk of all such disability, incapacity or inability of Ayers during the Period of Employment (except to the extent such risk is insured against pursuant to the Disability Policy) to perform the services contemplated by Section 2 by reason of sickness, disability, incapacity or other inability.

4.2 Death. In the event Ayers shall die during the period Ayers is employed by the Company pursuant to this Agreement, this Agreement shall terminate effective on the last day of the month following the date of death, and the Company shall pay to the wife of Ayers, or if unmarried at the time of his death, to the estate of Ayers, the regular compensation and bonus compensation payable to Ayers pursuant to Sections 3.1 and 3.2 and for a period of three (3) months following the effective date of such employment termination pursuant to this Section 4.2, payable on the dates provided for such compensation payment there under.

4.3 *Accrued Compensation; Benefits; Reimbursement.* In the event of termination of this Agreement pursuant to Section 4.1 and/or Section 4.2 of this Agreement, Ayers (or his wife or if unmarried on the date of his death his estate) shall be entitled to receive accrued and unpaid expense reimbursements and any unpaid bonus amounts awarded to Ayers prior to such termination and stock option grants awarded to Ayers prior to such termination exercisable in accordance with the terms of such stock option grants, as well as the benefits set forth Sections 3.8.3 and 3.8.4.

5. *Termination for Cause.* In the event the Board of Directors of the Company determines in good faith that Ayers is guilty of willful misconduct or gross negligence materially injurious to the Company in the performance of the services contemplated by this Agreement, the Company shall have the right, by resolution unanimously adopted by all members (other than Ayers) of the Board of Directors of the Company, to terminate this Agreement at the end of any month by giving not less than 60 days' prior written notice to Ayers of its election to so terminate this Agreement, and all obligations hereunder shall thereupon terminate thereafter, except for those obligations set forth in Sections 3.8.3 and 3.8.4.

6. *Non-Competition.* During the period Ayers is employed by the Company pursuant to this Agreement, Ayers may engage in any other employment or pursuit of other endeavors which does not conflict with his ability to perform his duties to the business interests of the Company, provided that such other employment or pursuit of other endeavors does not violate the duty of loyalty and care which Ayers has to the Company by reason of this Agreement or in his capacity as an executive officer of the Company.

7. *Confidentiality.* During the period that Ayers is employed by the Company, and for a period of one year thereafter, Ayers will not divulge to anyone, other than the Company or persons designated by the Company in writing, any confidential material information directly or indirectly useful in any aspect of the business of the Company or any of its subsidiaries or affiliates, as conducted from time to time, as to which Ayers is now, or at any time during employment shall become, informed and which is not then generally known to the public or recognized as standard practice.

8. *Certain Provisions to Survive Termination; Etc.* Notwithstanding any termination of his employment under this Agreement, Ayers, in consideration of his employment hereunder to the date of such termination, shall remain bound by the provisions of Section 7, and consequently, in addition to all other remedies that may be available to it, the Company shall be entitled to injunctive relief for any actual or threatened violation of such Sections.

9. *Non-Assignability.* Neither party hereto shall have the right to assign this Agreement or any rights or obligations hereunder without the written consent of the other party.

10. *Arbitration.* Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration in the City of Oklahoma City in accordance with the laws of the State of Oklahoma by three arbitrators, one of whom shall be appointed by the Company, one by Ayers and the third by the two arbitrators appointed by the Company and Ayers. If the arbitrators appointed by the Company and Ayers cannot agree on the

appointment of a third arbitrator, then the third arbitrator shall be appointed by the Chief Judge of the United States District Court of the Western District of Oklahoma. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this Section 10. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that it shall be necessary or desirable for Ayers to retain legal counsel and/or incur other costs and expenses in connection with the enforcement of any and all of his rights under this Agreement, he shall be entitled to recover from the Company reasonable attorneys' fees and costs and expenses incurred by him in connection with the enforcement of said rights, regardless of the final outcome.

11. *Notice.* All notices required or permitted to be given hereunder shall be in writing and shall be deemed to have been given forty-eight (48) hours after depositing in the United States mail, certified mail, postage prepaid, addressed to the party to receive such notice at the address set forth herein below or such other address as either party may give to the other in writing pursuant to written notice pursuant to this Section:

If to Ayers:

Mr. Jason Ayers

4012 Calliope Court

Yukon, OK 73099

If to the Company:

FullNet Communications, Inc.

201 Robert S. Kerr Avenue, Suite 210

Oklahoma City, OK 73102

12. *General.* The terms and provisions herein contained (i) may be amended or modified only by a written instrument executed by the parties hereto, and (ii) shall be construed and enforced in accordance with the laws in effect in the State of Oklahoma without regard to its conflicts of law provisions. Failure by a party hereto to require performance of any provision of this Agreement shall not affect, impair or waive such party's right to require full performance at any time thereafter.

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

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the 6th day of July, 2011.

"Company"

FULLNET COMMUNICATIONS, INC.

By: /s/ Timothy J. Kilkenny_____

Timothy J. Kilkenny, Chief Executive Officer

Ayers

/s/ Jason Ayers_____

Jason Ayers

Table of Contents

EXHIBIT 31.1

CERTIFICATIONS

I, Timothy J. Kilkenny, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2011 of Fullnet Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Timothy J. Kilkenny

Chief Executive Officer

Table of Contents

EXHIBIT 31.2

CERTIFICATIONS

I, Roger P. Baresel, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2011 of Fullnet Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Roger P. Baresel,

President and Chief Financial Officer

Table of Contents

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Executive Officer of FullNet Communications, Inc. (the Company), hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2011 (the Report) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2011

/s/ Timothy J. Kilkenny,
Chief Executive Officer

Table of Contents

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned President and Chief Financial and Accounting Officer of FullNet Communications, Inc. (the Company), hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2011 (the Report) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2011

/s/ Roger P. Baresel,
President and Chief Financial and
Accounting Officer