



# AGENT INFORMATION SOFTWARE, INC.

## **Quarterly Reports**

Quarter Ended September 30, 2011

Trading Symbol: AIFS

AGENT INFORMATION SOFTWARE, INC.  
Quarterly Report  
September 30, 2011

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AGENT INFORMATION SOFTWARE, INC.

Quarterly Report  
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Unaudited Consolidated Balance Sheet

	September 30 2011	September 30 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 870,460	717,252
Accounts receivable, less allowance for doubtful accounts	148,027	121,542
Deferred income taxes - current (Note 3)	145,000	154,000
Other current assets	242,591	300,047
Total current assets	<u>1,406,078</u>	<u>1,292,841</u>
Software, equipment, furniture and leasehold improvements, net	2,619,644	2,594,597
Other assets	3,713	---
Total assets	<u>\$ 4,029,435</u>	<u>3,887,438</u>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 57,411	85,068
Deferred revenue (refundable)	-	-
Accrued payroll and related liabilities	298,552	291,838
Other accrued liabilities	83,454	75,514
Lines of credit	-	85,000
Total current liabilities	<u>439,417</u>	<u>537,420</u>
Deferred revenue (non-refundable)	1,426,182	1,194,276
Deferred income taxes (Note 3)	145,000	154,432
Total liabilities	2,010,599	1,886,128
Stockholders' equity:		
Common Stock, 12,000,000 shares authorized, 4,272,610 shares issued and outstanding on September 30, 2011	3,265,882	3,261,100
Accumulated deficit	(53,369)	(692,680)
Accumulated other comprehensive loss	(1,193,677)	(567,110)
Total stockholders' equity	<u>2,018,836</u>	<u>2,001,310</u>
Total liabilities and stockholders' equity	<u>\$ 4,029,435</u>	<u>3,887,438</u>

See Notes to Unaudited Consolidated Financial Statements

AGENT INFORMATION SOFTWARE, INC.  
Quarterly Report  
September 30, 2011

Unaudited Consolidated Statement of Operations  
For the Nine Months Ended September 30, 2011

	September 30 2011	September 30 2010
	<u>                    </u>	<u>                    </u>
Net Sales	\$ 3,450,250	3,429,339
Cost and expenses:		
Cost of sales	935,279	952,953
Research and development	324,332	428,388
Sales, marketing and customer service	1,441,324	1,893,910
General and Administrative	812,686	838,521
Total costs and expenses	<u>3,513,621</u>	<u>4,113,772</u>
Income from operations	(63,371)	(684,433)
Other income and expense:		
Other income and expense, net	19,001	750
Total other income	<u>19,001</u>	<u>750</u>
Income before taxes	(44,370)	(683,683)
Income tax expense	<u>9,000</u>	<u>9,000</u>
Net income/(loss)	\$ (53,370)	(692,683)
Earnings per share:		
Basic income per share	\$ (0.01)	(0.16)
Weighted average shares outstanding	4,272,610	4,272,910
Diluted income per share	\$ (0.01)	(0.14)
Weight average shares outstanding	4,837,843	4,814,810

See Notes to Unaudited Consolidated Financial Statements

AGENT INFORMATION SOFTWARE, INC.  
Quarterly Report  
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Unaudited Consolidated Statement of Operations  
For the Three Months Ended September 30, 2011

	September 30 2011	September 30 2010
Net Sales	\$ 1,150,277	1,159,885
Cost and expenses:		
Cost of sales	307,534	334,559
Research and development	122,028	104,790
Sales, marketing and customer service	442,363	652,760
General and Administrative	265,726	271,963
Total costs and expenses	1,137,651	1,364,072
Income from operations	12,626	(204,187)
Other income and expense:		
Other income and expense, net	6,886	(2,478)
Total other income	6,886	(2,478)
Income before taxes	19,512	(206,665)
Income tax expense	3,000	3,000
Net income/(loss)	\$ 16,512	(209,665)
Earnings per share:		
Basic income per share	\$ 0.00	(0.05)
Weighted average shares outstanding	4,272,610	4,272,610
Diluted income per share	\$ 0.00	(0.04)
Weight average shares outstanding	4,837,843	4,814,510

See Notes to Unaudited Consolidated Financial Statements

AGENT INFORMATION SOFTWARE, INC.  
Unaudited Consolidated Statement of Stockholders' Equity And Comprehensive Income  
For the Nine Months Ended September 30, 2011

	Common Stock		Retained Earnings/ (Accumulated Deficit)	Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount			
Balances at December 31, 2010	4,272,610	\$ 3,260,481	\$ (1,191,855)	\$ -	\$ 2,068,626
Net Income			(53,370)		(53,370)
Foreign currency translation adjustments		-		(1,820)	(1,820)
Comprehensive income		-			-
Stock option shares exercised		-			-
Shares repurchased/ Adjustments		-			-
Stock option expense (Note 6)		5,400			5,400
Balances at June 30, 2011	4,272,610	\$ 3,265,881	\$ (1,245,225)	\$ (1,820)	\$ 2,018,836

See Notes to Unaudited Consolidated Financial Statements

AGENT INFORMATION SOFTWARE, INC.

Quarterly Report  
September 30, 2011

Unaudited Consolidated Statements of Cash Flows  
For the Nine Months Ended September 30, 2011

	September 30, 2011	September 30, 2010
<b>Cash flows from operating activities:</b>		
Net income	\$ (53,369)	\$ (692,680)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	419,721	498,270
Provision for doubtful accounts	-	1,500
Stock option expense (Note 6)	5,400	5,400
Changes in operating assets and liabilities:		
Accounts receivable	13,624	41,786
Other current assets	(9,108)	(106,092)
Other assets	(3,713)	432
Accounts payable	(11,391)	41,157
Deferred revenue	130,115	249,276
Accrued payroll and related liabilities	(16,596)	94,691
Other accrued liabilities	2,516	(38,084)
Net cash provided by operating activities	<u>477,199</u>	<u>95,656</u>
<b>Cash flows from investing activities:</b>		
Capitalized software development	(337,725)	(397,462)
Equipment and improvements	(26,735)	(85,162)
Net cash used in investing activities	<u>(364,460)</u>	<u>(482,624)</u>
<b>Cash flows from financing activities:</b>		
Common stock purchases /adjustments	-	5,070
Lines of credit	(60,000)	85,000
Net cash provided used in financing activities	<u>(60,000)</u>	<u>90,070</u>
Effect of foreign exchange on cash	7,766	(9)
Net increase (decrease) in cash	60,505	(296,907)
Cash at beginning of year	809,955	1,014,158
Cash at end of period	<u>\$ 870,460</u>	<u>\$ 717,251</u>

See Notes to Unaudited Consolidated Financial Statements

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

**1. Summary of significant accounting policies**

Agent Information Software, Inc. (the “Company”), a Nevada corporation, incorporated in 2010, including its wholly owned subsidiaries Auto Graphics, Inc., A-G Canada, Ltd. and Agent Legal, Inc., provide software products and services used to create, manage, publish and access information.

Auto Graphics, Inc. a corporation formed in 1960 provides software products and services to customers in the library community and publishing markets.

A-G Canada, a Canadian corporation formed in 1997, provides software products and services to customers in the library community in Canada.

Agent Legal, Inc. a corporation formed in 2010 provides software products and services to customers in the legal community.

*Basis of presentation*

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of Agent Information Software, Inc. and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

*Recently adopted accounting standards*

In July 2010, the Financial Accounting Standards Board (“FASB”) issued guidance on receivables. The guidance establishes the account and reporting guidance for disclosures about the credit quality of the financing of receivables and the allowance for credit losses. The adoption of this guidance did not impact the Company’s financial position, results of operations or cash flows.

In February 2010, FASB issued guidance on subsequent events. The guidance amends certain recognition and disclosure requirements. The adoption of this guidance did not impact the Company’s financial position, results of operations or cash flows.

*Use of estimates*

The preparation of the financial statements of the Company in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and sales and expenses during the reporting period. These estimates are based on information available as of the date of the financial statements. Actual results may materially differ from those estimated.

(Continued)



AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

**1. Summary of significant accounting policies** *(continued)*

*Revenue recognition*

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is probable. The Company enters into certain arrangements where it is obligated to deliver multiple products and/or services (multiple elements). In these arrangements, the Company generally allocates the total revenue among the elements based on the selling price of each element when sold separately (vendor-specific objective evidence).

Recurring revenues for SaaS (Software as a Service) services, database subscriptions and software maintenance and support contracts are recognized as services are rendered on a yearly, quarterly or monthly pro rata basis over the contractual period commencing in the period in which access rights are provided to the customer.

License revenues are recognized when the software is shipped to the customer or system access rights are provided to the customer.

Revenues for installation, training and other non-recurring services are recognized as services are provided to the customer.

Revenues for which payment has been received in advance are treated as deferred revenue until services are provided and the revenues have been earned.

*Foreign currency translation*

Assets and liabilities recorded in foreign currencies are translated at an interim rate for 2011 of \$0.98 US dollars. Revenue and expenses are translated at an interim rate for 2011 of \$0.98 US dollars. Translation adjustments resulting from this process are recorded to other comprehensive income and included as a component of stockholders' equity. The functional and reporting currency for operations located in Canada is the Canadian dollar. Consequently, assets and liabilities must be translated into U.S. dollars using standard exchange rates. All other Company transactions are denominated in U.S. dollars. Interim rates will be adjusted at year end to reflect actual rates for 2011.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

**1. Summary of significant accounting policies** *(continued)*

*Credit risk*

The Company performs ongoing credit evaluations of its customers and generally requires cash deposits in advance of providing services. The Company maintains a reserve for potential losses from uncollectible accounts in the form of an allowance for doubtful accounts and actual losses in 2011 and 2010 were in line with management's expectations. The Company may be exposed to credit risk for trade receivables beyond the reserves established by the Company for this purpose.

During the year, the Company had cash balances on hand at various financial institutions which exceeded FDIC and CDIC insured limits for periods of time. (See cash and cash equivalents.)

*Fair value of financial instruments*

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value.

Cash and cash equivalents and accounts receivables: the carrying amounts approximate fair value because of the short-term maturity of these instruments.

*Cash and cash equivalents*

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

*Accounts receivable*

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on reviews of outstanding amounts on a regular basis (See credit risk.)

*Software*

Software is recorded at historical cost. Software as of September 30, 2011, consists of the following:

Software	\$11,603,685
Less accumulated amortization	<u>9,170,929</u>
Software, net	<u>\$ 2,432,756</u>

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

(Continued)

**1. Summary of significant accounting policies** *(continued)*

Certain costs incurred related to the development and purchases of computer software are capitalized and amortized. The Company collects and segregates software development labor hours applied to design, development, quality assurance and product documentation associated with the software development process. All labor hours associated with the design and specification development process are expensed as incurred until a detailed design has been developed. All labor hours associated with coding, debugging, alpha testing, software bug corrections, quality assurance testing and documentation are eligible for capitalization. Generally, the Company capitalizes approximately 70% of eligible costs based on an average actual cost per labor hour and expenses the remainder. On an annual basis, the Company evaluates its capitalized software for recoverability against the estimated future revenues over the next five years from the products or services.

Certain marketing costs incurred to develop Web sites are expensed as incurred.

Amortization of software costs is based on the greater of the projected to actual revenue ratio or straight-line method and commences in the first full year of product availability and continues over the product's estimated useful life. The estimated useful life for computer software and databases is seven years based on its estimated economic life.

*Equipment and leasehold improvements*

Equipment is stated at cost less accumulated depreciation and amortization. Leasehold improvements are amortized over the shorter of the useful life of the asset or the term of the lease. Depreciation and amortization is based on the straight-line method over the estimated useful life of the asset and commences in the year the asset is placed in and/or is available for service or sale using the half-year convention methods.

Depreciation and amortization is computed using straight-line methods over the following estimated useful lives:

Computer equipment	5 years
Furniture and fixtures	3-10 years
Booth equipment	5 years
Autos	3 years
Office equipment	5 years
Leasehold improvements	Lease term or useful life

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

(Continued)

**1. Summary of significant accounting policies** *(continued)*

Equipment and leasehold improvements at September 30, 2011, consist of the following:

Computer equipment	\$ 1,591,118
Booth equipment	41,682
Office equipment	52,993
Leasehold improvements	12,152
Autos	49,031
Furniture and fixtures	<u>332,989</u>
	2,079,965
Less accumulated depreciation	<u>1,893,075</u>
Equipment, net	<u><u>186,890</u></u>

***Impairment of long-lived assets***

The Company periodically assesses the recoverability of the carrying amounts of long-lived assets. An impairment loss is recognized when expected undiscounted future cash flows are less than the carrying amount of the asset. The impairment loss is the differences by which the carrying amount of the asset exceeds its fair value. There were no impairment losses or reserves as of September 30, 2011.

***Earnings per share***

Basic and diluted earnings per share computations presented by the Company conform to the standard and are based on the weighted average number of shares of Common Stock outstanding during the year.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

<b><u>Year to date September 30, 2011</u></b>	<u>Net Income</u>	<u>Shares</u>	<u>Per Share</u>
<b>Basic earnings per share</b>			
Net income available to common stockholders	\$ (53,370)	4,272,610	\$ (0.01)
Effect of dilutive securities stock options	<u>-</u>	<u>565,233</u>	
<b>Diluted earnings per share</b>			
Net income available to common stockholders	<u>\$ (53,370)</u>	<u>4,837,843</u>	<u>\$ (0.01)</u>

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

**1. Summary of significant accounting policies** *(continued)*

*Share-based compensation*

The Company recognizes in the financial statements all costs resulting from share-based payment transactions at their fair values. Compensation cost for the portion of the awards for which the requisite service had not been rendered that were outstanding as of May 10, 2005 is recognized in the consolidated statements of operations over the remaining service period after such date based on the award's original estimated of fair value. Share-based compensation expense recognized for employees and directors for the period ended September 30, 2011, were \$5,400, and are included in general and administrative expense. For the period ended September 30, 2011, cash flows from operations and cash flows from financing activities were not affected.

The Company determined the fair value of share-based payment awards to employees and directors on the date of grant using the Black-Scholes model, which is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to the Company's expected stock price volatility over the expected term of the awards, and actual and projected employee stock option exercise behaviors.

The Company used the simplified-method to determine an award's expected term and the Company's historical volatility to approximate expected volatility.

The Company has elected to adopt the detailed method for calculating the beginning balance of the additional paid-in capital pool ("APIC pool") related to the tax effects of employee share-based compensation, and to determine the subsequent impact on the APIC pool and consolidated statements of cash flows of the tax effects of employee share-based compensation awards that are outstanding. (See Note 6 below.)

*Comprehensive income*

Comprehensive income consists of net income and other gains and losses that are not included in net income, but are recorded directly in the consolidated statements of shareholders' equity, such as the unrealized gains and losses on the translation of the assets and liabilities of the Company's foreign operations and gains or losses.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

**1. Summary of significant accounting policies** *(continued)*

*Supplemental disclosure of cash flow information*

The Company paid \$977 interest expense for the quarter end September 30, 2011 and year to date interest expense totals \$3,146. In the year ended December 31, 2010 interest expense paid was \$5,891. The Company paid income taxes in the amount of \$800 and \$22,375 in 2010 and 2009 respectively.

*Concentrations*

During the period ended September 30, 2011 there were two customer accounts which represented more than 10% of the Company's net sales.

*Income taxes*

The Company accounts for income taxes by recognizing deferred tax assets and liabilities for the expected future tax consequences that have been included in the consolidated financial statements or tax returns. Deferred taxes are recognized for all temporary differences between the tax and financial reporting bases of the Company's assets and liabilities based on enacted laws and statutory rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is provided for deferred tax assets, if it is more likely than not that the Company will not realize those tax assets through future operations.

The Company evaluates and accounts for uncertain tax positions in accordance with FASB ASC 740, *Income Taxes*, which requires that management review uncertain tax positions taken and evaluate whether it is more likely than not that the tax position will be sustained as a result of an audit. Tax positions that are uncertain and do not meet the criteria for more likely than not are adjusted by a valuation account related to the amount for which is uncertain. Management believes that all tax positions taken to date are highly certain and accordingly, no accounting adjustments have been made to the consolidated financial statements.

**2. Credit facilities**

The bank renewed and extended the Company's \$126,000 revolving line of credit for working capital through August 31, 2011. The interest rate on revolving line of credit is the bank prime rate (3.5% at May 12, 2011) plus a 1.0% margin or 4.5% at May 12, 2011, with a floor interest rate of 4.5%. The credit facility is secured by all of the assets of the Company and its subsidiary, A-G Canada Ltd. and requires that the Company maintain certain minimum financial covenant ratios. There were not any outstanding borrowings at September 30, 2011.

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

**3. Income taxes**

The provision (benefit) for income taxes consists of the following for the year ended December 31, 2010:

<u>Current income taxes based on income</u>	
Federal	\$ 400
State	13,600
Foreign	-
Total current income tax provision	<u>14,000</u>
<u>Deferred income taxes based on income</u>	
Federal	1,000
State	-
Foreign	-
Total deferred income tax provision	<u>1,000</u>
Total income tax provision	<u>\$ 15,000</u>

A reconciliation of the (benefit) provision for income taxes based on income follows for the year ended December 31, 2010:

Statutory rate	34%
Statutory U.S. Federal income tax	\$ (209,000)
Adjustments for foreign tax rates	8,000
Permanent differences	15,000
State tax, net of federal benefit	9,000
Change in federal valuation allowance	198,000
Other	(6,000)
Total income tax provision	<u>\$ 15,000</u>

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

**3. Income taxes** *(continued)*

The deferred income tax assets and liabilities are composed of the following at December 31, 2010:

<u>Current deferred income taxes</u>	
Bad debts/accrued vacation/other	\$ 145,000
<u>Non-current deferred income taxes</u>	
Deferred income tax assets	
Net operating loss	897,000
AMT credits/other	(31,000)
	<u>866,000</u>
Valuation allowance	(514,000)
Net non-current deferred income tax liability	352,000
Deferred income tax liabilities:	
Tax over book amortization and depreciation	(497,000)
Net non-current deferred income tax liabilities	<u>(145,000)</u>
Net deferred income tax liability	<u>\$ -</u>

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been reported in the Company's financial statements or tax returns. The valuation allowance at December 31, 2010 reflects an unrecognized U.S. and foreign tax loss carryforward. At December 31, 2010, the Company had available net operating loss carryforwards of \$2,160,000 for federal income tax purposes, \$1,037,000 for state income tax purposes and \$158,000 for foreign income tax purposes. These net operating loss carryforwards expire from 2020 to 2024 for federal taxes, 2011 to 2013 for state taxes, and 2011 to 2016 for foreign taxes.



AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

**4. Commitments and contingencies**

The Company leases its corporate office facility from an independent third party. The five-year building lease expires December 31, 2012. Year to date rental expense for the corporate office was \$222,263 through September 30, 2011. The Company also renewed a three year lease through December 31, 2012 on a small sales and support office in Toronto, Canada for its wholly owned subsidiary, A-G Canada Ltd.

The Company incurred year to date total facilities, vehicle and equipment lease and rental expense of approximately \$253,658 through September 30, 2011. The Company is obligated under certain non-cancelable operating leases for office facilities and equipment expiring in 2011 through 2012.

The following approximates future minimum lease commitments as of December 31, 2010:

2011	\$ 288,000
2012	<u>308,000</u>
Total minimum lease payments	<u>\$ 607,000</u>

*Litigation*

From time to time, the Company is involved in legal proceedings incidental to its normal business activities. Management does not believe that the outcome of these proceedings will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

**5. Related party transactions**

The Company paid to shareholders, Chairman of the Board, and Directors a total of \$69,815 in director fees and expenses year to date through September 30, 2011.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

**6. Stockholder's equity**

*2002 Qualified and non-qualified stock option plan*

The Company adopted a qualified and non-qualified stock option plan on February 27, 2002. The 2002 Stock Option Plan was amended on October 21, 2004, to increase the number of available options to purchase shares to 800,000; amended August 14, 2011 to bring the plan in line with current regulations. Under the plan, the stock option price per share for options granted is determined by the Board of Directors and is based on the market price of the Company's common stock on the date of grant. The stock options vest over four years and no option can be exercised later than ten years from the date it was granted.

The Company determined compensation cost based on the fair value for its fully vested stock options at grant date. The Company's total compensation expense recorded from inception-to-date (net of tax) is approximately \$16,000 and the total compensation expense (net of tax) would be approximately \$21,000 based on current stock option grants.

The fair value for these options was estimated at the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants at December 31, 2010:

Expected life	5 years
Risk-free interest rate	4.5%
Expected volatility	30%
Dividend yield	0%
Fair value of options granted at fair market price	\$ 0.16

All options granted were at the fair market price.

Transactions involving stock options for 2010 and 2011 are summarized as follows:

	Number of Shares	Weighted Avg Exercise Price
Balance at December 31, 2009	541,900	\$ 0.47
Granted	40,000	0.45
Balance at December 31, 2010	581,900	0.47
Granted	40,000	0.30
Balance at September 30, 2011	621,900	\$ 0.47

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

September 30, 2011

**6. Stockholder's equity** *(continued)*

Additional information with respect to the outstanding options as of September 30, 2011, is as follows:

Option Exercise Price Range	Options Outstanding			Options Exercisable	
	Number of Shares	Average Remaining Contractual Life (Yrs.)	Weighted Average Exercise Price	Number of Shares	Average Exercise Price
\$0.30 to 0.499	319,900	2.29	\$ 0.28	255,900	\$ 0.35
\$0.50 to 0.699	180,000	6.10	0.54	120,000	0.55
\$0.70 to 0.999	<u>122,000</u>	6.58	0.81	<u>87,200</u>	0.81
	<u>621,900</u>	4.38	\$ 0.47	<u>463,100</u>	\$ 0.48

**7. 401(k) Plan**

The Company sponsors a defined contribution plan qualified under 401(k) of the Internal Revenue Code for the benefit of its U.S. based employees. All full time employees are eligible to participate. The Company pays the administrative expenses for the plan. Annually, the Company may, at its sole discretion, award an amount as a match against employee contributions to the 401(k) plan. The Company contribution was approximately \$29,000 for the year ended December 31, 2010.

**8. Subsequent events**

Management has evaluated subsequent events through October 19, 2011, the date on which the consolidated financial statements were available to be issued.