



AGENT INFORMATION SOFTWARE, INC.

Quarterly Reports

Quarter Ended March 31, 2012

Trading Symbol: AIFS

AGENT INFORMATION SOFTWARE, INC.
Quarterly Report
March 31, 2012

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AGENT INFORMATION SOFTWARE, INC.

Quarterly Report

March 31, 2012

Unaudited Consolidated Balance Sheet

	March 31 2012	March 31 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 769,113	861,348
Accounts receivable, less allowance for doubtful accounts	39,616	16,777
Deferred income taxes - current (Note 3)	175,000	145,000
Other current assets	226,495	248,009
Total current assets	1,210,224	1,271,134
Software, equipment, furniture and leasehold improvements, net	2,595,642	2,649,811
Other assets	3,713	---
Total assets	\$ 3,809,579	3,920,945
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 90,445	76,288
Deferred revenue (refundable)	-	-
Accrued payroll and related liabilities	241,435	293,268
Other accrued liabilities	51,996	74,579
Lines of credit		136,000
Current Portion of Notes Payable	11,945	-
Total current liabilities	395,821	580,135
Deferred revenue (non-refundable)	1,175,151	1,225,821
Deferred income taxes (Note 3)	171,000	145,000
Long Term Portion of Notes Payable	43,797	-
Total liabilities	1,785,769	1,950,956
Stockholders' equity:		
Common Stock, 12,000,000 shares authorized, 4,272,610 shares issued and outstanding on March 31, 2012	3,271,323	3,262,282
Accumulated deficit	(128,902)	(90,848)
Accumulated other comprehensive loss	(1,118,611)	(1,201,445)
Total stockholders' equity	2,023,810	1,969,989
Total liabilities and stockholders' equity	\$ 3,809,579	3,920,945

See Notes to Unaudited Consolidated Financial Statements

AGENT INFORMATION SOFTWARE, INC.
Quarterly Report
March 31, 2012

Unaudited Consolidated Statement of Operations
For the Three Months Ended March 31, 2012

	<u>March 31</u> <u>2012</u>	<u>March 31</u> <u>2011</u>
Net Sales	\$ 1,146,298	1,155,445
Cost and expenses:		
Cost of sales	339,881	304,381
Research and development	110,994	120,363
Sales, marketing and customer service	547,029	534,666
General and Administrative	<u>279,870</u>	<u>286,751</u>
Total costs and expenses	1,277,774	1,246,161
Income from operations	(131,476)	(90,716)
Other income and expense:		
Other income and expense, net	<u>6,374</u>	<u>2,868</u>
Total other income	6,374	2,868
Income before taxes	(125,102)	(87,848)
Income tax expense	<u>3,800</u>	<u>3,000</u>
Net income/(loss)	\$ (128,902)	(90,848)
Earnings per share:		
Basic income per share	\$ (0.03)	(0.02)
Weighted average shares outstanding	4,272,610	4,272,610
Diluted income per share	\$ (0.03)	(0.02)
Weight average shares outstanding	4,877,854	4,838,093

See Notes to Unaudited Consolidated Financial Statements

AGENT INFORMATION SOFTWARE, INC.
 Unaudited Consolidated Statement of Stockholders' Equity And Comprehensive Income
 For the Three Months Ended March 31, 2012

	Common Stock		Retained Earnings/ (Accumulated Deficit)	Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount			
Balances at December 31, 2011	4,272,610	\$ 3,269,122	\$ (1,121,984)	\$ 8,778	\$ 2,155,916
Net Income			(128,902)		(128,902)
Foreign currency translation adjustments		-		(5,405)	(5,405)
Comprehensive income		-			-
Stock option shares exercised		-			-
Shares repurchased/ Adjustments		-			-
Stock option expense (Note 6)		2,201			2,201
Balances at March 31, 2012	4,272,610	\$ 3,271,323	\$ (1,250,886)	\$ 3,373	\$ 2,023,810

See Notes to Unaudited Consolidated Financial Statements

AGENT INFORMATION SOFTWARE, INC.

Quarterly Report

March 31, 2012

Unaudited Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2012

	March 31 <u>2012</u>	March 31 <u>2011</u>
Cash flows from operating activities:		
Net income	\$ (128,902)	\$ (90,848)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	170,760	165,461
Provision for doubtful accounts	-	-
Stock option expense (Note 6)	2,201	1,800
Changes in operating assets and liabilities:		
Accounts receivable	273,797	144,874
Other current assets	759	(14,525)
Other assets	-	-
Accounts payable	(23,576)	7,486
Deferred revenue	48,888	(70,247)
Accrued payroll and related liabilities	(25,101)	(21,882)
Other accrued liabilities	(40,835)	(6,360)
Net cash provided by operating activities	<u>277,991</u>	<u>115,759</u>
Cash flows from investing activities:		
Capitalized software development	(98,868)	(117,420)
Equipment and improvements	(17,561)	(22,946)
Net cash used in investing activities	<u>(116,429)</u>	<u>(140,366)</u>
Cash flows from financing activities:		
Common stock purchases /adjustments	-	-
Lines of credit		76,000
Notes Payable	(2,985)	-
Net cash provided used in financing activities	<u>(2,985)</u>	<u>76,000</u>
Effect of foreign exchange on cash	-	-
Net increase (decrease) in cash	158,577	51,393
Cash at beginning of year	610,536	809,955
Cash at end of period	<u>\$ 769,113</u>	<u>\$ 861,348</u>

See Notes to Unaudited Consolidated Financial Statements

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

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 content via the Internet/Web.

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

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 primarily in California.

Basis of presentation

The consolidated 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 June 2011, the Financial Accounting Standards Board (“FASB”) issued guidance on comprehensive income. The guidance establishes the accounting and reporting guidance for presentation of comprehensive income. The adoption of this guidance is not expected to impact the Company’s financial position, results of operations or cash flows.

In September 2011, FASB issued guidance on intangibles – goodwill and other. The guidance establishes certain testing requirements, recognition, de-recognition and disclosure requirements. The adoption of this guidance is not expected to impact the Company’s financial position, results of operations or cash flows.

Use of estimates

The preparation of the consolidated 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 consolidated financial statements. Actual results may materially differ from those estimated.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

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 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 completed to the customer.

Foreign currency translation

Assets and liabilities recorded in foreign currencies are translated at an interim rate for 2012 of \$0.98 US dollars. Revenue and expenses are translated at an interim rate for 2012 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 2012.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

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 2012 and 2011 are 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, accounts receivables and notes payable: 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.

Deferred revenue

The Company receives advance deposits from customers per the contracts with individual customers. These contracts require 90-day cancellation notice and those amounts are non-refundable. Revenues for which payment has been received in advance are treated as deferred revenue until services are provided and the revenues have been earned. At March 2012, there were no refundable customer deposits.

Software

Software is recorded at historical cost. Software as of March 31, 2012 consists of the following:

	<u>2012</u>	<u>2011</u>
Software	\$11,794,664	\$11,794,664
Less accumulated amortization	<u>9,444,729</u>	<u>9,444,729</u>
Software, net	<u>\$ 2,349,935</u>	<u>\$ 2,349,935</u>

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AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

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

Certain costs incurred related to the development and purchase of computer software is 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 50% - 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 method.

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
Other equipment	3 - 5 years
Leasehold improvements	3 - 10 years

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

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

Equipment and leasehold improvements at March 31, 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
Computer equipment	\$ 1,611,186	\$ 1,607,822
Furniture and fixtures	332,989	333,014
Other equipment	238,443	229,746
Leasehold improvements	<u>15,703</u>	<u>13,577</u>
	<u>2,198,321</u>	<u>2,184,159</u>
Less accumulated depreciation	<u>1,952,614</u>	<u>1,850,742</u>
Equipment and leasehold, net	<u><u>245,707</u></u>	<u><u>333,417</u></u>

Impairment of long-lived assets

In accordance with FASB Accounting Standards Codification (“ASC”) FASB ASC 360, *Property, Plant and Equipment*, long-lived tangible and intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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 difference by which the carrying amount of the asset exceeds its fair value. There were no impairment losses or reserves as of March 31, 2012.

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:

<u>Year to date March 31, 2012</u>	<u>Net Income</u>	<u>Shares</u>	<u>Per Share</u>
Basic earnings per share			
Net income available to common stockholders	\$ (128,902)	4,272,610	\$ (0.03)
Effect of dilutive securities stock options	<u>-</u>	<u>605,244</u>	
Diluted earnings per share			
Net income available to common stockholders	<u><u>\$ (128,902)</u></u>	<u><u>4,877,854</u></u>	<u><u>\$ (0.03)</u></u>

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

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

<u>Year ended December 31, 2011</u>	<u>Net Income</u>	<u>Shares</u>	<u>Per Share</u>
Basic earnings per share			
Net income available to common stockholders	\$ 69,871	4,272,610	\$.02
Effect of dilutive securities stock options	-	605,244	
Diluted earnings per share			
Net income available to common stockholders	<u>\$ 69,871</u>	<u>4,877,854</u>	<u>\$.01</u>

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 March 31, 2012, were \$2,201, and are included in general and administrative expense. For the period ended March 31, 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

March 31, 2012

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

Supplemental disclosure of cash flow information

The Company did not have interest expense for the quarter end March 31, 2012. In the year ended December 31, 2011 interest expense paid was \$3,146. The Company paid income taxes in the amount of \$15,000 and \$12,000 in 2011 and 2010 respectively.

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.

Concentrations

During the quarter ended March 31, 2012, there were two customer accounts which represent more than 10% of the Company's net sales.

2. Long-term Debt

Long-term debt at March 31, 2012 consists of the following:	<u>2012</u>	<u>2011</u>
Note payable to creditor, payable in monthly payments of \$995 with 0% interest. The note matures on November 2016 and is secured by equipment.	\$ 55,742	\$ 58,728
Less, current portion of long-term debt	<u>11,945</u>	<u>11,945</u>
Total long-term portion	<u>\$ 43,797</u>	<u>\$ 46,783</u>

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

2. Long-term Debt (continued)

The annual maturities of long-term debt for the years end December 31 are as follows:

2012	\$ 11,945
2013	11,945
2014	11,945
2015	11,945
2016	<u>10,948</u>
Total	<u>\$ 58,728</u>

3. Income taxes

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

	<u>2011</u>	<u>2010</u>
<u>Current income taxes based on income</u>		
Federal	\$ -	\$ 400
State	38,000	13,600
Foreign	-	-
Total current income tax provision	<u>38,000</u>	<u>14,000</u>
<u>Deferred income taxes based on income</u>		
Federal	(4,000)	1,000
State	-	-
Foreign	-	-
Total deferred income tax provision	<u>(4,000)</u>	<u>1,000</u>
Total income tax provision	<u>\$ 34,000</u>	<u>\$ 15,000</u>

A reconciliation of the provision for income taxes based on income follows for the years ended December 31:

Statutory rate	34%	34%
Statutory U.S. Federal income tax	\$ 35,000	\$ (209,000)
Adjustments for foreign tax rates	(61,000)	8,000
Permanent differences	7,000	15,000
State tax, net of federal benefit	25,000	9,000
Change in federal valuation allowance	8,000	198,000
Other	20,000	(6,000)
Total income tax provision	<u>\$ 34,000</u>	<u>\$ 15,000</u>

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

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>	<u>2011</u>	<u>2010</u>
Bad debts/accrued vacation/other	\$ 175,000	\$ 145,000
<u>Non-current deferred income taxes</u>		
Deferred income tax assets:		
Net operating loss	825,000	897,000
AMT credits/other	(470,000)	(31,000)
	<u>355,000</u>	<u>866,000</u>
Valuation allowance	(526,000)	(514,000)
Net non-current deferred income tax liability	(171,000)	352,000
Deferred income tax liabilities:		
Tax over book amortization and depreciation	-	(497,000)
Net non-current deferred income tax liabilities	(171,000)	(145,000)
	\$	
Net deferred income tax liability	<u>4,000</u>	<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, 2011 reflects an unrecognized U.S. and foreign tax loss carryforward. At December 31, 2011, the Company had available net operating loss carryforwards of \$2,073,000 for federal income tax purposes, \$991,000 for state income tax purposes and \$72,000 for foreign income tax purposes. These net operating loss carryforwards expire from 2020 to 2030 for federal taxes, 2013 to 2030 for state taxes, and 2012 to 2016 for foreign taxes.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

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 \$73,016 through March 31, 2012. The Company also has 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 \$85,717 through March 31, 2012. The Company is obligated under certain non-cancelable operating leases for office facilities and equipment expiring at various times through 2012.

The following approximates future minimum lease commitments as of December 31, 2011:

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

5. Related party transactions

The Company paid to Directors a total of \$18,045 in director fees and expenses year to date through March 31, 2012.

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 vet over four years and no option can be exercised later than ten years from the date it was granted.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

6. Stockholders' equity (continued)

The Company determined compensation cost based on the fair value for its fully vested stock options at grant date. As of December 31, 2011 and 2010, the Company's total compensation expense recorded from inception-to-date (net of tax) is approximately \$33,000 and \$16,000, respectively, and the total compensation expense (net of tax) would be approximately \$41,600 and \$21,000, respectively, 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, 2011:

	<u>2011</u>	<u>2010</u>
Expected life	5 years	5 years
Risk-free interest rate	4.5%	4.5%
Expected volatility	30%	30%
Dividend yield	0%	0%
Fair value of options granted at fair market price	\$ 0.15	\$ 0.16

All options granted were at the fair market price.

Transactions involving stock options for the years end December 31, 2011 and 2010 are summarized as follows:

	<u>Number of Shares</u>	<u>Weighted Avg Exercise Price</u>
Balance at December 31, 2009	541,900	\$ 0.47
Granted	40,000	0.50
Balance at December 31, 2010	581,900	0.47
Granted	40,000	.51
Forfeited	(31,900)	-
Balance at December 31, 2011	590,000	\$ 0.47

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AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

March 31, 2012

6. Stockholder's equity *(continued)*

Additional information with respect to the outstanding options as of December 31, 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	295,000	3.51	\$ 0.35	247,000	\$ 0.35
\$0.50 to 0.699	175,000	5.66	0.54	124,000	0.54
\$0.70 to 0.999	120,000	6.11	0.81	110,000	0.81
	<u>590,000</u>	4.68	\$ 0.47	<u>481,000</u>	\$ 0.51

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 \$33,000 and \$29,000 for the year ended December 31, 2011 and 2010 respectively.

8. Subsequent events

Management has evaluated subsequent events through May 9, 2012, the date on which the consolidated financial statements were available to be issued.