Annual Report

December 31, 2017 and 2016

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Swenson

CORPORATION

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Agent Information Software, Inc.

We have audited the accompanying consolidated balance sheets of Agent Information Software, Inc. and Subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Business Advisors
Certified Public Accountants
10606 Trademark Parkway N., Suite 203, Rancho Cucamonga, CA 91730
909 / 989-5867 FAX 909 / 989-1471

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Agent Information Software, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Swenson Corporation

SWENSON CORPORATION

March 2, 2018

AGENT INFORMATION SOFTWARE, INC.

Consolidated Balance Sheets

December 31, 2017 and 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	**$ 1,501,500**	$ 1,146,784
Accounts receivable, trade, net of allowance of $7,250	**34,757**	63,198
Deferred income taxes	**38,000**	72,000
Other current assets	**126,053**	133,296
Total current assets	**1,700,310**	1,415,278
Computer software, net	**2,568,314**	2,473,902
Equipment, net	**125,915**	187,716
Total assets	**$ 4,394,539**	$ 4,076,896

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Balance Sheets

December 31, 2017 and 2016

LIABILITIES AND STOCKHOLDERS' EQUITY

	2017	2016
Current liabilities:		
Current maturities on long-term debt	**$ 17,807**	$ 16,474
Accounts payable, trade	**38,617**	55,695
Deferred revenue	**1,463,330**	1,391,003
Accrued payroll and related liabilities	**158,264**	147,517
Other accrued liabilities	**57,253**	92,050
Total current liabilities	**1,735,271**	1,702,739
Long-term debt	**10,897**	28,625
Deferred income taxes	**152,000**	170,000
Total liabilities	**1,898,168**	1,901,364
Commitments and contingencies	**-**	-
Stockholders' equity:		
Common stock, $0.001 par value, 12,000,000 shares authorized, 4,270,910 shares issued and outstanding	**3,285,732**	3,282,176
Preferred stock, $0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding	**-**	-
Accumulated other comprehensive loss	**(90,818)**	(125,947)
Accumulated deficit	**(698,543)**	(980,697)
Total stockholders' equity	**2,496,371**	2,175,532
Total liabilities and stockholders' equity	**$ 4,394,539**	$ 4,076,896

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Income

For the Years Ended December 31, 2017 and 2016

	2017	2016
Sales:		
Recurring sales	**$ 4,747,795**	$ 4,484,907
Non-recurring sales	**212,050**	272,291
Total net sales	**4,959,845**	4,757,198
Costs and expenses:		
Cost of sales	**1,277,747**	1,253,207
Research and development	**323,189**	243,428
Sales, marketing, and customer service	**1,954,807**	1,951,150
General and administrative	**1,087,801**	1,026,334
Total costs and expenses	**4,643,544**	4,474,119
Income from operations	**316,301**	283,079
Other (expense) income, net	**(2,147)**	51,490
Income before provision for income taxes	**314,154**	334,569
Provision for income tax	**32,000**	130,500
Net income	**$ 282,154**	$ 204,069
Earnings per share:		
Basic income per share	**$ 0.07**	$ 0.05
Weighted average shares outstanding	**4,270,910**	4,270,910
Diluted income per share	**$ 0.06**	$ 0.04
Weighted average shares outstanding	**5,061,243**	4,857,827

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2017 and 2016

	2017	2016
Net income	$ 282,154	$ 204,069
Other comprehensive gain (loss):		
Foreign currency translation adjustments	35,129	(20,076)
Other comprehensive loss	35,129	(20,076)
Total comprehensive income	$ 317,283	$ 183,993

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2017 and 2016

	Common Stock		Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Deficit	Loss	Equity
Balance, December 31, 2015	4,270,910	$ 3,280,100	$ (1,184,766)	$ (105,871)	$ 1,989,463
Net income		-	204,069	-	204,069
Foreign currency translation		-	-	(20,076)	(20,076)
Comprehensive income					183,993
Stock option expense		2,076	-	-	2,076
Balance, December 31, 2016	4,270,910	3,282,176	(980,697)	(125,947)	2,175,532
Net income		**-**	**282,154**	**-**	**282,154**
Foreign currency translation		**-**	**-**	**35,129**	**35,129**
Comprehensive income					**317,283**
Stock option expense		**3,556**	**-**	**-**	**3,556**
Balance, December 31, 2017	**4,270,910**	**$ 3,285,732**	**$ (698,543)**	**$ (90,818)**	**$ 2,496,371**

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Net income	**$ 282,154**	$ 204,069
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	**592,100**	513,942
Stock option expense	**3,556**	2,076
Deferred income tax expense	**16,000**	127,000
Gain on disposal of fixed assets	**-**	(47,500)
Changes in operating assets and liabilities	**66,883**	94,050
Net cash provided by operating activities	**960,693**	893,637
Cash flows from investing activities:		
Acquisitions of equipment	**(3,560)**	(83,352)
Proceeds from sale of fixed assets	**-**	47,500
Capitalized software development	**(621,151)**	(707,653)
Net cash used in investing activities	**(624,711)**	(743,505)
Cash flows from financing activities:		
Payments on long-term debt	**(16,395)**	(16,299)
Net cash used in financing activities	**(16,395)**	(16,299)
Effect of exchange rate changes on cash	**35,129**	(20,076)
Net increase in cash	**354,716**	113,757
Cash and cash equivalents, beginning of year	**1,146,784**	1,033,027
Cash and cash equivalents, end of year	**$ 1,501,500**	$ 1,146,784
Supplemental disclosure on cash transactions:		
Cash paid during the year for income taxes	**$ 18,000**	$ 18,000
Cash paid during the year for interest expense	**$ 1,267**	$ 538
Supplemental disclosure on non-cash transactions:		
Equipment acquired with long-term debt	**$ -**	$ 50,449

See accompanying notes to consolidated financial statements.

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AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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., and A-G Canada, Ltd., provides 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 throughout the United States of America.

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

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.

Use of estimates

The preparation of the consolidated financial statements of the Company in conformity with accounting principles generally accepted in the Unites States of America 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.

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 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. License fees are included in non-recurring sales.

Non-recurring revenues for installation, training and other non-recurring services are recognized as services are completed for the customer.

(Continued)

1. Summary of significant accounting policies (continued)

Foreign currency translation

Assets and liabilities recorded in foreign currencies are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during the year. Unrealized currency 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.

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 2017 and 2016 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 years ended December 31, 2017 and 2016, the Company had cash balances on hand at various financial institutions which exceeded FDIC and CDIC insured limits for periods of time.

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. The Company did not have any cash equivalents at December 31, 2017 and 2016.

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.

(Continued)

1. Summary of significant accounting policies (continued)

Deferred revenue

The Company receives advance deposits from customers per the contracts with individual customers. These contract deposit amounts are for services that will be provided at some time in the future and are considered 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. Customer advance deposits were approximately $1,463,000 and $1,391,000 at December 31, 2017 and 2016, respectively.

Computer software

Computer software includes software development costs. The capitalization of software development costs is governed by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 985-20 if the software is to be sold, leased or otherwise marketed. Capitalization of the developed software begins after the technological feasibility of the software has been established, for software to be marketed. Software development costs primarily includes salaries and related payroll costs and costs of independent contractors incurred during development. Research and development costs incurred prior to the establishment of technological feasibility, for software to be marketed, are expensed as incurred. Software development costs, for software to be marketed, are amortized using the straight-line method over its estimated useful life, which is seven years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

Equipment

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 calculated over the following estimated useful lives:

Computer equipment	5 years
Furniture and fixtures	3 - 10 years
Other equipment	3 - 5 years
Leasehold improvements	Shorter of economic life or term of the lease

(Continued)

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1. Summary of significant accounting policies (continued)

Equipment (continued)

Equipment at December 31 consists of the following:

	2017	2016
Computer equipment	**$ 278,550**	$ 279,013
Furniture and fixtures	**120,107**	120,040
Other equipment	**315,863**	308,796
Leasehold improvements	**51,475**	51,475
	765,995	759,324
Less accumulated depreciation and amortization	**640,081**	571,608
Equipment, net	**$ 125,914**	$ 187,716

Impairment of long-lived assets

In accordance with the 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 December 31, 2017 and 2016.

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.

(Continued)

1. Summary of significant accounting policies (continued)

Earnings per share (continued)

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

	Net income	Shares	Per share
Year ended December 31, 2017			
Basic earnings per share			
Net income available to common stockholders	**$ 282,154**	**4,270,910**	**$ 0.07**
Effect of dilutive securities stock options	**-**	**790,333**	
Diluted earnings per share			
Net income available to common stockholders	**$ 282,154**	**5,061,243**	**$ 0.06**
Year ended December 31, 2016			
Basic earnings per share			
Net income available to common stockholders	$ 204,069	4,270,910	$ 0.05
Effect of dilutive securities stock options	-	586,917	
Diluted earnings per share			
Net income available to common stockholders	$ 204,069	4,857,827	$ 0.04

Share-based compensation

The Company recognizes in the consolidated 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 income over the remaining service period after such date based on the award's original estimate of fair value. Share-based compensation expense recognized for employees and directors for the years ended December 31, 2017 and 2016 was approximately $3,500 and $2,000, respectively, and is included in general and administrative expense. For the years ended December 31, 2017 and 2016, 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.

(Continued)

1. Summary of significant accounting policies (continued)

Share-based compensation (continued)

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 7)

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 stockholders' 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.

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 tax 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. The Company is subject to federal income tax, California franchise tax and various taxes in other states.

Concentrations

During the years ended December 31, 2017 and 2016, there were two customer accounts which represented more than 10% of the Company's net sales. There were one and two customer accounts which represent more than 10% of the Company's accounts receivable as of December 31, 2017 and 2016, respectively, and all accounts were subsequently collected after year end.

(Continued)

1. Summary of significant accounting policies (continued)

Accounting standards update

In November 2015, the FASB approved for issuance the FASB Accounting Standards Update ("ASU") on *Income Taxes*, which contains conforming amendments to the Codification to reflect the subsequent presentation of deferred tax liabilities and assets of *Income Taxes* (FASB ASC Topic 740). ASU 2015-07 calls for an entity to classify deferred tax liabilities and assets as noncurrent in a classified statement of position. ASU 2015-07 is effective for annual reporting periods beginning after December 15, 2017 for nonpublic entities and may be applied prospectively or retrospectively. The Company does not expect a material impact to the presentation of current and noncurrent deferred tax liabilities and assets with the required adoption of this guidance.

In May 2014, the FASB approved for issuance the FASB ASU on *Revenue from Contracts with Customers*, which contains conforming amendments to the Codification to reflect the measurement and disclosure requirements of *Revenue from Contracts with Customers* (FASB ASC Topic 606). ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017 for nonpublic entities. In August 2015, ASU 2015-14 was issued to extend the effective date to December 15, 2018 for nonpublic entities. The Company does not expect a material impact to either the disclosures or revenue recognition measurements from the required adoption of this guidance.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Long-term debt

Long-term debt at December 31 consists of the following:

	2017	2016
Note payable to creditor, payable in monthly payments of $1,472 with 3.14% interest. The note matures August 2019 and is collateralized by equipment.	**$ 28,704**	$ 45,099
	28,704	45,099
Less, current portion of long-term debt	**17,807**	16,474
Total long-term portion of debt	**$ 10,897**	$ 28,625

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

2018	$ 17,807
2019	10,897
Total	$ 28,704

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3. Line of credit

The Company has a bank revolving line of credit agreement that provides for maximum borrowings up to $250,000 at rates varying from Prime (as published in the Western Edition Wall Street Journal) plus 1%, but not less than 5% at any time (5.5% at December 31, 2017). The line of credit matures on October 16, 2018.

Borrowings under the agreements were for general working capital purposes. The line of credit is collateralized by substantially all of the assets of the Company and is guaranteed by one of the stockholders of the Company. The Company had no outstanding balances on this line of credit as of December 31, 2017.

4. Income taxes

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

	2017	2016
Current income taxes based on income		
Federal	**$ -**	$ -
State	**16,000**	3,500
Foreign	**-**	-
Total current income tax expense (benefit)	**16,000**	35,000
Deferred income taxes based on income		
Federal	**(4,000)**	104,000
State	**20,000**	23,000
Foreign	**-**	-
Total deferred income tax expense	**16,000**	127,000
Total income tax expense (benefit)	**$ 32,000**	$ 130,500

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

Statutory rate	**34%**	34%
Statutory U.S. Federal income tax	**$ 104,000**	$ 114,000
Deferred federal tax change (rate changed from 34% to 21%)	**(26,000)**	-
Permanent differences	**6,000**	6,000
State tax, net of federal tax (benefit)	**24,000**	1,500
Change in federal valuation allowance	**(69,000)**	(11,000)
Adjustments in foreign tax and other	**(7,000)**	20,000
Total income tax expense	**$ 32,000**	$ 130,500

(Continued)

4. Income taxes (continued)

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

	2017	2016
Current deferred income taxes		
Bad debts/accrued vacation/other	**$ 38,000**	$ 72,000
Non-current deferred income taxes		
Deferred income tax assets:		
Net operating loss	**325,000**	522,000
Fixed assets/other	**75,000**	95,000
	400,000	617,000
Valuation allowance	**(225,000)**	(358,000)
Net non-current deferred income tax assets	**175,000**	259,000
Deferred income tax liabilities:		
Tax over book amortization and depreciation	**(327,000)**	(429,000)
Net non-current deferred income tax liabilities	**(152,000)**	(170,000)
Net deferred income taxes	**$ (114,000)**	$ (98,000)

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been reported in the Company's consolidated financial statements or tax returns. The valuation allowance at December 31, 2017 and 2016 reflects an unrecognized U.S. and foreign tax loss carryforward. At December 31, 2017, the Company had available net operating loss carryforwards of $1,087,000 for federal income tax purposes, $234,000 for state income tax purposes and $152,000 for foreign income tax purposes. These net operating loss carryforwards expire from 2021 to 2031 for federal taxes, 2030 to 2031 for state taxes, and 2028 to 2033 for foreign taxes.

5. Commitments and contingencies

The Company leases its corporate office facility from an independent third party. The six-year building lease expires April 30, 2019. Rental expense was approximately $133,000 and $139,000 for the years ended December 31, 2017 and 2016, respectively.

The Company has a server management services lease from an independent third party. The three-year lease expires December 19, 2018. Rental expense was approximately $168,000 and $161,000 for the years ended December 31, 2017 and 2016, respectively.

The Company leases a storage facility from an independent third party. The three-year storage lease expires April 30, 2020. Rental expense was approximately $22,000 and $23,000 for the years ended December 31, 2017 and 2016, respectively.

(Continued)

5. Commitments and contingencies (continued)

The following approximates future minimum lease commitments for the years ended December 31:

2018	$ 330,000
2019	78,000
2020	10,000
Total minimum lease payments	$ 418,000

6. Related party transactions

The Company paid to directors a total of $48,000 in director fees for the years ended December 31, 2017 and 2016.

7. Stockholders' equity

2010 Qualified and non-qualified stock option plan

The Company adopted a qualified and non-qualified stock option plan on January 5, 2010 for 1,000,000 options. The 2010 Stock Option Plan was amended on August 25, 2011 to accelerate vesting of options to 100% before a change in control. 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 five 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. As of December 31, 2017 and 2016, the Company's total compensation expense recorded from inception-to-date (net of tax) was approximately $47,000 and $44,000, respectively.

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:

Expected life	**5 years**	5 years
Risk-free interest rate	**3.3%**	3.3%
Expected volatility	**30%**	30%
Dividend yield	**0%**	0%
Fair value of options granted at fair market price	**$ 0.10**	$ 0.12

All options granted were at the fair market price.

(Continued)

7. Stockholders' equity (continued)

Transactions involving stock options for the years ended December 31, 2017 and 2016 are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at December 31, 2015	600,000	$ 0.45
Granted	110,000	0.50
Forfeited	(131,000)	-
Balance at December 31, 2016	579,000	0.41
Granted	**369,000**	0.33
Forfeited	**(47,000)**	-
Balance at December 31, 2017	**901,000**	$ 0.43

Additional information with respect to the stock options outstanding and exercisable as of December 31, 2017 is as follows:

	Options Outstanding			Options Exercisable	
Option Exercise Price Range	Number of Shares	Average Remaining Contractual Life (Yrs.)	Weighted Average Exercise Price	Number of Shares	Average Exercise Price
$0.10 to 0.29	155,000	5.81	$ 0.14	155,000	$ 0.14
$0.30 to 0.49	219,000	6.93	0.36	159,333	0.36
$0.50 to 0.69	499,000	8.97	0.50	56,667	0.50
$0.70 to 0.89	28,000	1.12	0.80	28,000	0.80
	901,000	7.69	$ 0.43	399,000	$ 0.32

8. 401(k) Plan

The Company sponsors a defined contribution plan qualified under Section 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 of 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 and $24,000 for the years ended December 31, 2017 and 2016, respectively.

9. Supplemental disclosures of consolidated cash flow information

The changes in the components of the operating assets and liabilities in the consolidated statements of cash flows, for the years ended December 31 are as follows:

	2017	2016
(Increase) decrease in assets:		
Accounts receivable, net	$ 28,441	$ 59,231
Other current assets	7,243	11,410
Increase (decrease) in liabilities:		
Accounts payable, trade	(17,078)	7,593
Deferred revenue	72,327	65,125
Accrued payroll and related liabilities	(19,253)	(9,345)
Other accrued liabilities	(4,797)	(39,964)
	$ 66,883	$ 94,050

10. Computer software

Computer software as of December 31, 2017 and 2016 consists of the following:

	2017	2016
Computer software	$ 5,898,692	$ 5,271,502
Less, accumulated amortization	3,330,378	2,797,600
Computer software, net	$ 2,568,314	$ 2,473,902

11. Subsequent events

Management has evaluated subsequent events through March 2, 2018, the date on which the consolidated financial statements were available to be issued.

Swenson