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AGENT INFORMATION SOFTWARE

Annual Report

December 31, 2011 and 2010

Index

	<u>Page Reference</u>
Report of Independent Auditors	1
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Changes in Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6



REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Agent Information Software, Inc.
Pomona, California

We have audited the accompanying consolidated balance sheets of Agent Information Software, Inc. and Subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our 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. and Subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Swenson Corporation". Below the signature, the words "SWENSON CORPORATION" are printed in a clean, all-caps, sans-serif font.

March 28, 2012

AGENT INFORMATION SOFTWARE, INC.

Consolidated Balance Sheets

December 31, 2011 and 2010

ASSETS

	2011	2010
Current assets:		
Cash and cash equivalents	\$ 610,536	\$ 823,815
Accounts receivable, trade	322,382	170,686
Deferred income taxes, current	175,000	145,000
Other current assets	227,645	224,515
Total current assets	1,335,563	1,364,016
Software, net	2,316,554	2,389,338
Equipment, net	333,417	285,568
Total assets	\$ 3,985,534	\$ 4,038,922

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Line of credit	\$ -	\$ 60,000
Current maturities on long-term debt	11,945	-
Accounts payable, trade	114,019	68,807
Deferred revenue	1,126,263	1,299,435
Accrued payroll and related liabilities	152,169	309,306
Other accrued liabilities	207,439	87,748
Total current liabilities	1,611,835	1,825,296
Long-term debt	46,783	-
Deferred income taxes	171,000	145,000
Total liabilities	1,829,618	1,970,296
Commitment and contingencies	-	-
Stockholders' equity:		
Common stock, no par value, 12,000,000 shares authorized, 4,272,610 shares issued and outstanding	3,269,122	3,260,481
Accumulated other comprehensive income	8,778	-
Accumulated deficit	(1,121,984)	(1,191,855)
Total stockholders' equity	2,155,916	2,068,626
Total liabilities and stockholders' equity	\$ 3,985,534	\$ 4,038,922

See accompanying notes to consolidated financial statements.

AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Operations

For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Net sales	\$ 4,815,155	\$ 4,752,383
Costs and expenses:		
Cost of sales	1,265,776	1,362,644
Research and development	491,536	445,150
Sales, marketing, and customer service	1,920,699	2,540,393
General and administrative	<u>1,048,540</u>	<u>1,014,378</u>
Total costs and expenses	4,726,551	5,362,565
Income (loss) from operations	88,604	(610,182)
Other income (expense):		
Foreign currency adjustment	3,980	(61,524)
Other income, net	<u>11,287</u>	<u>444</u>
Total other income (expense)	<u>15,267</u>	<u>(61,080)</u>
Income (loss) before provision for income taxes	103,871	(671,262)
Provision for income taxes	<u>34,000</u>	<u>15,000</u>
Net income (loss)	<u>\$ 69,871</u>	<u>\$ (686,262)</u>
Earnings per share:		
Basic income (loss) per share	\$ 0.02	\$ (0.16)
Weighted average shares outstanding	4,272,610	4,272,860
Diluted income (loss) per share	\$ 0.01	\$ (0.14)
Weighted average diluted shares outstanding	4,877,854	4,838,093

See accompanying notes to consolidated financial statements.

AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2011 and 2010

	<u>Common Stock</u>		<u>Accumulated</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	<u>Other</u>	<u>Stockholders'</u>
				<u>Comprehensive</u>	<u>Equity</u>
				<u>Income (Loss)</u>	
Balance, December 31, 2009	4,273,210	\$ 3,256,038	\$ (505,593)	\$ (61,524)	\$ 2,688,921
Net loss		-	(686,262)	-	(686,262)
Foreign currency translation		-	-	61,524	61,524
Comprehensive (loss)					(624,738)
Common stock purchased	(600)	(339)	-	-	(339)
Stock option expense		4,782	-	-	4,782
Balance, December 31, 2010	4,272,610	3,260,481	(1,191,855)	-	2,068,626
Net income		-	69,871	-	69,871
Foreign currency translation		-	-	8,778	8,778
Comprehensive income					78,649
Common stock purchased	-	-	-	-	-
Stock option expense		8,641	-	-	8,641
Balance, December 31, 2011	<u>4,272,610</u>	<u>\$ 3,269,122</u>	<u>\$(1,121,984)</u>	<u>\$ 8,778</u>	<u>\$ 2,155,916</u>

See accompanying notes to consolidated financial statements.

AGENT INFORMATION SOFTWARE, INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ 69,871	\$ (686,262)
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation and amortization	643,823	655,606
Stock option expense	8,641	4,782
Loss on disposal of equipment	-	526
Deferred income tax benefit	(4,000)	-
Change in operating assets and liabilities:		
Accounts receivable, trade	(151,696)	(5,858)
Other current assets	(3,130)	(25,162)
Accounts payable, trade	45,212	24,535
Deferred revenue	(173,172)	354,436
Accrued payroll and related liabilities	(157,137)	112,157
Other accrued liabilities	119,691	(25,492)
Net cash provided by operating activities	398,103	409,268
Cash flows from investing activities:		
Acquisitions of property and equipment	(89,068)	(84,880)
Capitalized software development	(470,097)	(635,916)
Net cash used in investing activities	(559,165)	(720,796)
Cash flows from financing activities:		
Net (decrease) increase in line of credit	(60,000)	60,000
Payments on long-term debt	(995)	-
Common stock purchased	-	(339)
Net cash (used in) provided by financing activities	(60,995)	59,661
Effect of exchange rate changes on cash	8,778	61,524
Net decrease in cash	(213,279)	(190,343)
Cash and cash equivalents, beginning of year	823,815	1,014,158
Cash and cash equivalents, end of year	\$ 610,536	\$ 823,815
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	\$ 15,000	\$ 12,000
Cash paid during the year for interest expense	\$ 3,146	\$ -
Supplemental disclosure on non cash transactions:		
Equipment acquired with long-term debt	\$ 59,723	\$ -

See accompanying notes to consolidated financial statements.

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

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., 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 State 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.

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

December 31, 2011 and 2010

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 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 for the customer.

Foreign currency translation

Assets and liabilities recorded in foreign currencies are translated at the exchange rate on the balance sheet date. Revenue and expenses are translated at average rates of exchange prevailing during the year. 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 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 years ended December 31, 2011 and 2010, the Company had cash balances on hand at various financial institutions which exceeded FDIC and CDIC insured limits for periods of time.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

1. Summary of significant accounting policies (continued)

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 December 31, 2011 and 2010, there was approximately \$490,000 and \$489,000 in refundable customer deposits included in deferred revenue. Subsequent to year end and through the date of the consolidated financial statements, total refundable customer deposits approximated \$131,000 and \$210,000 for 2011 and 2010, respectively.

Software

Software is recorded at historical cost. Software at December 31 consists of the following:

	<u>2011</u>	<u>2010</u>
Software	\$ 11,696,173	\$ 11,226,075
Less, accumulated amortization	<u>9,379,619</u>	<u>8,836,737</u>
Software, net	<u>\$ 2,316,554</u>	<u>\$ 2,389,338</u>

Certain costs incurred related to the development and purchase 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.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

1. Summary of significant accounting policies (continued)

Software (continued)

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 websites 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

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

Equipment at December 31 consists of the following:

	<u>2011</u>	<u>2010</u>
Computer equipment	\$ 1,607,822	\$ 1,631,657
Furniture and fixtures	333,014	333,014
Other equipment	229,746	132,219
Leasehold improvements	13,577	-
	<u>2,184,159</u>	<u>2,096,890</u>
Less accumulated depreciation	<u>1,850,742</u>	<u>1,811,322</u>
Equipment, net	<u>\$ 333,417</u>	<u>\$ 285,568</u>

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

1. Summary of significant accounting policies (continued)

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 December 31, 2011 and 2010.

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>Net income (loss)</u>	<u>Shares</u>	<u>Per share</u>
<u>Year ended December 31, 2011</u>			
Basic earnings per share			
Net income available to common stockholders	\$ 69,871	4,272,610	\$ 0.02
Effect of dilutive securities stock options	<u>-</u>	<u>605,244</u>	<u>-</u>
Diluted earnings per share			
Net income available to common stockholders	<u>\$ 69,871</u>	<u>4,877,854</u>	<u>\$ 0.01</u>
<u>Year ended December 31, 2010</u>			
Basic earnings per share			
Net loss available to common stockholders	\$ (686,262)	4,272,860	\$ (0.16)
Effect of dilutive securities stock options	<u>-</u>	<u>565,233</u>	<u>-</u>
Diluted earnings per share			
Net loss available to common stockholders	<u>\$ (686,262)</u>	<u>4,838,093</u>	<u>\$ (0.14)</u>

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 operations 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, 2011 and 2010, was approximately \$8,600 and \$5,000, respectively, and is included in general and administrative expense. For the years ended December 31, 2011 and 2010, cash flows from operations and cash flows from financing activities were not affected.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

1. Summary of significant accounting policies (continued)

Share-based compensation (continued)

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).

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.

Supplemental disclosure of cash flow information

The Company paid net interest expense for the years ended December 31, 2011 and 2010 of \$3,146 and \$5,891, respectively. 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 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.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

1. Summary of significant accounting policies (continued)

Income taxes (continued)

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 and California franchise tax. The federal income tax returns for the years ended December 31, 2008, 2009 and 2010 are open to audit. The California tax returns for the years ended December 31, 2007, 2008, 2009 and 2010 are open to audit.

Concentrations

During the years ended December 31, 2011 and 2010, there were two customer accounts which represent more than 10% of the Company's net sales. There were three customer accounts which represent more than 10% of the Company's accounts receivable as of December 31, 2011 and 2010 and all accounts were subsequently collected after year end.

2. Long-term debt

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

	<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.	\$ 58,728
Less, current portion of long-term debt	<u>11,945</u>
Total long-term portion of debt	<u>\$ 46,783</u>

The annual maturities of long-term debt for the years ended 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>

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

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 (benefit) 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

December 31, 2011 and 2010

3. Income taxes (continued)

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

	2011	2010
<u>Current deferred income taxes</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
Fixed assets/other	(470,000)	(31,000)
	355,000	866,000
Valuation allowance	(526,000)	(514,000)
Net non-current deferred income tax assets	(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 taxes	\$ 4,000	\$ -

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been reported in the Company's financial statements or tax returns. The valuation allowance at December 31, 2011 and 2010 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.

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

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. Rental expense was \$284,000 and \$275,000 for the years ended December 31, 2011 and 2010, respectively. The Company also has a three year lease which expires December 31, 2012 on a small sales and support office in Toronto, Canada for its wholly owned subsidiaries, A-G Canada, Ltd.

The Company incurred total facilities, vehicle and equipment lease and rental expense of approximately \$333,000 and \$323,000, for the years ended December 31 2011 and 2010, respectively. 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:

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 \$87,600 and \$93,000 in director fees and expenses for the years ended December 31, 2011 and 2010, respectively.

6. Stockholders' 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. 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.

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

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) was 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 options 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	2010
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 ended December 31, 2011 and 2010 are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
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	0.51
Forfeited	(31,900)	-
Balance at December 31, 2011	590,000	\$ 0.47

(Continued)

AGENT INFORMATION SOFTWARE, INC.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

6. Stockholders' 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 0.49	295,000	3.51	\$ 0.35	247,000	\$ 0.35
\$0.50 to 0.69	175,000	5.66	0.54	124,000	0.54
\$0.70 to 0.99	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 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 \$33,000 and \$29,000 for the years ended December 31, 2011 and 2010, respectively.

8. Subsequent events

Management has evaluated subsequent events through March 28, 2012, the date on which the consolidated financial statements were available to be issued.