

INFORMATION ANALYSIS INC
Form 10-Q
August 16, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 0-22405

Information Analysis Incorporated

(Exact Name of Registrant as Specified in Its Charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1167364
(I.R.S. Employer
Identification No.)

11240 Waples Mill Road

Suite 201

Fairfax, Virginia 22030

(703) 383-3000

(Address including zip code, and telephone number, including area code, of principal executive offices)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Edgar Filing: INFORMATION ANALYSIS INC - Form 10-Q

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 13, 2010, 11,196,760 shares of common stock, par value \$0.01 per share, of the registrant were outstanding.

Table of Contents

Information Analysis Incorporated

Second Quarter 2010 Report on Form 10-Q

INFORMATION ANALYSIS INCORPORATED

FORM 10-Q

Index

	Page Number
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (unaudited)</u>	
<u>Balance Sheets as of June 30, 2010 and December 31, 2009</u>	2
<u>Statements of Operations and Comprehensive Income for the three months ended June 30, 2010 and June 30, 2009</u>	3
<u>Statements of Operations and Comprehensive Income for the six months ended June 30, 2010 and June 30, 2009</u>	4
<u>Statements of Cash Flows for the six months ended June 30, 2010 and June 30, 2009</u>	5
<u>Notes to Unaudited Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
Item 4T. <u>Controls and Procedures</u>	14
PART II. <u>OTHER INFORMATION</u>	
Item 1A. <u>Risk Factors</u>	14
Item 5. <u>Other Information</u>	15
Item 6. <u>Exhibits</u>	15
<u>SIGNATURES</u>	15

Table of Contents

Information Analysis Incorporated

Second Quarter 2010 Report on Form 10-Q

INFORMATION ANALYSIS INCORPORATED**BALANCE SHEETS**

(Unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,932,085	\$ 1,478,504
Accounts receivable, net	850,184	940,206
Prepaid expenses	539,442	688,914
 Total current assets	 3,321,711	 3,107,624
Fixed assets, net	38,449	36,434
Other assets	6,281	6,281
 Total assets	 \$ 3,366,441	 \$ 3,150,339
LIABILITIES & STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 63,278	\$ 89,560
Deferred revenue	679,606	779,367
Other accrued liabilities	466,598	306,910
Accrued payroll and related liabilities	246,358	254,918
 Total current liabilities	 1,455,840	 1,430,755
Stockholders' equity:		
Common stock, par value \$0.01, 30,000,000 shares authorized; 12,839,376 shares issued, 11,196,760 outstanding	128,393	128,393
Additional paid-in capital	14,562,191	14,553,386
Accumulated deficit	(11,849,772)	(12,031,984)
Treasury stock, 1,642,616 shares at cost	(930,211)	(930,211)
 Total stockholders' equity	 1,910,601	 1,719,584
 Total liabilities and stockholders' equity	 \$ 3,366,441	 \$ 3,150,339

The accompanying notes are an integral part of the financial statements

Table of Contents

Information Analysis Incorporated

Second Quarter 2010 Report on Form 10-Q

INFORMATION ANALYSIS INCORPORATED**STATEMENTS OF OPERATIONS****AND COMPREHENSIVE INCOME**

(Unaudited)

	For the three months ended June 30,	
	2010	2009
Sales		
Professional fees	\$ 1,114,762	\$ 1,198,233
Software sales	573,108	206,257
Total sales	1,687,870	1,404,490
Cost of sales		
Cost of professional fees	665,004	748,331
Cost of software sales	460,295	152,188
Total cost of sales	1,125,299	900,519
Gross profit	562,571	503,971
Selling, general and administrative expenses	486,544	500,354
Income from operations	76,027	3,617
Other income, net	2,418	2,365
Income before provision for income taxes	78,445	5,982
Provision for income taxes		
Net income	\$ 78,445	\$ 5,982
Earnings per common share:		
Basic:	\$ 0.01	\$ 0.00
Diluted:	\$ 0.01	\$ 0.00
Weighted average common shares outstanding:		
Basic	11,196,760	11,196,760
Diluted	11,222,863	11,207,620

The accompanying notes are an integral part of the financial statements

Table of Contents

Information Analysis Incorporated

Second Quarter 2010 Report on Form 10-Q

INFORMATION ANALYSIS INCORPORATED**STATEMENTS OF OPERATIONS****AND COMPREHENSIVE INCOME**

(Unaudited)

	For the six months ended June 30,	
	2010	2009
Sales		
Professional fees	\$ 2,627,981	\$ 2,299,236
Software sales	1,075,456	499,705
Total sales	3,703,437	2,798,941
Cost of sales		
Cost of professional fees	1,455,525	1,544,237
Cost of software sales	882,148	350,300
Total cost of sales	2,337,673	1,894,537
Gross profit	1,365,764	904,404
Selling, general and administrative expenses	1,188,276	967,381
Income (loss) from operations	177,488	(62,977)
Other income, net	4,724	6,615
Income (loss) before provision for income taxes	182,212	(56,362)
Provision for income taxes		
Net income (loss)	\$ 182,212	\$ (56,362)
Earnings (loss) per common share:		
Basic:	\$ 0.02	\$ (0.01)
Diluted:	\$ 0.02	\$ (0.01)
Weighted average common shares outstanding:		
Basic	11,196,760	11,196,760
Diluted	11,215,187	11,196,760

The accompanying notes are an integral part of the financial statements

Table of Contents

Information Analysis Incorporated

Second Quarter 2010 Report on Form 10-Q

INFORMATION ANALYSIS INCORPORATED**STATEMENTS OF CASH FLOWS**

(Unaudited)

	For the six months ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 182,212	\$ (56,362)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock option compensation	8,805	2,035
Depreciation and amortization	12,027	16,740
Changes in operating assets and liabilities		
Accounts receivable	90,022	120,081
Other assets and prepaid expenses	149,472	282,822
Accounts payable and accrued expenses	124,846	(563,603)
Income taxes payable		(1,971)
Deferred revenue	(99,761)	(385,199)
 Net cash provided by (used in) operating activities	 467,623	 (585,457)
Cash flows from investing activities:		
Acquisition of furniture and equipment	(14,042)	(6,331)
 Net cash used in investing activities	 (14,042)	 (6,331)
 Net increase (decrease) in cash and cash equivalents	 453,581	 (591,788)
Cash and cash equivalents, beginning of the period	1,478,504	1,549,335
 Cash and cash equivalents, end of the period	 \$ 1,932,085	 \$ 957,547
Supplemental cash flow Information		
Interest paid	\$	\$

The accompanying notes are an integral part of the financial statements

Table of Contents

Information Analysis Incorporated
PART I

Second Quarter 2010 Report on Form 10-Q

Item 1. Financial Statements.

INFORMATION ANALYSIS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for interim financial information and with the instructions for Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities Exchange Commission. In the opinion of management, the unaudited financial statements include all adjustments necessary (which are of a normal and recurring nature) for the fair and not misleading presentation of the results of the interim periods presented. These unaudited financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2009 included in the Annual Report on Form 10-K filed by the Company with the Securities and Exchange Commission on March 31, 2010. The results of operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

2. Summary of Significant Accounting Policies

Operations

Information Analysis Incorporated (the Company) was incorporated under the laws of the Commonwealth of Virginia in 1979 to develop and market computer applications software systems, programming services, and related software products and automation systems. The Company provides services to customers throughout the United States, with a concentration in the Washington, D.C. metropolitan area.

Revenue Recognition

Generally the Company recognizes revenue when a contract has been executed, the contract price is fixed and determinable, delivery of services or products has occurred, and collectability of the contract price is considered probable and can be reasonably estimated. Revenue is earned under time and materials and fixed price contracts. For sales of third party software products, revenue is recognized upon delivery.

Revenue on time and materials contracts is recognized based on direct labor hours expended at contract billing rates and adding other billable direct costs.

For fixed price contracts that are based on unit pricing, the Company recognizes revenue for the number of units delivered in proportion to total expected units to be delivered in any given reporting period.

For fixed price contracts in which the Company is paid a specific amount to be available to provide a particular service for a stated period of time, revenue is recognized ratably over the service period. The Company applies this method of revenue recognition to sales of maintenance contracts on third party software sales, as on Adobe and Micro Focus software, for which the Company is responsible for first line support to the customer and for serving as a liaison between the customer and the third party maintenance provider for issues the Company is unable to resolve.

The Company engages in fixed price contracts with the U.S. Government involving the complex delivery of technology products and services. Accordingly, these contracts are within the scope of the American Institute of Certified Public Accountants Audit and Accounting Guide for Audits of Federal Government Contractors. To the extent contracts are incomplete at the end of an accounting period, revenue is recognized on the percentage-of-completion method, on a proportional performance basis, using costs incurred in relation to total estimated costs.

Edgar Filing: INFORMATION ANALYSIS INC - Form 10-Q

Sales of third party software products such as Adobe and Micro Focus products are reported on a gross basis with the Company as a principal under authoritative guidance issued by the Financial Accounting Standards Board (the "FASB"). This determination was based on the following: 1) the Company has inventory risk as suppliers are not obligated to accept returns, 2) the Company has reasonable latitude, within economic constraints, in establishing price, 3) the Company, in its marketing efforts, frequently aids the customer in determining product specifications, 4) the Company has physical loss inventory risk as title transfers at the shipping point, 5) the Company bears full credit risk, and 6) the amount the Company earns in the transaction is neither a fixed dollar amount nor a fixed percentage.

Table of Contents**Information Analysis Incorporated**

Second Quarter 2010 Report on Form 10-Q

2. Summary of Significant Accounting Policies (continued)

The Company's contracts with agencies of the government are subject to periodic funding by the respective contracting agency. Funding for a contract may be provided in full at inception of the contract or ratably throughout the contract as the services are provided. In evaluating the probability of funding for purposes of assessing collectability of the contract price, the Company considers its previous experiences with its customers, communications with its customers regarding funding status, and the Company's knowledge of available funding for the contract or program. If funding is not assessed as probable, revenue recognition is deferred until realization is deemed probable.

Payments received in advance of services performed are recorded and reported as deferred revenue. Services performed prior to invoicing customers are recorded as unbilled accounts receivable and are presented on the Company's balance sheets in the aggregate with accounts receivable.

Government Contracts

Company sales to departments or agencies of the United States Government are subject to audit by the Defense Contract Audit Agency (DCAA), which could result in the renegotiation of amounts previously billed. Because the Company has not entered into any cost plus fixed fee contracts since 1997, management believes there is minimal risk of an audit by DCAA resulting in a material misstatement of previously reported financial statements.

Segment Reporting

In accordance with authoritative guidance issued by the FASB, the Company has concluded that it operates in one business segment, providing products and services to modernize client information systems.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with maturities of ninety days or less at the time of purchase to be cash equivalents. Balances at times exceed federally insured limits, but management does not consider this to be a significant concentration of credit risk.

Accounts Receivable

Accounts receivable consist of trade accounts receivable and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company reviews its allowance for doubtful accounts monthly. Accounts with receivable balances past due over 90 days are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its customers. The Company has recorded an allowance for doubtful accounts of \$29,918 at June 30, 2010 and at December 31, 2009.

Fixed Assets

Fixed assets are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or the estimated life of the improvement, whichever is shorter. Maintenance and minor repairs are charged to operations as incurred. Gains and losses on dispositions are recorded in current operations.

Stock-Based Compensation

At June 30, 2010, the Company had the stock-based compensation plans described in Note 3 below. Total compensation expense related to these plans was \$1,924 and \$976 for the quarters ended June 30, 2010 and 2009, respectively, of which \$0 related to options awarded to non-employees. For the six months ended June 30, 2010 and 2009, total compensation expense related to these plans was \$8,805 and \$2,035, respectively, of which \$5,250 and \$0, respectively, related to options awarded to non-employees. The Company estimates the fair value of

options granted to establish the expense using the Black-Scholesvaluation model.

Table of Contents

Information Analysis Incorporated

Second Quarter 2010 Report on Form 10-Q

2. Summary of Significant Accounting Policies (continued)**Earnings Per Share**

The Company's earnings per share calculations are based upon the weighted average of shares of common stock outstanding. The dilutive effect of stock options, warrants and convertible notes are included for purposes of calculating diluted earnings per share, except for periods when the Company reports a net loss, in which case the inclusion of such equity instruments would be antidilutive.

Recent Accounting Pronouncements not yet adopted

In April 2010, the FASB issued Update no. 2010-17, which amends the authoritative guidance for revenue recognition related to the milestone method. This update provides that an entity can make an accounting policy election to recognize a payment that is contingent upon the achievement of a substantive milestone in its entirety as revenue in the period in which the milestone is achieved. The milestone method is not required and is not the only acceptable method of revenue recognition for milestone payments. This update is effective in fiscal years beginning on or after June 15, 2010 and can be applied prospectively or retrospectively. Early adoption is permitted. The Company is currently evaluating the effect the adoption of this update will have, if any, on its financial position, results of operations or cash flows.

In October 2009, the FASB issued Update No. 2009-13, which amends the Revenue Recognition topic of the Codification. This update provides amendments to the criteria in the Codification for separating consideration in multiple-deliverable arrangements. As a result of those amendments, multiple-deliverable arrangements will be separated in more circumstances than under existing U.S. GAAP. The amendments establish a selling price hierarchy for determining the selling price of a deliverable and will replace the term *fair value* in the revenue allocation guidance with *selling price* to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant. The amendments will also eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method and will require that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis. These amendments will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the impact the adoption of this update might have on its results of operations and financial condition.

In October 2009, the FASB issued Update No. 2009-14, which amends the Software topic of the Codification. The amendments in this update change the accounting model for revenue arrangements that include both tangible products and software elements. Tangible products containing software components and non-software components that function together to deliver the tangible product's essential functionality are no longer within the scope of the existing software revenue guidance of the Codification. In addition, the amendments in this update require that hardware components of a tangible product containing software components always be excluded from the software revenue guidance. In that regard, the amendments provide additional guidance on how to determine which software, if any, relating to the tangible product also would be excluded from the scope of the software revenue guidance. The amendments also provide guidance on how a vendor should allocate arrangement consideration to deliverables in an arrangement that includes both tangible products and software. The amendments also provide further guidance on how to allocate arrangement consideration when an arrangement includes deliverables both included and excluded from the scope of the software revenue guidance. These amendments will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the impact the adoption of this update might have on its results of operation1% ">

Delaware

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON WITH

7

SOLE VOTING POWER - 0

8

SHARED VOTING POWER - 118,657

9

SOLE DISPOSITIVE POWER - 0

10

SHARED DISPOSITIVE POWER - 118,657

11

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

118,657

12

CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES o

13

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.6%

14

TYPE OF REPORTING PERSON

PN

Page 6 of 10 pages

Edgar Filing: INFORMATION ANALYSIS INC - Form 10-Q

EXPLANATORY NOTE

This Statement on Schedule 13D (this "Statement") reflects, that as of March 8, 2010, the Reporting Persons are disclosing their beneficial ownership in Spark Networks, Inc. on Schedule 13D instead of Schedule 13G.

ITEM 1. Security and Issuer.

The class of equity securities to which this Statement on Schedule 13D (this "Statement") relates is the common stock, par value \$0.001 per share (the "Common Stock"), of Spark Networks, Inc. (the "Issuer"), with its principal executive offices located at 8383 Wilshire Boulevard, Suite 800, Beverly Hills, California 90211.

ITEM 2. Identity and Background.

(a)-(c) and (f) The names of the persons filing this statement on Schedule 13D (the "Reporting Persons") are: (1) Osmium Capital, LP, a Delaware limited partnership ("Fund I"); (2) Osmium Capital II, LP, a Delaware limited partnership ("Fund II"); (3) Osmium Spartan, LP, a Delaware limited partnership ("Fund III", together with Fund I and Fund II, "Funds"); (4) Osmium Partners, LLC, a Delaware limited liability company ("Osmium Partners"); and (5) John H. Lewis, a United States Citizen ("Lewis"). Osmium Partners serves as the general partner of Fund I, Fund II and Fund III. Mr. Lewis is the controlling member of Osmium Partners.

The principal business of each of Fund I, Fund II and Fund III is that of a private investment vehicle engaged in investing and trading in a wide variety of securities and financial instruments for its own account. The principal business of Osmium Partners is providing investment management services and serving as the general partner of Fund I, Fund II and Fund III. Osmium Partners also manages other accounts on a discretionary basis ("Other Accounts"). Mr. Lewis' principal occupation is serving as the Managing Member of Osmium Partners.

(d)-(e) During the last five years, none of the Reporting Persons have been (a) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (b) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3. Source and Amount of Funds or Other Consideration

The source and amount of funds (excluding commissions) used by the Funds in making their purchase of the shares of Common Stock owned by each of them in aggregate was \$2,997,745 from working capital.

The source and amount of funds (excluding commissions) used by the Other Accounts in making their purchase of the shares of Common Stock owned by the Other Accounts was \$240,870 from working capital.

The source and amount of funds (excluding commissions) used by Mr. Lewis in making his purchase of the shares of Common Stock owned by him was \$53,289 from personal funds.

One or more of the Reporting Persons effect purchases of securities through margin accounts which may extend margin credit to the Reporting Persons as and when required to open or carry positions in the margin accounts, subject to applicable federal margin regulations, stock exchange rules and brokers' credit policies. In such instances, the positions held in the margin accounts are pledged as collateral security for the repayment of debit balances in the accounts.

ITEM 4. Purpose of Transaction.

On March 8, 2010, Osmium Partners sent a letter to the Board of Directors of the Issuer, which, among other things, recommends that the special committee of independent directors of the Board of Directors refuse Great Hill Partners III, LP's ("Great Hill") offer to acquire all of the outstanding shares of Common Stock of the Issuer not owned by Great Hill. Osmium Partners believes that Great Hill's proposed purchase price of \$3.10 per share does not reflect the true value of the Issuer. A copy of the letter from Osmium Partners is attached hereto as Exhibit 2.

Page 7 of 10 pages

Edgar Filing: INFORMATION ANALYSIS INC - Form 10-Q

All of the shares of Common Stock reported herein as being beneficially owned by the Reporting Persons were acquired for investment purposes. Except as set forth herein, none of the Reporting Persons has any plans or proposals that relate to or would result in any of the transactions described in subparagraphs (a) through (j) of Item 4 of Schedule 13D.

Also, consistent with their investment purpose, the Reporting Persons may engage in communications with one or more shareholders of the Issuer, one or more officers or employees of the Issuer, one or more members of the board of directors of the Issuer, and/or one or more representatives of the Issuer regarding the Issuer, including but not limited to its management, operations, business, results, plans, and prospects. The Reporting Persons may discuss ideas that, if effected, may result in any of the following: the acquisition by persons of additional Common Stock or other securities of the Issuer, an extraordinary corporate transaction involving the Issuer, and/or changes in the board of directors or management of the Issuer.

ITEM 5. Interest in Securities of the Issuer.

(a) The Reporting Persons beneficially own:

- (i) Fund I directly owns 254,416 shares of Common Stock representing 1.2% of all of the outstanding shares of Common Stock.
- (ii) Fund II directly owns 757,252 shares of Common Stock representing 3.7% of all of the outstanding shares of Common Stock.
- (iii) Fund III directly owns 118,657 shares of Common Stock representing 0.6% of all of the outstanding shares of Common Stock.
- (iv) Mr. Lewis directly owns 19,100 shares of Common Stock representing 0.09% of all of the outstanding shares of Common Stock.
- (v) Osmium Partners, as the general partner of each of the Funds and the investment manager of the Other Accounts, may be deemed to beneficially own the 1,228,053 shares of Common Stock held by them, representing 6.0% of all of the outstanding shares of Common Stock.
- (vi) Mr. Lewis may be deemed to be the beneficial owner of the shares of Common Stock beneficially owned by Osmium Partners.
- (vii) Collectively, the Reporting Persons beneficially own 1,247,153 shares of Common Stock representing 6.1% of all of the outstanding shares of Common Stock.

Each Reporting Person disclaims beneficial ownership with respect to any shares of Common Stock other than the shares owned directly and of record by such Reporting Person.

The percentages set forth in this response are based on the 20,581,544 shares of Common Stock outstanding as of November 12, 2009, as reported by the Issuer in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009.

(b) Osmium Partners and Mr. Lewis may be deemed to share with Fund I, Fund II, Fund III and the Other Accounts (and not with any third party) the power to vote or direct the vote of and to dispose or direct the disposition of the 254,416, 757,252, 118,657 and 97,728 shares of Common Stock reported herein, respectively. Mr. Lewis has sole power to vote or direct the vote of and to dispose or direct the disposition of the 19,100 shares of Common Stock held by him.

Page 8 of 10 pages

Edgar Filing: INFORMATION ANALYSIS INC - Form 10-Q

(c) The following Reporting Persons engaged in the following transactions on the open market with respect to the Issuer's Common Stock:

Osmium Capital, LP

Transaction Date	Number of Shares	Price per Share	Type of Transaction
1/20/2010	506	\$ 2.80	Purchase
1/22/2010	500	\$ 2.95	Purchase
1/25/2010	200	\$ 2.95	Purchase
1/26/2010	500	\$ 3.05	Purchase
2/1/2010	112	\$ 2.90	Purchase
2/11/2010	126	\$ 3.02	Purchase
2/16/2010	77	\$ 2.91	Purchase

Osmium Capital II, LP

Transaction Date	Number of Shares	Price per Share	Type of Transaction
1/20/2010	1,494	\$ 2.80	Purchase
1/29/2010	1,200	\$ 2.95	Purchase
2/1/2010	1,888	\$ 2.90	Purchase
2/2/2010	1,000	\$ 2.95	Purchase
2/5/2010	200	\$ 2.99	Purchase
2/10/2010	500	\$ 2.95	Purchase
2/11/2010	374	\$ 3.02	Purchase
2/16/2010	226	\$ 2.91	Purchase
2/26/2010	500	\$ 2.96	Purchase

John Lewis

Transaction Date	Number of Shares	Price per Share	Type of Transaction
1/7/2010	2,000	\$ 2.98	Purchase
1/12/2010	4,500	\$ 2.71	Purchase
1/14/2010	400	\$ 2.76	Purchase
1/15/2010	100	\$ 2.78	Purchase
1/19/2010	200	\$ 2.90	Purchase

Other than the foregoing, no transactions in the Common Stock have been effected by the Reporting Persons in the last sixty (60) days.

(d) Not applicable.

(e) Not applicable.

ITEM 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Not applicable.

ITEM 7. Material to be Filed as Exhibits.

Exhibit 1 Joint Filing Agreement

Exhibit 2 Letter dated March 8, 2010 to Board of Directors of Issuer
Page 9 of 10 pages

Edgar Filing: INFORMATION ANALYSIS INC - Form 10-Q

SIGNATURE

After reasonable inquiry and to the best of its knowledge and belief, the undersigned each certifies that the information with respect to it set forth in this Statement is true, complete and correct.

Dated: March 8, 2010

John H. Lewis
Osmium Partners, LLC
Osmium Capital, LP
Osmium Capital II, LP
Osmium Spartan, LP

By: /s/ John H. Lewis
John H. Lewis, for himself and as Managing
Member of Osmium Partners, LLC, for itself and
as General Partner of Osmium Capital, LP,
Osmium Capital II, LP, and Osmium Spartan, LP

Page 10 of 10 pages

Edgar Filing: INFORMATION ANALYSIS INC - Form 10-Q

EXHIBIT INDEX

Exhibit 1	Joint Filing Agreement
Exhibit 2	Letter dated March 8, 2010 to Board of Directors of Issuer
