

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from January 1, 2009 to March 31, 2009

Commission file number: 1-31949

INX Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation)

76-0515249
(I.R.S. Employer Identification Number)

6401 Southwest Freeway
Houston, Texas 77074
(Address of principal executive offices)
(Zip code)

(713) 795-2000
(Registrant's telephone number including area code)

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
(Do not check if a smaller reporting company)

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

The Registrant has 8,812,326 shares of common stock outstanding as of May 4, 2009.

INX Inc. and Subsidiaries
FORM 10-Q/A for the Quarter Ended March 31, 2009

INDEX

	<u>Page</u>
Explanatory Note	3
Part I. Financial Information	4
Item 1. Financial Statements (Unaudited):	4
Condensed Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008	4
Condensed Consolidated Balance Sheets at March 31, 2009 and December 31, 2008	5
Condensed Consolidated Statement of Stockholders' Equity for the three months ended March 31, 2009	6
Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2009 and 2008	7
Notes to Condensed Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 4T. Controls and Procedures	22
Part II. Other Information	24
Item 1. Legal Proceedings	24
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 6. Exhibits	24
Signature	25

EXPLANATORY NOTE

INX Inc. (the "Company") is filing this Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2009 initially filed with the Securities and Exchange Commission on May 12, 2009 (the "Original Filing"). This Amendment No. 1 reflects restatement of the condensed consolidated financial statements as of March 31, 2009 and for the three month period ended March 31, 2009 and the notes related thereto as a result of the following:

- During the performance of a routine internal audit, a computational error was discovered in the calculation of services revenue and related commission expense affecting the fiscal quarter ended March 31, 2009. Correction of the error increased previously reported net loss by approximately \$186,000 (\$0.02 per share). The correction has no effect on the previously reported Statement of Cash Flows.
- The Company previously presented its floor plan financing balances as trade accounts payable because it believed that its principal vendor had a substantial investment in the floor plan financing company. During the preparation of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, the Company became aware that the principal vendor had no ownership interest in its floor plan financing company. Consequently, the Company is correcting its presentation of the floor plan balances in its Balance Sheets from trade accounts payable to floor plan financing and the related amounts in its Statements of Cash Flows from operating activities to financing activities. The correction of the error has no effect on the previously reported Statements of Operations. There is no impact to the Company's current liabilities or total liabilities as a result of this reclassification at March 31, 2009 and 2008.
- In addition to the aforementioned corrections, the Company is recording certain immaterial adjustments that decrease pre-tax expense by \$13,000 as of and for the three-month period ended March 31, 2009.

For a more detailed description of these restatements, see Note 10, Restatement of Previously Issued Financial Statements to the accompanying unaudited condensed consolidated financial statements and Item 4T in Part I, Controls and Procedures, contained in this Form 10-Q/A. Part I, Item 2, Management's Discussion and Analysis of Financial Condition has also been amended to reflect the effects of the restatement.

This Form 10-Q/A sets forth the Original Filing in its entirety. However, this Form 10-Q/A only amends and restates Items 1, 2 and 4T of Part I and Item 6 of Part II of the original filing, in each case, solely as a result of, and to reflect, the restatement, and no other information in the original filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the original filing or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the SEC, Item 6 of Part II of the original filing has been amended to contain currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company's Chief Executive Officer and Chief Financial Officer are attached to this Form 10-Q/A as Exhibits 31.1, 31.2, 32.1 and 32.2, respectively.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited):

INX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2009	2008
	(As Restated, Note 10)	
Revenue:		
Products	\$ 44,566	\$ 50,491
Services	12,767	9,152
Total revenue	<u>57,333</u>	<u>59,643</u>
Cost of products and services:		
Products	36,122	41,284
Services	8,908	6,212
Total cost of products and services	<u>45,030</u>	<u>47,496</u>
Gross profit	12,303	12,147
Selling, general and administrative expenses	12,728	10,384
Operating (loss) income	(425)	1,763
Interest and other income (expense), net	12	(73)
(Loss) income from continuing operations before income taxes	(413)	1,690
Income tax expense	50	683
Net loss (income) from continuing operations	(463)	1,007
(Loss) income from discontinued operations, net of income taxes	(39)	4
Net (loss) income	<u>\$ (502)</u>	<u>\$ 1,011</u>
Net (loss) income per share:		
Basic:		
(Loss) income from continuing operations	\$ (0.05)	\$ 0.13
(Loss) income from discontinued operations, net of income taxes	(0.01)	—
Net (loss) income per share	<u>\$ (0.06)</u>	<u>\$ 0.13</u>
Diluted:		
(Loss) income from continuing operations	\$ (0.05)	\$ 0.12
(Loss) income from discontinued operations, net of income taxes	(0.01)	—
Net (loss) income per share	<u>\$ (0.06)</u>	<u>\$ 0.12</u>
Shares used in computing net (loss) income per share:		
Basic	<u>8,706,210</u>	<u>7,550,904</u>
Diluted	<u>8,706,210</u>	<u>8,242,191</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

INX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and par value amounts)
(Unaudited)

	March 31, 2009	December 31, 2008
	(As Restated, Note 10)	(As Restated, Note 10)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,681	\$ 10,937
Accounts receivable, net of allowance of \$629 and \$735	46,502	52,866
Inventory, net	2,745	2,406
Other current assets	1,562	1,275
Total current assets	59,490	67,484
Property and equipment, net of accumulated depreciation of \$5,896 and \$5,429	4,998	5,207
Goodwill	12,751	12,751
Intangible and other assets, net of accumulated amortization of \$2,531 and \$2,346	1,667	1,852
Total assets	\$ 78,906	\$ 87,294
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	\$ 84	\$ 91
Current portion of capital lease obligations	191	77
Accounts payable	5,108	5,170
Floor plan financing	31,512	40,002
Accrued expenses	6,864	6,899
Other current liabilities	782	1,072
Total current liabilities	44,541	53,311
Long-term Liabilities:		
Long-term portion of capital lease obligations	308	163
Other long-term liabilities	317	250
Total long-term liabilities	625	413
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized, no shares issued	—	—
Common stock, \$.01 par value, 15,000,000 shares authorized, 8,802,835 and 8,709,304 shares issued	88	87
Additional paid-in capital	51,413	50,742
Accumulated deficit	(17,761)	(17,259)
Total stockholders' equity	33,740	33,570
Total liabilities and stockholders' equity	\$ 78,906	\$ 87,294

The accompanying notes are an integral part of these condensed consolidated financial statements.

INX INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 (In thousands, except share amounts)
 (Unaudited)

	<u>\$.01 par value Common Stock</u>		<u>Additional Paid-In Capital</u> (As Restated, Note 10)	<u>Accumulated Deficit</u> (As Restated, Note 10)	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at December 31, 2008	8,709,304	\$ 87	\$ 50,742	\$ (17,259)	\$ 33,570
Issuance of vested restricted common stock	38,367	—	—	—	—
Share-based compensation expense related to employee stock options, employee restricted stock grants, and employee stock purchase plan	—	—	593	—	593
Issuance of common stock under employee stock purchase plan	83,470	1	166	—	167
Purchase and retirement of treasury stock resulting from grantee election to fund payroll taxes out of restricted stock grant	(8,840)	—	(22)	—	(22)
Purchase and retirement of common stock	(19,466)	—	(66)	—	(66)
Net loss	—	—	—	(502)	(502)
Balance at March 31, 2009	<u>8,802,835</u>	<u>\$ 88</u>	<u>\$ 51,413</u>	<u>\$ (17,761)</u>	<u>\$ 33,740</u>

The accompanying notes are an integral part of these condensed consolidated financial statement.

INX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2009	2008
	(As Restated, Note 10)	(As Restated, Note 10)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (502)	\$ 1,011
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Net loss (income) from discontinued operations	39	(4)
Depreciation and amortization	727	520
Share-based compensation expense for employee stock options, stock grants, and employee stock purchase plan	593	312
Excess tax benefits from stock option exercises	—	(601)
Loss on retirement of assets	22	15
Bad debt expense	(5)	(45)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	6,369	(119)
Inventory	(339)	(167)
Accounts payable	(62)	80
Other assets and liabilities	(535)	698
Net cash used in operating activities	<u>6,307</u>	<u>1,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Select, Inc. purchase price adjustments	—	(54)
Capital expenditures	(125)	(563)
Net cash used in investing activities	<u>(125)</u>	<u>(617)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments under non-interest bearing floor plan financing, net	(8,490)	(1,779)
Proceeds from issuance of common stock for purchases under employee stock purchase plan	167	—
Proceeds from other short-term borrowings	—	251
Exercise of stock options	—	403
Excess tax benefits from stock option exercises	—	601
Purchase of common stock	(66)	(1,536)
Purchase of treasury stock resulting from grantee election	(22)	(3)
Payments on notes payable and capital lease obligations	(27)	(124)
Net cash provided by (used in) financing activities	<u>(8,438)</u>	<u>(2,187)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,256)	(1,104)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,937	9,340
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 8,681</u>	<u>\$ 8,236</u>
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital lease obligation:		
Fair value of assets acquired	\$ 279	\$ —
Capital lease obligation incurred	(279)	—

The accompanying notes are an integral part of these condensed consolidated financial statements.

INX INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

1. Description of Business

INX Inc. ("INX" or the "Company") is a provider of technology infrastructure solutions for enterprise-class organizations such as corporations, schools and federal, state and local governmental agencies. The solutions INX provides consist of three broad categories of technology infrastructure: network infrastructure, unified communications and data center. Network infrastructure solutions consist of network routing and switching, wireless networking and network security solutions. Unified communications solutions consist of Internet Protocol ("IP") network-based voice or telephone solutions as well as IP network-based video communications solutions. Data center solutions consist of network storage solutions and data center server virtualization solutions. The accompanying consolidated financial statements include the accounts of INX Inc. and its wholly-owned subsidiaries, Select, Inc. and Valerent, Inc. All intercompany transactions and accounts are eliminated in consolidation. Select, Inc. and Valerent, Inc. were merged into INX Inc. as of the close of business on December 31, 2008.

2. Basis of Presentation

The accompanying unaudited financial data as of March 31, 2009 and for the three-month periods ended March 31, 2009 and 2008 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. The December 31, 2008 Condensed Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. However, the Company believes the disclosures are adequate to make the information presented not misleading. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

The accompanying unaudited financial data as of March 31, 2009 and for the three-month periods ended March 31, 2009 and 2008 has been restated for the following:

- During the performance of a routine internal audit, a computational error was discovered in the calculation of services revenue and related commission expense affecting the fiscal quarter ended March 31, 2009. Correction of the error increased previously reported net loss by approximately \$186 (\$0.02 per share). The correction has no effect on the previously reported Statement of Cash Flows.
- The Company previously presented its floor plan financing balances as trade accounts payable because it believed that its principal vendor had a substantial investment in the floor plan financing company. During the preparation of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, the Company became aware that the principal vendor had no ownership interest in its floor plan financing company. Consequently, the Company is correcting its presentation of the floor plan balances in its Balance Sheets from trade accounts payable to floor plan financing and the related amounts in its Statements of Cash Flows from operating activities to financing activities. The correction of the error has no effect on the previously reported Statements of Operations. There is no impact to the Company's current liabilities or total liabilities as a result of this reclassification for each of the three years ended December 31, 2008 or as of March 31, 2009 and 2008.
- In addition to the aforementioned corrections, the Company is recording certain immaterial adjustments that decrease pre-tax expense by \$13 as of and for the three-month period ended March 31, 2009.

For a more detailed description of these restatements, see Note 10, Restatement of Previously Issued Financial Statements.

In the opinion of management, all adjustments (which include normal recurring adjustments, except as disclosed herein) necessary for a fair presentation of financial position as of March 31, 2009, results of operations for the three-month periods ended March 31, 2009 and 2008, cash flows for the three months ended March 31, 2009 and 2008, and stockholders' equity for the three months ended March 31, 2009, have been included. The results of the interim periods are not necessarily indicative of results for the full year or any future period.

3. Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “*Business Combinations*” (SFAS 141R). The purpose of issuing the statement is to replace current guidance in SFAS 141 to better represent the economic value of a business combination transaction. The changes to be effected with SFAS 141R from the current guidance include, but are not limited to: (1) acquisition costs will be recognized separately from the acquisition; (2) known contractual contingencies at the time of the acquisition will be considered part of the liabilities acquired and measured at their fair value; all other contingencies will be part of the liabilities acquired measured at their fair value only if it is more likely than not that they meet the definition of a liability; (3) contingent consideration based on the outcome of future events will be recognized and measured at the time of the acquisition; (4) business combinations achieved in stages (step acquisitions) will need to recognize the identifiable assets and liabilities, as well as noncontrolling interests, in the acquiree, at the full amounts of their fair values; and (5) a bargain purchase (defined as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any noncontrolling interest in the acquiree) will require that excess to be recognized as a gain attributable to the acquirer. SFAS 141R is effective for the Company beginning January 1, 2009. The Company anticipates that the adoption of SFAS 141R will have an impact on the way in which future business combinations will be accounted for compared to prior practice.

In September 2006, the FASB issued Statement on Financial Accounting Standards No. 157 “*Fair Value Measurements*” (“SFAS 157”). SFAS 157 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. However, on February 12, 2008, the FASB issued FASB Staff Position (“FSP”) SFAS No. 157-2 (“FSP 157-2”) which delays the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). FSP 157-2 partially defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of FSP 157-2. In addition, FASB issued a staff position, FSP SFAS No. 157-1, to clarify that SFAS No. 157 does not apply under SFAS No. 13, *Accounting for Leases*, and other accounting pronouncements that address fair value measurements for purposes of lease classifications under SFAS No. 13 and FSP SFAS No. 157-3 to provide guidance for determining the fair value of a financial asset when the market for that asset is not active. The Company elected to defer adoption of SFAS 157 relating to non-recurring, non-financial assets and liabilities until January 1, 2009. The adoption of SFAS 157 did not have a material effect on the Company’s consolidated financial statements.

In April 2009 the FASB issued FSP FAS 157-4, “*Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*,” to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased and determining when a transaction is not orderly. FSP FAS 157-4 applies to all assets and liabilities within the scope of pronouncements that require or permit fair value measurements under SFAS 157 except as specifically discussed in SFAS 157. FSP FAS 157-4 does not apply to Level 1 inputs, regardless of changes in the volume and level of activity for an asset or liability. Level 1 inputs are defined in SFAS 157 as quoted prices for an identical asset or liability in an active market. FSP FAS 157-4 emphasizes that, regardless of whether the volume and level of activity for an asset or liability have decreased significantly and regardless of which valuation technique was used, the objective of a fair value measurement under SFAS 157 remains the same—to estimate the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The FSP FAS 157-4 specifically addresses the market participant aspect of the objective of a fair value measurement under SFAS 157 by stating that an entity’s intention to hold an asset or liability is irrelevant for purposes of a fair value measurement. The adoption of FSP FAS 157-4 did not have a material effect on the Company’s consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, “*Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51*” (SFAS 160). SFAS 160 was issued to improve the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way, that is, as equity in the consolidated financial statements. Moreover, SFAS 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. SFAS 160 is effective for the Company beginning January 1, 2009. The adoption of SFAS 160 did not have a material impact on the Company’s consolidated financial statements.

In January 2009, the Company adopted SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). SFAS 162 identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in preparation of financial statements that are presented in conformity with GAAP. The current GAAP hierarchy has been criticized because it is directed to the auditor rather than the entity, it is complex, and it ranks FASB Statements of Financial Accounting Concepts, which are subject to the same level of due process as FASB Statements of Financial Accounting Standards, below industry practices that are widely recognized as generally accepted but that are not subject to due process. The FASB believes the GAAP hierarchy should be directed to entities because it is the entity (not its auditors) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. The adoption of SFAS 162 did not have a material effect on the Company's consolidated financial statements.

On January 1, 2009 the Company adopted FASB Staff Position EITF 03-6-1, "*Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 clarified that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted EPS must be applied. The adoption of EITF 03-6-1 did not have a material effect on the Company's basic earnings per share.

In April 2009 the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods and is effective for interim periods ending after June 15, 2009. The Company expects to include the required additional disclosures in its quarterly Report on Form 10-Q as of June 30, 2009.

4. Acquisitions

Access Flow, Inc.

Under an Asset Purchase Agreement dated June 6, 2008 (the "APA"), the Company purchased the operations and certain assets, and assumed specified liabilities of Access Flow, Inc. ("AccessFlow"). AccessFlow is a Sacramento, California-based consulting organization focused on delivering VMware-based data center virtualization solutions, with revenues for the twelve months ended March 31, 2008 of approximately \$10,500. The Company completed the acquisition simultaneously with the execution of the APA. Neither AccessFlow nor any shareholder of AccessFlow has any prior affiliation with the Company. The APA contains customary representations and warranties and requires AccessFlow and its Shareholders to indemnify the Company for certain liabilities arising under the APA, subject to certain limitations and conditions.

The consideration paid at closing pursuant to the APA was (a) \$2,450 in cash and (b) 262,692 shares of the Company's common stock. Additional purchase consideration is payable to AccessFlow based on certain financial performance during each of the two-year periods ending June 30, 2009 and June 30, 2010. The financial performance upon which such additional purchase consideration is based includes the following business components: (i) the acquired AccessFlow Sacramento, California branch office revenue excluding its hosting business, (ii) the acquired AccessFlow hosting business, and (iii) customer billings for certain virtualization products and services specified in the APA generated by the Company's pre-existing fourteen branch office locations. The APA specifies the computation of additional purchase consideration earned under each business component, including a minimum and maximum amount payable for each of the two years. For each business component the minimum annual additional consideration payable is zero and the maximum annual additional consideration payable is (i) \$405, (ii) \$405, and (iii) \$540, respectively. At the Company's option, 50% of such additional consideration may be paid in the form of common stock. Additional purchase consideration, if any, will be recorded as goodwill.

NetTeks Technology Consultants, Inc.

Under an Asset Purchase Agreement dated November 14, 2008 (the "Agreement"), the Company purchased the operations and certain assets, and assumed specified liabilities of NetTeks Technology Consultants, Inc. ("NetTeks"). NetTeks is a Boston, Massachusetts-based network consulting organization with offices in downtown Boston and Glastonbury, Connecticut, with revenues for the twelve months ended September 30, 2008 of approximately \$12,700. The Company completed the acquisition simultaneously with the execution of the Agreement. Neither NetTeks nor any shareholder of NetTeks has any prior affiliation with the Company. The Agreement contains customary representations and warranties and requires NetTeks and its shareholders to indemnify the Company for certain liabilities arising under the Agreement, subject to certain limitations and conditions.

The consideration paid at closing pursuant to the Agreement was (a) \$1,350 in cash and (b) 30,770 shares of the Company's common stock, of which 15,385 common stock shares were held in escrow under holdback provisions defined in the Agreement. Additional purchase consideration is payable based on NetTeks' branch office operating income contribution during each of the two-year periods ending November 30, 2009 and November 30, 2010. The Agreement specifies the computation of additional purchase consideration earned including a minimum of zero for each of the two-year periods and a maximum of \$1,313 for the period ending November 30, 2009 and \$1,488 for the period ending November 30, 2010. At the Company's option, 50% of such additional purchase price may be paid in the form of Common Stock. Additional purchase consideration, if any, will be recorded as goodwill.

VocalMash

Under an Asset Purchase Agreement dated December 4, 2008 (“VocalMash APA”), the Company purchased the operations of VocalMash, a business owned and operated by INX’s Vice President of Sales. VocalMash is an application integration company that utilizes Web 2.0 technologies to integrate unified communications systems with other enterprise applications. The Company completed the acquisition simultaneously with the execution of the VocalMash APA. The VocalMash APA contains customary representations and warranties and requires VocalMash and its owner to indemnify the Company for certain liabilities arising under the VocalMash APA, subject to certain limitations and conditions.

The consideration paid at closing pursuant to the VocalMash APA was 60,000 shares of the Company’s common stock. The common stock was valued at \$4.89 per share or \$293. Additional purchase consideration of up to a maximum of \$380 may be payable under the VocalMash APA based on the achievement of operating income contribution targets for 2009. Additional purchase consideration, if any, will be recorded as goodwill.

Pro Forma Summary

The following pro forma consolidated amounts give effect to the Company’s acquisition of AccessFlow, NetTek, and VocalMash as if they had occurred January 1, 2008. The pro forma consolidated amounts presented below are based on continuing operations. The pro forma consolidated amounts are not necessarily indicative of the operating results that would have been achieved had the transaction been in effect and should not be construed as being representative of future operating results.

	Three Months Ended March 31, 2008
Revenues	\$ 66,089
Net income from continuing operations	\$ 1,259
Net income per share from continuing operations:	
Basic	\$ 0.16
Diluted	\$ 0.15
Weighted average shares used in calculation:	
Basic	7,916,301
Diluted	8,607,588

5. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is based on the weighted-average number of shares outstanding during each period and the assumed exercise of dilutive stock options and warrants less the number of treasury shares assumed to be purchased from the exercise proceeds using the average market price of the Company’s common stock for each of the periods presented.

The following table presents the calculation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2009	2008
Numerator for basic and diluted earnings per share:		
Net (loss) income from continuing operations	\$ (463)	\$ 1,007
(Loss) income on disposal of discontinued operations, net of income taxes	(39)	4
Net (loss) income	\$ (502)	\$ 1,011
Denominator for basic earnings per share — weighted-average shares outstanding	8,706,210	7,550,904
Effect of dilutive securities — shares issuable from assumed conversion of common stock options, restricted stock, and warrants	—	691,287
Denominator for diluted earnings per share — weighted-average shares outstanding	8,706,210	8,242,191

For the three month period ended March 31, 2009, the Company's potentially dilutive options of 386,635 were not used in the calculation of diluted earnings since the effect of potentially dilutive securities in computing a loss per share is antidilutive. For the three month period ended March 31, 2008, the Company's potentially dilutive options of 218,500 and warrants of 625,000 were not used in the calculation of diluted earnings since the effect of potentially dilutive securities is antidilutive.

6. Share-Based Compensation

The Company recognized employee share-based compensation expense for stock option, restricted stock grants, and the employee stock purchase plan of \$593 and \$312 during the three months ended March 31, 2009 and 2008, respectively. The unrecognized compensation cost related to the Company's unvested stock options as of March 31, 2009 and 2008 was \$1,352 and \$2,039, respectively and is expected to be recognized over a weighted-average period of 1.7 years and 2.0 years, respectively. The unrecognized compensation cost related to the Company's unvested restricted shares as of March 31, 2009 and 2008 was \$3,394 and \$1,766, respectively and is expected to be recognized over a weighted-average period of 3.7 years and 4.0 years, respectively.

7. Senior Credit Facility

The Company has a \$60,000 maximum aggregate line of credit with Castle Pines Capital LLC ("CPC") under a senior credit facility. The CPC senior credit facility is used primarily for inventory financing and working capital requirements. At March 31, 2009, \$31,512 was outstanding under the Facility and reported under floor plan financing, and the unused availability was \$5,528. At March 31, 2009, the Company was in compliance with the loan covenants of the senior credit facility.

8. Stockholders' Equity

On September 10, 2008, the Board of Directors authorized a common stock repurchase plan of up to \$2,000 of the Company's common stock on or before December 31, 2008. The purchases were required to be made in open market or privately negotiated transactions in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended, subject to market and business conditions, applicable legal requirements and other factors. The plan also requires the purchased shares to be retired as soon as practicable following the purchase. The plan did not obligate the Company to purchase any particular amount of common stock and could be suspended at any time at the Company's discretion. On December 3, 2008, the Board of Directors modified the existing common stock repurchase plan, authorizing the repurchase of \$2,000 during the period January 1, 2009 to March 31, 2009. During the three-month period ended March 31, 2009, 19,466 shares were purchased for \$66. From inception of the repurchase plan to March 31, 2009, 300,339 shares were purchased for \$1,762, an average purchase price of \$5.87 per share. The repurchase plan expired on March 31, 2009.

9. Commitments and Contingencies

Self-Insured Medical Plan

Effective January 1, 2009, the Company changed its employee medical insurance coverage to self-insure for losses up to \$100 per claim. The Company maintains stop loss coverage with a third party insurer to limit its total exposure with an annual aggregate loss limit of \$2,357 based on the current enrollment in the plan. During the three month period ended March 31, 2009, we incurred medical claims totaling \$392 and recorded a liability of \$91 as of March 31, 2009 as an estimate of the ultimate cost of claims incurred as of the balance sheet date, based on an analysis of historical data and actuarial estimates.

Litigation

The Company served as a subcontractor to Complete Communications Services, Inc. ("CoCom"), a subcontractor on certain school district contracts during 2007. On August 24, 2007, CoCom filed a Chapter 11 Petition in U.S. Bankruptcy Court. As of December 31, 2008, the Company had no outstanding accounts receivable from CoCom. The Company received payments of \$102 during the ninety day period preceding the bankruptcy filing which could potentially be deemed preferential. While the result of the potential preference claims cannot be predicted with certainty, INX believes the final outcome of such matters will not have a materially adverse effect on its results of operations or financial position.

On January 24, 2008, Schneider Rucinski Enterprises (“Plaintiff”) filed a lawsuit in the United States District Court Southern District of California (“Court”) styled *Schneider Rucinski Enterprises v. Touch Asia Outsourcing Solutions, Stratasoft, Inc., INX Inc., et al* claiming damages of \$555 and other relief including relief under RICO statutes. On December 8, 2008, we filed motions to dismiss on the grounds of lack of federal jurisdiction and failure to state claims upon which relief could be granted. Oral arguments were made during a hearing on February 24, 2009 and, on March 3, 2009, the Court ruled in INX’s favor, dismissing the lawsuit and closing the case.

On January 6, 2009, Lyondell Chemical Company (“Lyondell”) filed a Chapter 11 Petition in U.S. Bankruptcy Court. As of December 31, 2008, the Company had an accounts receivable from Lyondell of \$99, less an allowance for doubtful accounts of \$99. The Company received payments of \$539 during the ninety day period preceding the bankruptcy filing which could potentially be deemed preferential. INX cannot predict the final outcome of this matter, including whether it could have a materially adverse effect on its results of operations or financial position.

On February 6, 2009, INX filed a lawsuit in the United States District Court Eastern District of Texas styled *InternetworkExperts, Inc. (INX) v. International Business Machines Corporation* claiming damages totaling \$1,791 plus interest, attorney fees, and costs of suit for breach of purchase orders in 2004 and 2006 under which payments were due upon early termination of services. The amount that may ultimately be recovered, if any, cannot be determined at this time, and such amount will be recorded only upon settlement and payment by the defendant.

INX is also party to other litigation and claims which management believes are normal in the course of its operations. While the results of such litigation and claims cannot be predicted with certainty, INX believes the final outcome of such matters will not have a materially adverse effect on its results of operations or financial position.

10. Restatement of Previously Issued Financial Statements

On August 12, 2009, management of the Company in consultation with the Audit Committee of the Board of Directors, determined that the Company's financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009 required restatement. This determination was made following a review by the Company of the following:

- During the performance of a routine internal audit, a computational error was discovered in the calculation of services revenue and related commission expense affecting the fiscal quarter ended March 31, 2009. Correction of the error increased previously reported net loss by approximately \$186 (\$0.02 per share). The correction has no effect on the previously reported Statement of Cash Flows.
- The Company previously presented its floor plan financing balances as trade accounts payable because it believed that its principal vendor had a substantial investment in the floor plan financing company. During the preparation of the Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, the Company became aware that the principal vendor had no ownership interest in its floor plan financing company. Consequently, the Company is correcting its presentation of the floor plan balances in its Balance Sheets from trade accounts payable to floor plan financing and the related amounts in its Statements of Cash Flows from operating activities to financing activities. The correction of the error has no effect on the previously reported Statements of Operations. There is no impact to the Company's current liabilities or total liabilities as a result of this reclassification as of December 31, 2008 or as of March 31, 2009 and 2008.
- In addition to the aforementioned corrections, the Company is recording certain immaterial adjustments that decrease pre-tax expense by \$13 as of and for the three-month period ended March 31, 2009.

The following is a summary of the impact of the restatement on unaudited condensed consolidated financial statements as of December 31, 2008 and March 31, 2009 and for the three-month periods ended March 31, 2009 and 2008.

Condensed Consolidated Statement of Operations for the three months ended March 31, 2009:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Revenue:			
Products	\$ 44,566		\$ 44,566
Services	12,975	\$ (208)	12,767
Total revenue	<u>57,541</u>	<u>(208)</u>	<u>57,333</u>
Cost of products and services:			
Products	36,122		36,122
Services	8,934	(26)	8,908
Total cost of products and services	<u>45,056</u>	<u>(26)</u>	<u>45,030</u>
Gross profit	12,485	(182)	12,303
Selling, general and administrative expenses	12,736	(8)	12,728
Operating loss	(251)	(174)	(425)
Interest and other income, net	12		12
Loss from continuing operations before income taxes	(239)	(174)	(413)
Income tax expense	51	(1)	50
Net loss from continuing operations	(290)	(173)	(463)
Loss from discontinued operations, net of income taxes	(39)		(39)
Net loss	<u>\$ (329)</u>	<u>\$ (173)</u>	<u>\$ (502)</u>
Net loss per share:			
Basic:			
Loss from continuing operations	\$ (0.03)	\$ (0.02)	\$ (0.05)
Loss from discontinued operations, net of income taxes	(0.01)		(0.01)
Net loss per share	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.06)</u>
Diluted:			
Loss from continuing operations	\$ (0.03)	\$ (0.02)	\$ (0.05)
Loss from discontinued operations, net of income taxes	(0.01)		(0.01)
Net loss per share	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.06)</u>
Shares used in computing net loss per share:			
Basic	<u>8,706,210</u>		<u>8,706,210</u>
Diluted	<u>8,706,210</u>		<u>8,706,210</u>

Condensed Consolidated Balance Sheet at March 31, 2009:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Current Assets:			
Cash and cash equivalents	\$ 8,681		\$ 8,681
Accounts receivable, net	46,710	\$ (208)	46,502
Inventory, net	2,745		2,745
Other current assets	<u>1,562</u>		<u>1,562</u>
Total current assets	59,698	(208)	59,490
Property and equipment, net	4,998		4,998
Goodwill	12,751		12,751
Intangible and other assets, net	<u>1,667</u>		<u>1,667</u>
Total assets	<u>\$ 79,114</u>	<u>\$ (208)</u>	<u>\$ 78,906</u>
Current Liabilities:			
Notes payable	\$ 84		\$ 84
Current portion of capital lease obligations	191		191
Accounts payable	36,620	\$ (31,512)	5,108
Floor plan financing	—	31,512	31,512
Accrued expenses	6,885	(21)	6,864
Other current liabilities	<u>783</u>	<u>(1)</u>	<u>782</u>
Total current liabilities	<u>44,563</u>	<u>(22)</u>	<u>44,541</u>
Long-term Liabilities:			
Long-term portion of capital lease obligations	308		308
Other long-term liabilities	<u>317</u>		<u>317</u>
Total long-term liabilities	<u>625</u>		<u>625</u>
Stockholders' Equity:			
Common stock	88		88
Additional paid-in capital	51,350	63	51,413
Accumulated deficit	<u>(17,512)</u>	<u>(249)</u>	<u>(17,761)</u>
Total stockholders' equity	<u>33,926</u>	<u>(186)</u>	<u>33,740</u>
Total liabilities and stockholders' equity	<u>\$ 79,114</u>	<u>\$ (208)</u>	<u>\$ 78,906</u>

Consolidated Balance Sheet at December 31, 2008:

	December 31, 2008		
	As Previously Reported	Restatement Adjustment	As Restated
Current Assets:			
Cash and cash equivalents	\$ 10,937		\$ 10,937
Accounts receivable, net	52,866		52,866
Inventory, net	2,406		2,406
Other current assets	1,275		1,275
Total current assets	67,484		67,484
Property and equipment, net	5,207		5,207
Goodwill	12,751		12,751
Intangible and other assets, net	1,852		1,852
Total assets	<u>\$ 87,294</u>	<u>\$ —</u>	<u>\$ 87,294</u>
Current Liabilities:			
Accounts payable	\$ 45,172	\$ (40,002)	\$ 5,170
Floor plan financing	—	40,002	40,002
Accrued expenses	6,873	26	6,899
Current portion of capital lease obligations	77		77
Notes payable	91		91
Other current liabilities	1,072		1,072
Total current liabilities	<u>53,285</u>	<u>26</u>	<u>53,311</u>
Long-term Liabilities:			
Long-term portion of capital lease obligations	163		163
Other long-term liabilities	250		250
Total long-term liabilities	<u>413</u>		<u>413</u>
Stockholders' Equity:			
Common stock	87		87
Additional paid-in capital	50,692	50	50,742
Accumulated deficit	(17,183)	(76)	(17,259)
Total stockholders' equity	<u>33,596</u>	<u>(26)</u>	<u>33,570</u>
Total liabilities and stockholders' equity	<u>\$ 87,294</u>	<u>\$ —</u>	<u>\$ 87,294</u>

Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2009:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (329)	\$ (173)	\$ (502)
Adjustments to reconcile net loss to net cash used in operating activities:			
Net income from discontinued operations	39		39
Depreciation and amortization	727		727
Share-based compensation expense	580	13	593
Loss on retirement of assets	22		22
Bad debt expense	(5)		(5)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	6,161	208	6,369
Inventory	(339)		(339)
Accounts payable	(8,552)	8,490	(62)
Other assets and liabilities	(487)	(48)	(535)
Net cash (used in) provided by operating activities	<u>(2,183)</u>	<u>8,490</u>	<u>6,307</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Select, Inc. purchase price adjustments	—		—
Capital expenditures	(125)		(125)
Net cash used in investing activities	<u>(125)</u>		<u>(125)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments under floor plan financing, net	—	(8,490)	(8,490)
Proceeds from issuance of common stock under employee stock purchase plan	167		167
Proceeds from other short-term borrowings	—		—
Exercise of stock options	—		—
Excess tax benefits from stock option exercises	—		—
Purchase of common stock	(66)		(66)
Purchase of treasury stock resulting from grantee election	(22)		(22)
Payments on notes payable and capital lease obligations	(27)		(27)
Net cash provided by (used in) financing activities	<u>52</u>	<u>(8,490)</u>	<u>(8,438)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,256)		(2,256)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,937		10,937
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 8,681</u>	<u>\$ —</u>	<u>\$ 8,681</u>

Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2008:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 1,011		\$ 1,011
Adjustments to reconcile net income to net cash used in operating activities:			
Net (income) from discontinued operations	(4)		(4)
Depreciation and amortization	520		520
Share-based compensation expense for employee stock options, stock grants, and employee stock purchase plan	312		312
Excess tax benefits from stock option exercises	—	\$ (601)	(601)
Loss on retirement of assets	15		15
Bad debt expense	(45)		(45)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(119)		(119)
Inventory	(167)		(167)
Accounts payable	(1,746)	1,826	80
Other assets and liabilities	144	554	698
Net cash (used in) provided by operating activities	<u>(79)</u>	<u>1,779</u>	<u>1,700</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of Select, Inc. purchase price adjustments	(54)		(54)
Capital expenditures	(563)		(563)
Net cash used in investing activities	<u>(617)</u>		<u>(617)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments under floor plan financing, net	—	(1,779)	(1,779)
Proceeds from issuance of common stock under employee stock purchase plan	—		—
Proceeds from other short-term borrowings	251		251
Exercise of stock options	403		403
Excess tax benefits from stock option exercises	601		601
Purchase of common stock	(1,536)		(1,536)
Purchase of treasury stock resulting from grantee election	(3)		(3)
Payments on notes payable and capital lease obligations	(124)		(124)
Net cash used in financing activities	<u>(408)</u>	<u>(1,779)</u>	<u>(2,187)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,104)		(1,104)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,340		9,340
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 8,236</u>	<u>\$ —</u>	<u>\$ 8,236</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is qualified in its entirety by, and should be read in conjunction with, our consolidated financial statements, including the notes thereto included elsewhere in this Quarterly Report on Form 10-Q/A and our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2008, as previously filed with the Securities and Exchange Commission. Amounts are presented in thousands except for share and per share data.

Special notice regarding forward-looking statements

This quarterly report on Form 10-Q/A contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to future events or our future financial performance. Readers are cautioned that any statement that is not a statement of historical fact including, but not limited to, statements which may be identified by words including, but not limited to, "anticipate," "appear," "believe," "could," "estimate," "expect," "hope," "indicate," "intend," "likely," "may," "might," "plan," "potential," "seek," "should," "will," "would," and other variations or negative expressions thereof, are predictions or estimations and are subject to known and unknown risks and uncertainties. Numerous factors, including factors that we have little or no control over, may affect INX's actual results and may cause actual results to differ materially from those expressed in the forward-looking statements contained herein. In evaluating such statements, readers should consider the various factors identified in our Annual Report on Form 10-K/A for our fiscal year ended December 31, 2008, as filed with the Securities and Exchange Commission including the matters set forth in Item 1A. — "Risk Factors," which could cause actual events, performance or results to differ materially from those indicated by such statements.

Restatement

On August 12, 2009, management of the Company in consultation with the Audit Committee of the Board of Directors, determined that the our financial statements included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009 required restatement. This determination was made following a review of the following:

- During the performance of a routine internal audit, a computational error was discovered in the calculation of services revenue and related commission expense affecting the fiscal quarter ended March 31, 2009. We determined that correction of the error will result in an increase in its previously reported net loss of approximately \$186 (\$0.02 per share). The correction has no effect on the previously reported Statement of Cash Flows.
- We previously presented our floor plan financing balances as trade accounts payable because we believed that our principal vendor had a substantial investment in the floor plan financing company. During the preparation of our Quarterly Report on Form 10-Q for the period June 30, 2009, we became aware that the principal vendor had no ownership interest in its floor plan financing company. Consequently, we are correcting our presentation of the floor plan balances in our Balance Sheets from trade accounts payable to floor plan financing and the related amounts in our Statements of Cash Flows from operating activities to financing activities. The error affects our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009. The correction of the error has no effect on the previously reported statements of operations. There is no impact to our current liabilities or total liabilities as a result of this reclassification as of December 31, 2008 or as of March 31, 2009 and 2008.
- In addition to the aforementioned corrections, we are recording certain immaterial adjustments that decrease pre-tax expense by \$13 for the three-month period ended March 31, 2009.

The effect of the aforementioned corrections on the condensed consolidated financial statements as of March 31, 2009 and December 31, 2008 and for the three months ended March 31, 2009 and 2008 are more fully described in Note 10 of the Notes to Condensed Consolidated Financial Statements. The "Results of Operations" and "Liquidity and Capital Resources" sections of this Item 2 has been restated to reflect the impact of the aforementioned errors.

Results Of Operations

Period Comparisons. The following tables set forth, for the periods indicated, certain financial data derived from our condensed consolidated statements of operations. Percentages shown in the table below are percentages of total revenue, except for the products and services components of gross profit, which are percentages of the respective product and service revenue.

Three Months Ended March 31, 2009 Compared To the Three Months Ended March 31, 2008

	Three Months Ended March 31,			
	2009		2008	
	Amount	%	Amount	%
	(As Restated, Note 10)			
Revenue:				
Products	\$ 44,566	77.7	\$ 50,491	84.7
Services	12,767	22.3	9,152	15.3
Total revenue	57,333	100.0	59,643	100.0
Gross profit:				
Products	8,444	18.9	9,207	18.2
Services	3,859	30.2	2,940	32.1
Total gross profit	12,303	21.5	12,147	20.4
Selling, general and administrative expenses	12,728	22.2	10,384	17.4
Operating (loss) income	(425)	(0.7)	1,763	3.0
Interest and other income (expense), net	12	—	(73)	(0.2)
Income tax expense	50	0.1	683	1.1
Net (loss) income from continuing operations	(463)	(0.8)	1,007	1.7
(Loss) income from discontinued operations, net of income taxes	(39)	(0.1)	4	—
Net (loss) income	\$ (502)	(0.9)	\$ 1,011	1.7

Revenue. Total revenue decreased by \$2,310, or 3.9%, to \$57,333 from \$59,643. Products revenue decreased \$5,925, or 11.7% to \$44,566 from \$50,491. The decrease in products revenue was primarily due to our markets becoming increasingly affected by the continuing macroeconomic downturn in the United States. We experienced lower revenue in the Northwest Region, National Division, Southwest Region, and Gulf Coast Region, partially offset by revenue from newly acquired locations in the New England Region and Northern California Region and increased products revenue from large projects in the Southern California and North Texas Regions. Services revenue increased \$3,615 or 39.5% to \$12,767 from \$9,152. Services revenue increased in the majority of our Regions, led by increases in the Federal Division, Central Texas Region, Southwest Region, and Southern California Region, and the newly acquired locations in the New England Region and Northern California Region.

Gross Profit. Total gross profit increased by \$156, or 1.3%, to \$12,303 from \$12,147. Gross profit as a percentage of revenue increased to 21.5% from 20.4%, due to higher products revenue margins and substantially higher 2009 services revenues as a percent of total revenues. Gross profit on the products sales component decreased \$763 or 8.3%, to \$8,444 from \$9,207 and, as a percentage of sales, increased to 18.9% from 18.2%. Gross profit on services revenue increased \$919 or 31.3% to \$3,859 from \$2,940 and gross profit as a percent of services revenue decreased to 30.2% from 32.1%. The services gross margin in both periods was within our target range of 30 to 35%.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$2,344, or 22.6% to \$12,728 from \$10,384. As a percentage of total revenue, these expenses increased to 22.2% in 2009 versus 17.4% in 2008. Increased 2009 expenses reflect selling, general and administrative expenses of the operations acquired in the NetTeks, AccessFlow, and VocalMash acquisitions, additional sales and administrative personnel costs from headcount increases, and substantially higher audit and tax costs.

Operating (Loss) Income. Operating income decreased \$2,188 to a loss of \$425 from income of \$1,763, primarily due to lower sales and proportionately higher selling, general and administrative expenses partially offset by higher gross margins.

Interest and Other Income (Expense), Net. Interest and other income (expense), net, changed by \$85 to income of \$12 from expense of \$73, primarily due to the elimination of borrowings under our senior credit facility in June 2008.

Income Tax Expense. Income tax expense decreased by \$633 to \$50 from \$683, primarily due to lower 2009 pretax income. An income tax benefit was not recognized for the 2009 loss due to the corresponding valuation allowance recorded as discussed further under “*Deferred Tax Assets*” below.

Net (Loss) Income. Net income decreased \$1,513 to a loss of \$502 from income of \$1,011, primarily due to lower sales and proportionately higher selling, general and administrative expenses partially offset by higher gross margins and lower income tax expense.

Tax Loss Carryforward. Because of our operating losses in 2003, 2005, 2006 and 2008, and exercises of stock options, we have accumulated a net operating loss carryforward for federal income tax purposes that, at March 31, 2009, was approximately \$2,540. Since United States tax laws limit the time during which an NOL may be applied against future taxable income and tax liabilities, we may not be able to take full advantage of our NOL carryforward for federal income tax purposes. The carryforward will expire during the period 2023 through 2026 if not otherwise used. A change in ownership, as defined by federal income tax regulations, could significantly limit the company’s ability to utilize its carryforward.

As a result of the adoption of SFAS 123(R), we recognize tax benefits associated with the exercise of stock options directly to stockholders’ equity only when realized. Accordingly, deferred tax assets are not recognized for net operating loss carryforwards resulting from windfall tax benefits. A windfall tax benefit occurs when the actual tax benefit realized upon an employee’s disposition of a share-based award exceeds the cumulative book compensation charge associated with the award. At March 31, 2009, windfall tax benefits included in NOL carryforward but not reflected in deferred tax assets are \$2,540.

Deferred Tax Assets. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences, as determined pursuant to SFAS No. 109, “Accounting for Income Taxes,” become deductible. Management considers the reversal of deferred tax liabilities, projected future income, and tax planning strategies in making this assessment. Management’s evaluation of the realizability of deferred tax assets must consider both positive and negative evidence. The weight given to the potential effects of positive and negative evidence is based on the extent to which it can be objectively verified. During the fourth quarter of 2008 and in the first quarter of 2009, we recorded a valuation allowance related to the net operating loss carryforwards and other temporary items as we determined it is more likely than not that we will not be able to use the assets to reduce future tax liabilities.

Liquidity and Capital Resources

Sources of Liquidity

Our principal sources of liquidity are collections from our accounts receivable and our credit facility with Castle Pines Capital LLC (the “Credit Facility”), which we believe are sufficient to meet our short-term and long-term liquidity requirements. We use the Credit Facility to finance the majority of our purchases of inventory and to provide working capital when our cash flow from operations is insufficient. Our working capital increased to \$14,949 at March 31, 2009 from \$14,173 at December 31, 2008, primarily due to improved collections of accounts receivable and lower products revenues as a percent of total revenues.

The total Credit Facility is \$60,000 with an additional \$10 million credit facility specifically for acquisitions (“Acquisition Facility”). Substantially all of our assets are pledged as collateral under the Credit Facility. Advances under the Acquisition Facility are specific to each acquisition and subject to approval by CPC based on pre-established criteria. There were no borrowings under the Acquisition Facility outstanding at March 31, 2009.

As of March 31, 2009, borrowing capacity and availability were as follows:

Total Credit Facility	\$ 60,000
Borrowing base limitation	(22,960)
Total borrowing capacity	37,040
Less interest-bearing borrowings	—
Less non-interest bearing advances	(31,512)
Total unused availability	<u>\$ 5,528</u>

In addition to unused borrowing availability, liquidity at March 31, 2009 included our cash balance of \$8,681. The “unused availability” is the amount not borrowed, but eligible to be borrowed. The borrowing base restrictions generally restrict our borrowings under the Credit Facility to 85% of the eligible receivables, 100% of our floorplanned inventory and 75% of Cisco vendor rebates receivable.

We use the Credit Facility to finance purchases of Cisco products from Cisco and from certain wholesale distributors. Cisco provides 60-day terms, and other wholesale distributors typically provide 30-day terms. Balances under the Credit Facility that are within those respective 60-day and 30-day periods (the “Free Finance Period”) do not accrue interest and are classified as floor plan financing in our balance sheet. To the extent that we have credit availability under the Credit Facility, it gives us the ability to extend the payment terms past the Free Finance Period. Amounts extended past the Free Finance Period accrue interest and are classified as notes payable on our balance sheet, for which there was no balance outstanding at either March 31, 2009 or December 31, 2008. The interest rate of the Credit Facility is the prime rate plus 0.5% (3.75% at March 31, 2009) and the interest rate of the Acquisition Facility is the prime rate plus 2.0% (5.25% at March 31, 2009).

As defined in the Credit Facility there are restrictive covenants measured at each quarter and year-end regarding minimum tangible net worth, maximum debt to tangible net worth ratio, minimum working capital and a minimum current ratio. At March 31, 2009, we were in compliance with the loan covenants and we anticipate that we will be able to comply with the loan covenants during the next twelve months. If we violate any of the loan covenants, we would be required to seek waivers from CPC for those non-compliance events. If CPC refused to provide waivers, the amount due under the Credit Facility could be accelerated and we could be required to seek other sources of financing.

Cash Flows. During the three months ended March 31, 2009, our cash decreased by \$2,256. Operating activities provided cash of \$6,307, investing activities used \$125, and financing activities used \$8,438.

Operating Activities. Operating activities provided \$6,307 in the three months ended March 31, 2009, as compared to providing cash of \$1,700 in the comparable 2008 period. During the three months ended March 31, 2009, net income and noncash adjustments to net income provided cash of \$874 and changes in asset and liability accounts provided cash of \$5,433, primarily due to reduced accounts receivable resulting from lower sales.

Investing Activities. Investing activities used \$125 in the three months ended March 31, 2009, compared to \$617 used during the comparable period in 2008. Our investing activities primarily consisted of capital expenditures of \$125 in 2009 and \$563 in 2008. Capital expenditures in both years were primarily related to purchases of computer equipment and software, and to a lesser degree, leasehold improvements. During the next twelve months, we do not expect to incur significant capital expenditures requiring cash, except for acquisitions, of which we cannot predict the certainty or magnitude.

Financing Activities. Financing activities used \$8,438 in the three months ended March 31, 2009, as compared to using \$2,187 in the comparable period in 2008. Funds used in the three months ended March 31, 2009 were primarily from net payments under the floor plan financing (\$8,490). The funds used in the comparable 2008 period were primarily from net payments under the floor plan financing (\$1,779) and to purchase common stock under the common stock repurchase program discussed in Part II, Item 2 (\$1,536), partially offset by cash generated from the exercise of stock options (\$403) and excess tax benefits from stock option exercises (\$601).

Item 4T. Controls and Procedures

Evaluation of Disclosure Controls and Procedures (Restated)

In our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, originally filed on May 12, 2009, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) to the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) were effective as of March 31, 2009. In connection with our decision to restate our Quarterly Report on Form 10-Q for the three month period ended March 31, 2009, as described in Note 10 to the condensed consolidated financial statements of this Form 10-Q/A, our management, including our Chief Executive Officer and Chief Financial Officer, performed a reevaluation and concluded that our disclosure controls and procedures were not effective as of March 31, 2009 as a result of the material weaknesses in our internal control over financial reporting as discussed below.

Material Weaknesses in Internal Control over Financial Reporting and Status of Remediation Efforts

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected in a timely basis.

We did not maintain effective internal controls over the review of the services revenue accrual. Specifically, during the three months ended June 30, 2009, a computational error was discovered in the calculation of the services revenue accrual at March 31, 2009. Because of this deficiency, the services revenue accrual was overstated for the period ended March 31, 2009, by approximately \$208,000, as more fully described in Note 10 to the condensed consolidated financial statements and which required a restatement of our condensed consolidated financial statements for the three months ended March 31, 2009. Management has concluded that this deficiency represents a material weakness in internal control over financial reporting as of March 31, 2009.

We did not maintain effective controls over the application, monitoring and reporting of the appropriate accounting policies related to non-standard financing contracts. Specifically, we did not consider or validate the significant facts and assumptions underlying our accounting conclusions related to the floor plan financing arrangement in a timely manner. This deficiency, which was identified during the three months ended June 30, 2009, resulted in an error in the classification of our amounts payable under the floor plan financing arrangement and which resulted in a restatement of our consolidated balance sheets as of December 31, 2008 and 2007 and March 31, 2009 and the related consolidated statements of cash flows for the three year periods ended December 31, 2008 and three months ended March 31, 2009, as more fully described in Note 10 to the condensed consolidated financial statements included in the Form 10-Q for the quarter ended June 30, 2009. This deficiency represents a material weakness in internal control over financial reporting as of December 31, 2008.

We did not maintain effective controls over the approval of modified grants of stock options and restricted stock in accordance with incentive plan provisions and the related application, monitoring and reporting of the appropriate accounting policies. Specifically, we did not obtain approval of the Compensation Committee for modified grants of stock options and restricted stock in accordance with the requirements of the INX Incentive Plan. We did not properly apply generally accepted accounting principles to modified grants of stock options and restricted stock in a timely manner. This deficiency, which was identified during the three months ended June 30, 2009, resulted in an error in share-based compensation expense recognized as reflected in the restatement of our consolidated balance sheets as of December 31, 2008 and March 31, 2009 and the related consolidated statements of operations and cash flows for the year ended December 31, 2008 and three months ended March 31, 2009, as more fully described in Note 10 to the condensed consolidated financial statements included in Form 10-Q for the quarter ended June 30, 2009. This deficiency represents a material weakness in internal control over financial reporting as of December 31, 2008.

In light of the material weaknesses described above, we performed additional analysis and other post-closing procedures to ensure that our financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, we believe that the financial statements included in this report fairly present in all material respects, our financial condition, results of operations, changes in shareholder's equity and cash flows for the periods presented.

Management's Remediation Initiatives

To address the aforementioned material weakness in internal control related to the calculation of our service revenue accrual we have implemented or expect that our remediation efforts will include, but not be limited to, the following:

- Require the final services revenue accrual report be compared and validated against the report subjected to detailed review and for this comparison to be subjected to supervisory review;
- Modify access to underlying project reports to prevent changes to project data.

To address the aforementioned material weakness in internal control related to the review over the application and monitoring and reporting of the appropriate accounting policies related to non-standard financing contracts, our remediation efforts will include, but not be limited to, the following:

- Consider, validate and document all significant facts and assumptions underlying our accounting conclusions related to such financing arrangement on a quarterly basis.

To address the aforementioned material weakness in internal control related to the controls over the approval of modified grants of stock options and restricted stock and the related application, monitoring and reporting of the appropriate accounting policies, our remediation efforts will include, but not be limited to, the following:

- Submit any proposed grant modifications to the Compensation Committee or its properly authorized designee for approval and properly apply generally accepted accounting principles to such modified grants.

We anticipate these actions will improve our internal control over financial reporting and will address the related material weaknesses identified. However, because the institutionalization of the internal control process requires repeatable process execution, and because these controls rely extensively on manual review and approval, the successful execution of these controls, for at least several periods, may be required prior to management being able to definitively conclude that the material weaknesses has been fully remediated.

Changes in Internal Control over Financial Reporting

As described above with respect to the material weaknesses identified, there have been changes in our internal control over financial reporting during the quarter ended March 31, 2009 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 9 to condensed consolidated financial statements in Part I, Item 1, which is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table provides information regarding purchases by the Company of its common stock during the first quarter ended March 31, 2009:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Amount of Shares That May yet be Purchased Under the Plans or Programs</u>
January 1 to January 31, 2009	1,500	\$ 4.87	1,500	\$ 1,999
February 1 to February 29, 2009	2,200	\$ 4.77	2,200	1,996
March 1 to March 31, 2009	15,766	\$ 3.04	15,766	None
Total	<u>19,466</u>	<u>\$ 3.37</u>	<u>19,466</u>	

On September 10, 2008, the Board of Directors authorized a common stock repurchase plan of up to \$2,000 of the Company's common stock on or before December 31, 2008. The purchases were required to be made in open market or privately negotiated transactions in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended, subject to market and business conditions, applicable legal requirements and other factors. The plan also requires the purchased shares to be retired as soon as practicable following the purchase. The plan did not obligate the Company to purchase any particular amount of common stock and could be suspended at any time at the Company's discretion. On December 3, 2008, the Board of Directors modified the existing common stock repurchase plan, authorizing the repurchase of \$2,000 during the period January 1, 2009 to March 31, 2009. During the three-month period ended March 31, 2009, 19,466 shares were purchased for \$66. The repurchase plan expired on March 31, 2009.

Item 6. Exhibits

See exhibit list in the Index to Exhibits, which is incorporated herein by reference as the list of exhibits required as part of this report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INX Inc.

Date: September 2, 2009

By: /s/ BRIAN FONTANA
Brian Fontana, Vice President
and Chief Financial Officer

Index to Exhibits

ExhibitNo.	Description	Filed Herewith or Incorporated by Reference From:
10.1	Renewal Amendment, effective February 11, 2009, to the Systems Integrator Agreement by and between Cisco Systems, Inc. and Internetwork Experts, Inc. dated November 13, 2001	Exhibit 10.1 to Form 10-Q filed May 12, 2009.
10.2	2009 INX Named Executive Compensation Plan	Exhibit 10.2 to Form 10-Q filed May 12, 2009.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer	Filed herewith.
32.1	Section 1350 Certification of Principal Executive Officer	Filed herewith.
32.2	Section 1350 Certification of Principal Financial Officer	Filed herewith.

Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer

I, James H. Long, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of INX Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 2, 2009

By: /s/ JAMES H. LONG
James H. Long,
Chief Executive Officer

Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer

I, Brian Fontana, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of INX Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 2, 2009

By: /s/ BRIAN FONTANA
Brian Fontana, Vice President
and Chief Financial Officer

Section 1350 Certification of Principal Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of INX Inc. (the "Company") on Form 10-Q/A for the period ended March 31, 2009 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, James H. Long, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMES H. LONG

James H. Long
Chief Executive Officer

September 2, 2009

Section 1350 Certification of Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of INX Inc. (the "Company") on Form 10-Q/A for the period ended March 31, 2009 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Brian Fontana, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ BRIAN FONTANA

Brian Fontana, Vice President
and Chief Financial Officer

September 2, 2009