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Research Note

Investors should consider this report as only a single factor in making their investment decision.

INX Inc.

Rating: Speculative Buy

Luis Martins

INXI \$4.89 (NASDAQ)

January 21, 2009

	<u>FY2005A*</u>	<u>FY2006A</u>	<u>FY2007A</u>	<u>FY2008E**</u>	<u>FY2009E**</u>
Revenues (Thousands)*	\$107,319	\$156,013	\$207,967	\$261,076	\$281,667
Earnings (loss) per share**	\$(1.38)	\$0.16	\$0.47	\$0.21	\$0.45

52-Week Range	\$13.50 – 4.20	Fiscal Year Ends	December
Shares Outstanding	8.7 million	Revs/Share (TTM)	\$29.05
Approximate Float	6.8 million	Price/Sales(TTM)	0.2X
Market Capitalization	\$43 million	Price/Sales(2009)E	0.2X
Tangible Book Value/Share	\$2.70	Price/Earnings(TTM)	10.6X
Price/Tangible book	1.8X	Price/Earnings(2009)E	10.9X

* FY 2005 includes a \$5.7 million non-cash expense included in SG&A

** Assuming 42% effective tax rate/GAAP EPS

INX Inc. (NASDAQ: INXI) is a network consulting and solutions provider focusing on unified communications and data center virtualization solutions for enterprise organizations.

Key Investment Considerations:

We are maintaining our Speculative Buy rating on the shares of INXI. However, we are reducing our 12-month price target to \$7.15 per share from \$9.00 per share due to adjusted valuation multiples.

On December 8, 2008, INX announced the acquisition of VocalMash, an application integration company that utilizes Web 2.0 technologies to integrate unified communications systems with other enterprise applications. On November 18, 2008, INX announced the acquisition of NetTeks Technology Consultants, Inc., a Boston, Massachusetts-based network consulting organization with offices in downtown Boston and Glastonbury, Connecticut.

On January 7, 2009, INXI updated its public guidance for fourth quarter of 2008 and provided additional details about its business and operations going forward. 4Q08 revenues are expected to be in the low to mid range of its previous revenue guidance of \$61 and \$68 million. Gross and operating margins are expected to be under some pressure over the next few quarters due to the Company's plan to increase market share and expand into additional practice areas. In December 2008, INXI implemented a 7.5% staff reduction which is expected to save the Company \$1.2 million or \$0.14 per share per quarter, starting in the first quarter of 2009.

We are adjusting our estimates for 2008 and 2009 due to recent Management guidance and market conditions. Our revised 2008 forecast calls for GAAP EPS of \$0.21 per diluted share, on revenues of \$261.1 million. Our prior forecast called for \$0.30 per diluted share, on revenues of \$261.1 million. Our revised 2009 forecast calls for GAAP EPS of \$0.45 per diluted share, on revenues of \$281.7 million. Our prior forecast called for \$0.39 per diluted share, on revenues of \$281.7 million.

** Please view our disclaimer located on page 10.*

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Company Overview

INX Inc. (NASDAQ: INXI), formerly known as I-Sector Corp., was founded in 1983 in Texas. The Company is a network consulting and solutions provider focusing on unified communications and data center virtualization solutions for enterprise organizations. Customers include corporations, schools and federal, state and local governmental agencies.

INXI offers a complete range of products and services for Cisco-centric IP telephony solutions that support the entire life-cycle (design, implementation, and support) of enterprise IP network communications and data center infrastructure, including a full suite of convergence solutions and network infrastructure products. INX is focused on providing end-to-end solutions in this space, providing hardware, professional services, applications, and managed services.

Over the past few years, the Company expanded its offices and staff. As of the end of the third quarter, the Company had 15 offices located in Texas (5), California (2), Idaho (1), Massachusetts (1), New Mexico (1), Oklahoma (1), Oregon (2), Washington (1), and Washington DC (1). The Company has made a number of key acquisitions as part of its strategic expansion plans. To date, these acquisitions have contributed excellent financial performance and provided the Company with an expanded footprint. Management anticipates further strategic acquisitions.

Recent Developments –Recent Acquisitions

On December 8, 2008, INX announced the acquisition of VocalMash, an application integration company that utilizes Web 2.0 technologies to integrate unified communications systems with other enterprise applications.

The terms of the acquisition called for 60,000 shares of INX common stock at closing (which occurred on December 4). Additionally, there is a contingent purchase consideration of up to a maximum of approximately \$0.380 million based on the achievement of certain performance targets for operating income contribution from the acquired operations during the first calendar year following the transaction.

On November 18, 2008, INX announced that it closed on the acquisition of NetTek's Technology Consultants, Inc., a Boston, Massachusetts-based network consulting organization with offices in downtown Boston and Glastonbury, Connecticut. At closing, INX paid \$1.35 million in cash and 30,770 common shares. Additional contingent purchase consideration of up to a maximum of approximately \$2.8 million is based on the achievement of certain performance targets for operating income contribution from the acquired operations during the first two years following the transaction.

NetTek's, with \$12.7 million in revenues for the 12 months ended September 30, 2008, is focus on network solutions and has built a strong reputation for delivering highly complex network solutions that are tailored to the business needs of their more than 200 clients. The company, an award winning Cisco Silver and Managed Services Certified Partner, was an early entrant in the Cisco Unified Communications market and has a great depth of experience in architecting, deploying and supporting Unified Communications solutions. The company had 32 employees of which 22 are services delivery personnel.

The current management of NetTek's will continue to operate the acquired NetTek's operations as part of INX's expanded New England operations.

On June 9, 2008, INX Inc. announced that it acquired AccessFlow, Inc., based in Sacramento, California, for \$5.87 million in cash and stock plus earn outs based on the next two years' performance. AccessFlow is a consulting organization focused on delivering VMware-based virtualization solutions. According to the Company, the acquisition allows for INXI to gain a very complementary focused virtualization practice area,

as well as a company that has achieved recognition and distinction in the industry and from its key partner, VMware.

Recent Developments –Guidance & Order Flow

On January 7, 2009 (at an investor conference), INXI updated its guidance for the fourth quarter of 2008 and provided additional details about its business and operations going forward. Among the things Management stated were:

- 4Q08 revenues are expected to be in the low to mid-range of its previous revenue guidance of \$61 and \$68 million;
- Gross and operating margins are expected to be under some pressure over the next few quarters due to the Company’s plan to increase market share and expand into additional practice areas;
- Implemented a 7.5% staff reduction in December 2008, which is expected to save the Company \$1.2 million or \$0.14 per share per quarter, starting in the first quarter of 2009. However, selected hiring of sales and engineering professionals may reduce anticipated savings;
- The restructuring charge from the staff reductions is expected to result in a \$0.230 million or \$0.026 per share charge in the fourth quarter of 2008;
- Management is positioning the Company for a higher content of “data center” oriented business as compared to “unified communications” business; and
- Organic order bookings for the three months of the fourth quarter were as follows: October was down 26%; November was flat; December was up 44%. In December 2008 and January 2009, Management announced a number of contracts which would lead us to believe that customer demand is alive.

Recent Developments –Stock Buyback

On December 9, 2008, INXI Board increased the aggregate dollar amount of common shares that may be repurchased under a buyback plan approved on September 9, 2008 from \$2 million to \$4 million. Also, INXI extended the period through which repurchases may be made to March 31, 2009 from December 31, 2008. Through December 8, 2008, the Company had repurchased 235,588 shares for an aggregate purchase price of \$1.475 million, or an average price of \$6.26 per share.

Outlook & Projections

We are adjusting our estimates for 2008 and 2009 due to recent Management guidance and market conditions.

Our revised 2008 forecast calls for GAAP EPS of \$0.21 per diluted share, on revenues of \$261.1 million. Our prior forecast called for \$0.30 per diluted share, on revenues of \$261.1 million. Of note, our revised forecast would mean that we project the Company to report a loss in the fourth quarter of 2008 of \$0.676 million or \$(0.07) per share (inclusive of a \$0.230 million restructuring charge). This would be the first quarterly loss since the first quarter of 2006.

Our revised 2009 forecast calls for GAAP EPS of \$0.45 per diluted share, on revenues of \$281.7 million. Our prior forecast called for \$0.39 per diluted share, on revenues of \$281.7 million.

Investors should realize that substantially all the income tax expense recorded in 2008 and a good portion in 2009 will be non-cash stemming from \$1.3 million net operating loss carry-forwards as of September 30, 2008.

Gross and operating margins for 2008 and 2009 were adjusted due to market conditions and Management’s comments on recent and anticipated margin trends. S,G,&A expenses for 2009 were adjusted due to cost reduction efforts undertaken during the fourth quarter of 2008.

INX Gross Margin Analysis (%)

Fiscal	Previous	Revised
2008E	19.9%	19.7%
2009E	20.1%	19.1%

INX Operating Margin Analysis (%)

Fiscal	Previous	Revised
2008E	1.8%	1.5%
2009E	2.1%	2.5%

Our revenue model for 2008 and 2009 incorporates:

- Management’s public guidance which was issued on November 6, 2008. As of that date, INXI expected to report fourth quarter revenues of \$61 to \$68 million. Service revenues were expected to remain strong and be in the range of \$10 to \$12 million.

Overall revenue gains of 25% and 8% in 2008 and 2009, respectively. Organic growth is expected from continuing demand for the Company’s product and service offerings. During a recent investor conference, Management highlighted the following trends and factors which it believes will hold up customer demand:

- Unified communications is still in a state of relative infancy;
- Network security issues will continue unabated;
- Growth in network storage capacity, which occurs irrespective of economic conditions, will continue to drive demand for upgrading storage;
- Virtualization of servers has one of the most compelling ROI metrics of any area of IT and often requires an upgrade of the network infrastructure within the datacenter, leading to “data center virtualization”;
- Web 2.0 enterprise applications are moving into the enterprise environment and will increase the use of video in the enterprise, in turn increasing network load; and
- TelePresence video communications solutions are expected to continue to grow as this technology helps save money by reducing travel costs.

Additionally, acquisitions are expected to impact the Company’s revenues. Over the past months, INXI announced three acquisitions, AccessFlow, NetTeks, and VocalMash.

Two important factors in our forecast are economic growth and technology spending. As further economic statistics and technology trends develop, we will re-evaluate our assumptions. We will also track key financial and business trends of important partners such as Cisco and VMware. Given the near-term pessimism relative to economic growth and technology spending, it may be probable that during 2009 we may adjust our 2009 estimates to reflect changing views on economic and industry growth.

Risks*Economic Risk*

The Company's financial results depend largely on customer buying cycles, capital spending trends, and the general business outlook of existing and new customers. Recently, there have been numerous indications of a poor macro economic and technology performance. Further adverse indications on these and other key metrics may negatively impact the Company's financial results and equity value.

Acquisition Risk

The Company makes selected acquisitions a part of its business strategy. As part of its stated strategy to emerge as a national IP telephony service provider, Management intends to make further acquisitions. In its latest conference call, Management suggested that there may be acquisitions in the near term. INXI has an excellent track record of integrating past acquisitions. Nevertheless, the performance of recently announced and future acquisitions may be adversely impacted by issues that may come up in the integration process including, differing corporate cultures, customer policies, and management styles. These issues may cause a clash resulting in a lack of synergies and the inability to execute stated goals and financial objectives.

Balance Sheet

The Company's credit facility features a variable interest rate tied to the prime rate. If interest rates rise or INXI becomes increasingly indebted, debt service will increase. This will adversely impact the Company's financial results.

The Company uses its 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 the 60-day period do not accrue interest and are classified as accounts payable on its balance sheet.

Dependency on Cisco Systems

The Company has aligned itself with Cisco Systems. An overwhelming majority of revenues are derived from the sale of Cisco products, network products and related services. As a result, INXI's success is dependent on its ongoing relationship with Cisco and business decisions made by Cisco (including those relative to its sales incentive programs).

While Cisco Systems (NYSE: CSCO) is one of leading players in IP hardware, other companies such as Nortel (NYSE: NT), Avaya, Alcatel Lucent (NYSE: ALU), and Siemens (NYSE: SI), have a competitive market share. Although INXI and Cisco believe that Cisco-based systems will continue to gain market acceptance, there can be no assurance that Cisco-centric systems will continue to be held in high regard by the marketplace.

Investors should note that INX participates in a vendor incentive program under which incentives are principally earned by sales volume, sales growth and customer satisfaction levels. The amounts earned under these programs are accrued when they are deemed probable and can be reasonably measured; otherwise, they are recorded when they are declared by the vendor or the cash is received, whichever is earlier. As a result of these estimates, the amount of rebates declared by the vendor, or the amount of rebates received in cash, the effect of vendor incentives on cost of goods can vary significantly between quarterly and annual reporting periods. The incentives are recorded as a reduction of cost of goods and services. Selling, general and administrative expenses are increased for any associated commission expense and payroll tax related to the incentives.

Competition

According to our research, a number of companies provide IP products that may directly or indirectly compete with Cisco's product offerings. Cisco also faces competition from a number of private companies. New entrants into the space, such as Microsoft, may create new competitive dynamics.

The market for IP communications solutions is extremely competitive. The Company believes that it competes directly with such large companies as: Electronic Data Systems (NYSE: EDS), IBM (NYSE: IBM), and AT&T (NYSE: T). According to CSCO's Internet site, many public and private companies have authorizations similar to those of INXI. Other competitors are rapidly deploying assets to compete in the space. Competition occurs on the basis of price, technical competence, the quality of support services, perceptions of the customer regarding financial and operational ability to manage a project and to provide high quality service, and the quality of a competitor's relationship with hardware manufacturers. Some companies may have or may develop greater resources and may be better able to respond to industry changes. Competitors may develop better relationships with Cisco. These factors may adversely impact INXI's financial results and equity value.

Quarterly Fluctuations/Seasonality

Investors should note that the Company's revenues and operating results for any particular quarter may not be indicative of its performance in future quarters, and may be subject to periodic variations and seasonality. A single order from one customer may represent a substantial portion of sales in any one period and significant orders by any customer during one period may not be followed by further orders in subsequent periods.

Growth Management

As the Company becomes increasingly successful, it must meet the challenges associated with growth. If the Company is not successful in meeting these challenges, its business or financial results will be adversely impacted.

Ownership of Stock

Two investors, Jim Long (the Company's Founder, Chairman, and CEO) and Mark Hilz (President and COO) own substantial stakes in INXI. Small investors should be aware that investors with significant stakes can control the outcome of certain shareholder votes. These outcomes may not be in the best interests of all shareholders. If a sizable stake is liquidated in the open market, there could be substantial selling pressure on the shares.

Liquidity

Shares of INXI have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in the stock price. Therefore, risk averse investors should be cautious with shares of INXI. The Company has approximately 6.8 million shares in the float. On average, approximately 18,000 shares are traded daily.

Miscellaneous Risks

The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Valuation & Conclusion

We believe that shares of INXI remain a compelling investment opportunity, particularly for technology oriented investors. **Therefore, we are maintaining our Speculative Buy rating to on the shares of INXI.**

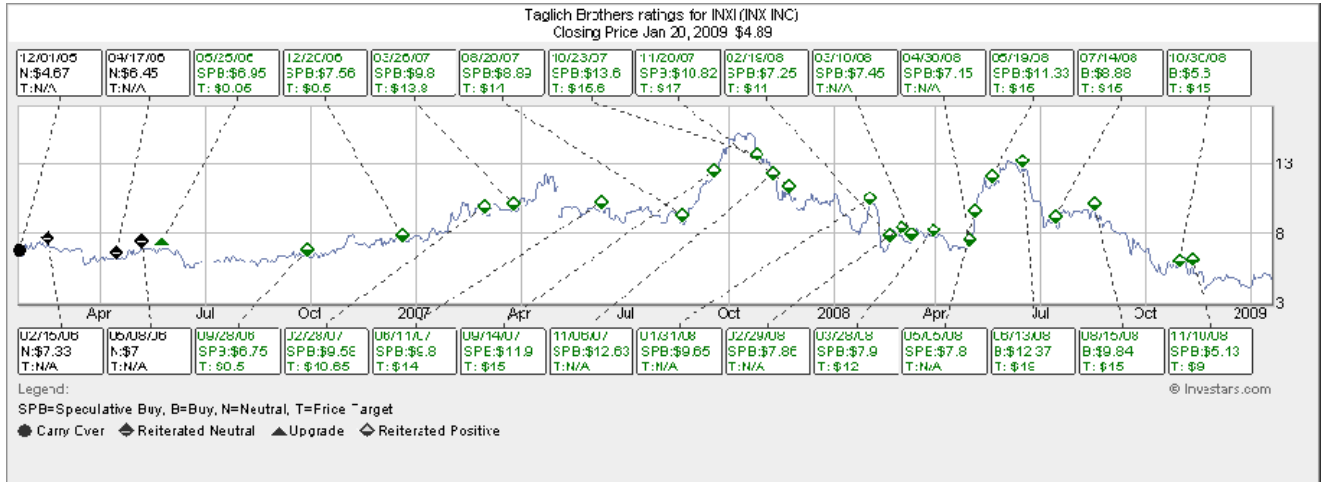
We are reducing our 12-month price target to \$7.15 per share from \$9.00 per share stemming from lower valuation multiples associated with market conditions. Our price target is based on the following:

- A multiple of 16X applied to our estimated 2009 GAAP EPS of \$0.45 per share. We arrived at this multiple from the networking and communications industry's P/E (according to Capital IQ). **Investors should realize that substantially all the income tax expense recorded in 2008 and a good portion in 2009 will be non-cash stemming from \$1.3 million net operating loss carry-forwards as of September 30, 2008. Therefore, non-GAAP EPS will be substantially higher.**

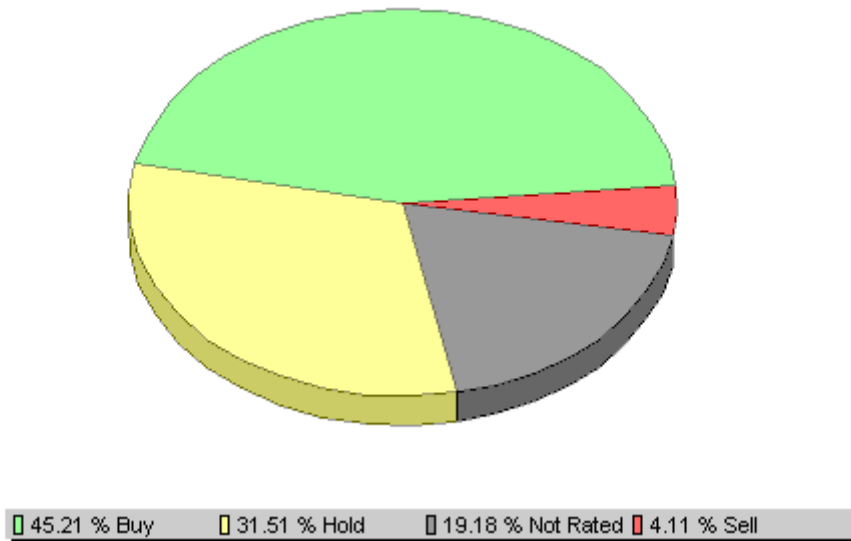
Of note, we are effectively valuing INXI at a fraction of its PEG ratio. In comparison the networking and communications industry's PEG ratio is 1.3X (according to Capital IQ). We believe that our valuation approach provides for the opportunity to achieve price appreciation as the Company delivers on its strategy, shows further financial gains, and valuation multiples rebound.

However, investors should recognize that an investment in INXI is an opportunity to participate in a rapidly developing microcap technology oriented company; therefore, the shares are only suitable for high-risk tolerant investors. Investors should be cognizant of the many risks involved in such an investment including:

- Economic risk;
- Rapidly evolving markets and technology;
- Competitive concerns;
- Sales and implementation cycles;
- Dependency on Cisco Systems;
- Growth management; and
- Microcap risk.



Taglich Brothers' Current Rating Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	0	0
Hold	1	7.69%
Sell	0	0
Not Rated	0	0

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

Public Companies mentioned in this report:

3Com (NASDAQ: COMS)

Alcatel-Lucent (NYSE: ALU)

AT&T (NYSE: T)

Cisco Systems (NASDAQ: CSCO)

Nortel (NYSE: NT)

Siemens (NYSE: SI)

VMware (NYSE: VMW)

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I, Luis Martins, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

INX Inc.
Annual Income Statement Model
For Year Ended December 31#
(in thousands)

	F2005A	F2006A	F2007A	F2008E	F2009E
Total Revenues	\$ 107,319	\$ 156,013	\$ 207,967	\$ 261,076	\$ 281,667
Costs of Goods Sold	<u>88,743</u>	<u>125,516</u>	<u>168,320</u>	<u>209,690</u>	<u>227,867</u>
Gross Profit	18,576	30,497	39,647	51,387	53,800
<i>Gross Margins</i>	17.31%	19.55%	19.06%	19.68%	19.10%
	18.81				
S,G&A	<u>22,759</u>	<u>28,710</u>	36,152	47,507	46,879
Operating Income	(4,183)	1,787	3,495	3,880	6,921
<i>Operating Margin</i>	-3.90%	1.15%	1.68%	1.49%	2.46%
Resturting charge				230	
Interest Expense(Income)-net	<u>236</u>	<u>232</u>	<u>79</u>	<u>(35)</u>	<u>(400)</u>
Pre-Tax Income	(4,419)	1,555	3,416	3,685	7,321
<i>Pre-Tax Margins</i>	-4.12%	1.00%	1.64%	1.41%	2.60%
			0.43		
Taxes (Benefit)	<u>475</u>	<u>44</u>	<u>(236)</u>	<u>1,833</u>	<u>3,075</u>
<i>Tax Rate</i>	-10.75%	2.83%	-6.91%	49.75%	42.00%
Net Income-continuing ops	\$ (4,894)	\$ 1,511	\$ 3,652	\$ 1,852	\$ 4,246
EPS-fully diluted- cont ops	\$ (0.86)	\$ 0.21	\$ 0.45	\$ 0.21	\$ 0.45
Avg Shares Out-fully diluted	<u>5,706</u>	<u>7,294</u>	<u>8,027</u>	<u>8,904</u>	<u>9,500</u>
Income (loss) from discontinued	(2,967)	(316)	83	23	
Minority Interest	(23)	-	-	-	
Net Income	\$ (7,884)	\$ 1,195	\$ 3,735	\$ 1,875	\$ 4,246
EPS-fully diluted	\$ (1.38)	\$ 0.16	\$ 0.47	\$ 0.21	\$ 0.45
Avg Shares Out-fully diluted	<u>5,706</u>	<u>7,294</u>	<u>8,027</u>	<u>8,904</u>	<u>9,500</u>
<u>Percent of Revenue</u>					
Costs of Goods Sold	82.69%	80.45%	80.94%	80.32%	80.90%
SG&A	21.21%	18.40%	17.38%	18.20%	16.64%

* FY 2005 includes a \$5.7 million non-cash expense included in SG&A.

Restated

INX Inc.
Quarterly Income Statement Model
For Year Ended December 31, 2006
(in thousands)

	Q1(3/06)A	Q2(6/06)A	Q3(9/06)A	Q4(12/06)A	F2006A
Total Revenues	\$ 26,276	\$ 38,678	\$ 45,244	\$ 45,815	\$ 156,013
Costs of Goods Sold	<u>20,869</u>	<u>31,046</u>	<u>37,095</u>	<u>36,506</u>	<u>125,516</u>
Gross Profit	5,407	7,632	8,149	9,309	30,497
<i>Gross Margins</i>	20.58%	19.73%	18.01%	20.32%	19.55%
S,G&A	<u>5,845</u>	<u>7,001</u>	<u>7,432</u>	<u>8,432</u>	<u>28,710</u>
Operating Income	(438)	631	717	877	1,787
<i>Operating Margin</i>	-1.67%	1.63%	1.58%	1.91%	1.15%
	274	275	305	324	1,178
<i>EBITDA</i>	(164)	906	1,022	1,201	2,965
Interest Expense(Income)-net	<u>85</u>	<u>18</u>	<u>111</u>	<u>18</u>	<u>232</u>
Pre-Tax Income	(523)	613	606	859	1,555
<i>Pre-Tax Margins</i>	-1.99%	1.58%	1.34%	1.88%	1.00%
Taxes (Benefit)	<u>1</u>	<u>-</u>	<u>44</u>	<u>(1)</u>	<u>44</u>
<i>Tax Rate</i>	-0.19%	0.00%	7.26%	-0.11%	2.83%
Net Income-continuing ops	<u>\$ (524)</u>	<u>\$ 613</u>	<u>\$ 562</u>	<u>\$ 860</u>	<u>\$ 1,511</u>
EPS-fully diluted- cont ops	<u>\$ (0.09)</u>	<u>\$ 0.08</u>	<u>\$ 0.09</u>	<u>\$ 0.11</u>	<u>\$ 0.21</u>
Avg Shares Out-fully diluted	<u>6,048</u>	<u>7,324</u>	<u>7,284</u>	<u>7,500</u>	<u>7,294</u>
Income (loss) from discontinued	(4)	143	(291)	(164)	(316)
Net Income	<u>\$ (528)</u>	<u>\$ 756</u>	<u>\$ 271</u>	<u>\$ 696</u>	<u>\$ 1,195</u>
EPS-fully diluted	<u>\$ (0.09)</u>	<u>\$ 0.10</u>	<u>\$ 0.04</u>	<u>\$ 0.09</u>	<u>\$ 0.16</u>
Avg Shares Out-fully diluted	<u>6,048</u>	<u>7,324</u>	<u>7,284</u>	<u>7,500</u>	<u>7,294</u>
<u>Percent of Revenue</u>					
Costs of Goods Sold	79.42%	80.27%	81.99%	79.68%	80.45%
SG&A	22.24%	18.10%	16.43%	18.40%	18.40%
Net Margin	-2.01%	1.95%	0.60%	1.52%	0.77%

YEAR / YEAR GROWTH

INX Inc.
Quarterly Income Statement Model
For Year Ended December 31, 2007
(in thousands)

	Q1(3/07)A	Q2(6/07)A	Q3(9/07)A	Q4(12/07)A	F2007A
Total Revenues	\$ 45,643	\$ 53,727	\$ 51,998	\$ 56,599	\$ 207,967
Costs of Goods Sold	<u>37,136</u>	<u>43,682</u>	<u>42,445</u>	<u>45,057</u>	<u>168,320</u>
Gross Profit	8,507	10,045	9,553	11,542	39,647
<i>Gross Margins</i>	18.64%	18.70%	18.37%	20.39%	19.06%
S,G&A	<u>8,172</u>	<u>9,042</u>	<u>8,543</u>	<u>10,395</u>	<u>36,152</u>
Operating Income	335	1,003	1,010	1,147	3,495
<i>Operating Margin</i>	0.73%	1.87%	1.94%	2.03%	1.68%
Interest Expense(Income)-net	<u>24</u>	<u>(41)</u>	<u>17</u>	<u>79</u>	<u>79</u>
Pre-Tax Income	311	1,044	993	1,068	3,416
<i>Pre-Tax Margins</i>	0.68%	1.94%	1.91%	1.89%	1.64%
Taxes (Benefit)	<u>7</u>	<u>7</u>	<u>7</u>	<u>(257)</u>	<u>(236)</u>
<i>Tax Rate</i>	2.25%	0.67%	0.70%	-24.06%	-6.91%
Net Income-continuing ops	<u>\$ 304</u>	<u>\$ 1,037</u>	<u>\$ 986</u>	<u>\$ 1,325</u>	<u>\$ 3,652</u>
EPS-fully diluted- cont ops	<u>\$ 0.04</u>	<u>\$ 0.13</u>	<u>\$ 0.12</u>	<u>\$ 0.16</u>	<u>\$ 0.45</u>
Avg Shares Out-fully diluted	<u>7,730</u>	<u>7,817</u>	<u>8,037</u>	<u>8,408</u>	<u>8,027</u>
Income (loss) from discontinued	62	(3)	38	(14)	83
Net Income	<u>\$ 366</u>	<u>\$ 1,034</u>	<u>\$ 1,024</u>	<u>\$ 1,311</u>	<u>\$ 3,735</u>
EPS-fully diluted	<u>\$ 0.05</u>	<u>\$ 0.13</u>	<u>\$ 0.13</u>	<u>\$ 0.16</u>	<u>\$ 0.47</u>
Avg Shares Out-fully diluted	<u>7,730</u>	<u>7,817</u>	<u>8,037</u>	<u>8,408</u>	<u>8,027</u>
<u>Percent of Revenue</u>					
Costs of Goods Sold	81.36%	81.30%	81.63%	79.61%	80.94%
SG&A	17.90%	16.83%	16.43%	18.37%	17.38%
Net Margin	0.80%	1.92%	1.97%	2.32%	1.80%
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	73.71%	38.91%	14.93%	23.54%	33.30%
Operating Income	-176.48%	58.95%	40.86%	30.79%	95.50%
Pre-Tax Income	-159.46%	70.31%	64.13%	24.19%	119.60%

INX Inc.
Quarterly Income Statement Model
For Year Ended December 31, 2008
(in thousands)

	Q1(3/08)A	Q2(6/08)A	Q3(9/08)A	Q4(12/08)E	F2008E
Total Revenues	\$ 59,643	\$ 63,991	\$ 71,942	\$ 65,500	\$ 261,076
Costs of Goods Sold	<u>47,496</u>	<u>50,239</u>	<u>58,616</u>	<u>53,339</u>	<u>209,690</u>
Gross Profit	12,147	13,752	13,326	12,162	51,387
<i>Gross Margins</i>	20.37%	21.49%	18.52%	18.57%	19.68%
S,G&A	<u>10,384</u>	<u>11,871</u>	<u>12,545</u>	<u>12,707</u>	<u>47,507</u>
Operating Income	1,763	1,881	781	(546)	3,880
<i>Operating Margin</i>	2.96%	2.94%	1.09%	-0.83%	1.49%
Restructuring charge				230	230
Interest Expense(Income)-net	<u>73</u>	<u>98</u>	<u>(106)</u>	<u>(100)</u>	<u>(35)</u>
Pre-Tax Income	1,690	1,783	887	(676)	3,685
<i>Pre-Tax Margins</i>	0.21	2.79%	1.23%	-1.03%	1.41%
	4.43				
Taxes (Benefit)	<u>683</u>	<u>680</u>	<u>470</u>	<u>-</u>	<u>1,833</u>
<i>Tax Rate</i>	40.41%	38.14%	52.99%	0.00%	49.75%
Net Income-continuing ops	<u>\$ 1,007</u>	<u>\$ 1,103</u>	<u>\$ 417</u>	<u>\$ (676)</u>	<u>\$ 1,852</u>
EPS-fully diluted- cont ops	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.04</u>	<u>\$ (0.07)</u>	<u>\$ 0.21</u>
Avg Shares Out-fully diluted	<u>8,242</u>	<u>8,735</u>	<u>9,338</u>	<u>9,300</u>	<u>8,904</u>
Income (loss) from discontinued	4	10	9		23
Net Income	<u>\$ 1,011</u>	<u>\$ 1,113</u>	<u>\$ 426</u>	<u>\$ (676)</u>	<u>\$ 1,875</u>
EPS-fully diluted	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.05</u>	<u>\$ (0.07)</u>	<u>\$ 0.21</u>
Avg Shares Out-fully diluted	<u>8,242</u>	<u>8,735</u>	<u>9,338</u>	<u>9,300</u>	<u>8,904</u>
<u>Percent of Revenue</u>		8,681			
Costs of Goods Sold	79.63%	78.51%	81.48%	81.43%	80.32%
SG&A	17.41%	18.55%	17.44%	19.40%	18.20%
Net Margin	1.70%	1.74%	0.59%	-1.03%	0.72%
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	30.67%	19.10%	38.36%	15.73%	25.54%

INX Inc.
Quarterly Income Statement Model
For Year Ended December 31, 2009
(in thousands)

	Q1(3/09)E	Q2(6/09)E	Q3(9/09)E	Q4(12/09)E	F2009E
Total Revenues	\$ 66,316	\$ 67,302	\$ 72,400	\$ 75,650	\$ 281,667
Costs of Goods Sold	<u>54,007</u>	<u>54,595</u>	<u>58,448</u>	<u>60,818</u>	<u>227,867</u>
Gross Profit	12,309	12,706	13,953	14,833	53,800
<i>Gross Margins</i>	18.56%	18.88%	19.27%	19.61%	19.10%
S,G&A	<u>11,539</u>	<u>11,441</u>	<u>11,946</u>	<u>11,953</u>	46,879
Operating Income	770	1,265	2,007	2,880	6,921
<i>Operating Margin</i>	1.16%	1.88%	2.77%	3.81%	2.46%
Interest Expense(Income)-net	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>	<u>(400)</u>
Pre-Tax Income	870	1,365	2,107	2,980	7,321
<i>Pre-Tax Margins</i>	1.31%	2.03%	2.91%	3.94%	2.60%
Taxes (Benefit)	<u>365</u>	<u>573</u>	<u>885</u>	<u>1,252</u>	<u>3,075</u>
<i>Tax Rate</i>	42.00%	42.00%	42.00%	42.00%	42.00%
Net Income-continuing ops	<u>\$ 504</u>	<u>\$ 792</u>	<u>\$ 1,222</u>	<u>\$ 1,728</u>	<u>\$ 4,246</u>
EPS-fully diluted- cont ops	<u>\$ 0.05</u>	<u>\$ 0.08</u>	<u>\$ 0.13</u>	<u>\$ 0.18</u>	<u>\$ 0.45</u>
Avg Shares Out-fully diluted	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>
<u>Percent of Revenue</u>					
Costs of Goods Sold	81.44%	81.12%	80.73%	80.39%	80.90%
SG&A	17.40%	17.00%	16.50%	15.80%	16.64%
Net Margin	1.31%	2.03%	2.91%	2.67%	2.60%
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	11.19%	5.17%	0.64%	15.50%	7.89%

INX Inc.
Consolidated Balance Sheet
For Periods Ended
(in thousands)

	F2007A	1Q08A	2Q08A	3Q08A
Assets				
Current Assets				
Cash & Equivalents	\$ 9,340	\$ 8,236	\$ 12,604	\$ 15,806
Net Receivables	45,128	45,292	51,787	51,077
Inventory	1,439	1,606	1,147	1,872
Deferred income taxes	2,100	2,100	2,100	2,100
Other Assets	<u>2,062</u>	<u>2,355</u>	<u>1,657</u>	<u>1,101</u>
Total Current Assets	60,069	59,589	69,295	71,956
Plant, Property, & Equipment-net	4,421	4,586	5,019	5,593
Intangibles	<u>19,751</u>	<u>19,674</u>	<u>25,768</u>	<u>25,584</u>
Total Assets	<u>\$ 84,241</u>	<u>\$ 83,849</u>	<u>\$ 100,082</u>	<u>\$ 103,133</u>
Liabilities & Shareholders' Equity				
Current Liabilities				
Current portion of LTD	\$ 6,200	\$ 6,327	\$ 67	\$ 113
Accounts Payable	37,233	35,487	41,604	42,719
Accrued Expenses & Other	5,613	6,129	7,405	8,409
Other	<u>1,440</u>	<u>1,188</u>	<u>1,002</u>	<u>757</u>
Total Current Liabilities	50,486	49,131	50,078	51,998
Deferred income taxes	1,565	1,565	1,565	1,565
Other LT	163	332	251	477
Total Shareholders' Equity	<u>32,027</u>	<u>32,821</u>	<u>48,188</u>	<u>49,093</u>
Total Liabilities & Equity	<u>\$ 84,241</u>	<u>\$ 83,849</u>	<u>\$ 100,082</u>	<u>\$ 103,133</u>
SHARES OUT	7,549	7,423	8,750	8,705

INX Inc.
Consolidated Cash Flow Statement
For Periods Ended
(in thousands)

	<u>FY2006A</u>	<u>FY2007A</u>	<u>9M(9/08)</u>
<i>Cash Flows from Operating Activities</i>			
Net Income	\$ 1,195	\$ 3,735	\$ 2,550
Depreciation & Amortization	1,178	1,659	1,766
Other	497	602	1,182
Discontinued operations	<u>316</u>	<u>(111)</u>	<u>(16)</u>
	3,186	5,885	5,482
<i>Changes In:</i>			
Receivables	(17,584)	2,733	(5,949)
Inventories	(1,053)	156	(428)
Prepaid Expense	(1,185)	130	-
Accounts Payable	14,981	1,653	5,474
Accrued Expenses & Other	1,629	(560)	3,147
Discontinued operations	<u>(684)</u>	<u>28</u>	<u>16</u>
Net Changes in Working Capital	<u>(3,896)</u>	<u>4,140</u>	<u>2,260</u>
Net cash Provided by Operations	<u>(710)</u>	<u>10,025</u>	<u>7,742</u>
<i>Cash Flows from Investing Activities</i>			
Capital Expenditures	(1,921)	(1,588)	(1,785)
Acquisitions	(2,177)	(4,011)	(2,651)
Discontinued operations	<u>1,492</u>	<u>15</u>	<u>-</u>
Net cash used in Investing	<u>(2,606)</u>	<u>(5,584)</u>	<u>(4,436)</u>
<i>Cash Flows from Financing Activities</i>			
Proceeds from Common stock/options	613	1,578	9,343
Proceeds from Credit facilities	2,293	1,526	(434)
Repayments of notes	(391)	-	(5,749)
Discontinued operations	<u>(1)</u>	<u>-</u>	<u>-</u>
Net cash provided by Financing	<u>2,514</u>	<u>3,104</u>	<u>3,160</u>
Net change in Cash	<u>(802)</u>	<u>7,545</u>	<u>6,466</u>
Cash Beginning of Period	<u>2,597</u>	<u>1,795</u>	<u>9,340</u>
Cash End of Period	<u>\$ 1,795</u>	<u>\$ 9,340</u>	<u>\$ 15,806</u>