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Research Report – Update

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

INX Inc.

Rating: Speculative Buy

Luis Martins

INXI \$2.42 (NASDAQ)

March 12, 2009

	<u>FY2005A*</u>	<u>FY2006A</u>	<u>FY2007A</u>	<u>FY2008A**</u>	<u>FY2009E</u>
Revenues (Thousands)*	\$107,319	\$156,013	\$207,967	\$259,157	\$249,078
Earnings (loss) per share**	\$(1.38)	\$0.16	\$0.47	\$(1.55)	\$(0.26)

52-Week Range	\$13.50 – 2.41	Fiscal Year Ends	December
Shares Outstanding	8.7 million	Revs/Share (TTM)	\$31.86
Approximate Float	6.8 million	Price/Sales(TTM)	0.1X
Market Capitalization	\$21 million	Price/Sales(2009)E	0.1X
Tangible Book Value/Share	\$2.18	Price/Earnings(TTM)	NMF
Price/Tangible book	1.1X	Price/Earnings(2009)E	NMF

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

** FY2008 includes a \$13.1 million non-cash impairment charge

INX Inc. (NASDAQ: INXI) was founded in 1983 in Texas. The Company's focus is providing professional and integration services for Cisco-centric Internet Protocol (IP) Communications/Telephony solutions.

Key Investment Considerations:

We are maintaining our rating of Speculative Buy on the shares of INXI. However, we are lowering our 12-month price target to \$6.00 per share from \$7.15 per share stemming from reduced estimates. Our price target is based on a historic P/S analysis. INXI's solid balance sheet provides a measure of downside protection.

At the end of the fourth quarter, INXI had cash and cash equivalents of \$10.9 million or \$1.26 per share, working capital of \$14.1 million, long-term liabilities of \$0.4 million (including \$0.2 million long-term capital lease obligations), and stockholders' equity of \$33.6 million.

On March 5, 2009, INXI reported fourth quarter net revenues of \$63.6 million and a net loss of \$15.2 million or \$(1.87) per share. (Included in the 4Q08 were the following charges amounting to \$14.0 million). In the year ago period, INXI reported revenues of \$56.6 million and net income of \$1.3 million or \$0.16 per diluted share.

Management is positioning the Company to operate in the current economic environment, taking advantage of its strength in the marketplace, while exploiting its competitors' weakness and differentiating the Company via its product and service offerings.

We are adjusting our revenue and margin estimates for 2009 due to recent results and operational trends, as well as public guidance by Management and cautious forward looking trends. Our revised 2009 forecast calls for GAAP EPS loss of \$(0.26) per share, on revenues of \$249.1 million. Our prior forecast called for GAAP EPS of \$0.45 per diluted share, on revenues of \$281.7 million.

** Please view our disclaimer located on page 12.*

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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 Internet Protocol (IP) network based 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 communications, 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, INXI also provides comprehensive services, including remote monitoring and management, for managing converged Cisco networks with a suite of industry-standard management technologies.

Over the past few years, the Company has expanded its offices and staff. The Company now has 17 offices located in Texas (5), California (2), Idaho (1), Massachusetts (1), New Mexico (1), Oklahoma (1), Oregon (2), Washington (1), Connecticut (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 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 NetTeks 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.

NetTeks, with \$12.7 million in revenues for the 12 months ended September 30, 2008, is focused 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 NetTeks will continue to operate the acquired NetTeks 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 Results

On March 5, 2009, INXI reported results for its fourth quarter, ended December 31, 2008. The Company reported net revenues of \$63.6 million and a net loss of \$15.2 million or \$(1.87) per share. In the year ago period, INXI reported revenues of \$56.6 million and net income of \$1.3 million or \$0.16 per diluted share.

Included in the 4Q08 were the following charges:

- \$13.071 million non-cash charge related to the impairment of goodwill, intangible assets and property and equipment representing the difference between the fair value of various reporting units and the carrying values of these units;
- \$0.466 million related to bad debt expense;
- \$0.311 million in severance expense related to a cost reduction program; and
- \$0.140 million related to litigation settlement.

The strong revenue growth was led by product and service sales that increased by 6.2% and 49.8%, respectively.

Overall gross margins decreased to 18.8% from 20.4%, due to lower service and product gross margins. SG&A expenses increased to \$13.9 million from \$10.4 million stemming from expanded business operations. As a percentage of sales, SG&A was 19.4% versus 18.4% in the year ago period. Operating margins decreased to -3.2% from 2.0%, while pretax margins declined to -23.6% from 1.9%.

Investor should note that the Company began recording income tax expense for 2008 at an effective rate of approximately 45% compared to virtually no income tax expense (for book purposes) recorded in 2007. According to Management, the statutory rate of approximately 36% may differ from this effective tax rate for book purposes, primarily due to timing differences and the deductibility of certain expenses between book and tax. Additionally, substantially all the book income tax expense will be non-cash for Federal income tax reporting purposes because of an approximate \$2.5 million of net operating loss carry-forwards as of December 31, 2008.

The following table provides investors with the Company’s non-GAAP EPS:

Item (\$ 000’s)	4Q07A	4Q08A
GAAP net income	1,311	(15,188)
Equity comp	223	500
Non-cash income tax	(402)	173
Impairment charge	--	13,071
Discontinued ops	14	(14)
Non-GAAP Net Income	1,146	(1,458)
Non –GAAP EPS	0.14	(0.17)

Source: SEC filings

Below are the Company's fourth quarter results compared to Taglich Brothers' estimates (\$ 000's):

	Q4 (12/08)A	Q4 (12/08)E
Revenues	\$ 63,581	\$ 65,500
Costs of Goods	<u>51,649</u>	<u>53,339</u>
Gross Profit	11,932	12,162
<i>Gross Margins</i>	18.8%	18.6%
Total operating expenses	<u>13,623</u>	<u>12,707</u>
Operating income	(1,691)	(546)
Operating margins	-2.66%	-0.83%
Restruturing/Impairment	13,382	230
Interest inc (exp)	<u>49</u>	<u>100</u>
Pretax income (loss)	(15,024)	(676)
Pretax margins	-23.63%	-1.03%
Income tax expense (benefit)	<u>178</u>	<u>-</u>
Tax rate	-1.18%	0.00%
Net income from continuing ops	(15,202)	(676)
Income from discintinued ops	14	-
Net income	<u>\$ (15,188)</u>	<u>\$ (676)</u>
EPS diluted	<u>\$ (1.75)</u>	<u>\$ (0.07)</u>
Weighted average shares (diluted)	<u>8,656</u>	<u>9,300</u>
<u>% of revenue</u>		
Operating Expenses	21.43%	19.40%
<u>year / year growth</u>		
revenues	12.30%	15.73%

Estimate Analysis: Revenues did not meet expectations by \$1.9 million, while net income and EPS were significantly lower than expectations due to one-time items, as well as lower than expected operating and gross margins.

Balance Sheet

Investors should note that INXI continues to have a solid balance sheet. At the end of the fourth quarter, INXI had cash and cash equivalents of \$10.9 million or \$1.26 per share, working capital of \$14.1 million, long-term liabilities of \$0.4 million (including \$0.2 million long-term capital lease obligations), and stockholders' equity of \$33.6 million.

On April 30, 2007, the Company entered into a \$50 million credit facility agreement with Castle Pines Capital LLC (CPC) to provide inventory financing and to fund working capital requirements. On June 3, 2008, it was expanded to \$60 million. The facility accrues interest at the rate of prime + 0.5%. As of December 31, 2008, the unused availability on the facility was \$3.1 million, based on collateral.

On August 6, 2007, INXI announced that it secured a \$10 million credit facility with CPC to be used specifically to fund acquisitions. As of December 31, 2008, the unused availability on the facility was \$6 million. INXI used \$6 million under this facility to partially fund the Select acquisition during August 2007; however, it used the proceeds from a recent equity offering to eliminate the outstanding amount.

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 31, 2008, the Company had repurchased 201,933 shares for an aggregate purchase price of \$1.1 million, or an average price of \$5.61 per share.

Outlook

Macroeconomic statistics, recent financial results, and guidance indicate a period of uncertainty in technology markets and the broader economy. Additionally, comments by key industry players such as Cisco Systems point to a difficult enterprise market for technology spending during the coming quarters. Therefore, management is positioning the Company to operate in such an environment, taking advantage of its strength in the marketplace, while exploiting its competitors' weakness and differentiating the Company via its product and service offerings. In this manner, Management is hoping to mitigate soft customer demand.

Over the long-term, the Company's goal is to obtain operating margins of 4% to 7%. Management believes that this can be achieved by increased gross margins and lowering S, G, & A expenses as a percentage of sales. The following chart illustrates the Management's long-term plan for margins:

Projected INX Long-term Margins (%)

	Goal
Product Margins	15 - 19%
Service Margins	30 - 35%
Overall Gross margins	19 - 21%
S, G, A Expense	14 - 15%
Operating Margins	4 - 7%

Source: SEC filings

Over the long-run, Management sees improved operations as a result of its efforts to leverage INXI's market position as a growing national provider of IP services and to improve margins through higher margin service offerings and staff utilization. The Company is also poised to take advantage of the following trends:

- Introduction and expansion of network storage and security practice areas;
- Strong relationship with Cisco Systems;
- Growing service contracts;
- Strong data center trends (i.e. virtualization);
- Acquisitions; and
- Investment in revenue generating employees (i.e. engineers and sales).

Projections

We are adjusting our revenue and margin estimates for 2009 due to recent results and operational trends, as well as public guidance by Management and cautious forward looking trends. There have been numerous indications of poor macro economic and technology trends.

Our revised 2009 forecast calls for a GAAP EPS loss of \$(0.26) per share, on revenues of \$249.1 million. Our prior forecast called for GAAP EPS of \$0.45 per diluted share, on revenues of \$281.7 million.

Gross, operating and after tax margins for 2009 were adjusted due to recently observed trends and the revised outlook for margins through 2009. S,G,&A expenses were adjusted due to the effects of increased expenditures due to acquisitions and cost reductions implemented in the fourth quarter of 2008.

Our current model for 2009 incorporates:

- Management’s public guidance which was updated on March 5, 2009. INXI now expects to report first quarter revenues of \$54 to \$60 million. Service revenues are expected to remain strong and be in the range of \$10 to \$11 million.
- Overall revenue softness of 4% in 2009 due to the overall macro economic climate and the impact on technology spending through 2009. We believe that revenue growth will resume in the second half as the economy improves and easier revenue comparison are evidenced. Given the near-term pessimism relative to economic growth and technology spending, it may be probable that during 2009 we may adjust our estimates to reflect changing views on economic and industry growth, as well as market share gains by the Company.

The following tables provide our revenue mix estimate for products and services:

FY2008	1QA	2QA	3QA	4QA	2008A
Products	50,491	51,430	59,576	51,628	213,125
Services	9,152	12,561	12,366	11,953	46,032

FY2009	1QE	2QE	3QE	4QE	2009E
Products	45,078	47,000	55,000	55,000	202,078
Services	11,000	11,500	13,000	11,500	47,000

- Lower gross and operating margins (as illustrated in the following charts) due to competitive factors and a lower revenue base. However, we believe that margins may improve in the second half of the year. As stated previously, the Company’s goal is to obtain operating margins of 4% to 7%. Management believes that this can be achieved by increased gross margins and lower S, G, & A expenses as a percentage of sales.

INX Gross Margin Analysis (%)

	1Q	2Q	3Q	4Q	Fiscal
2007A	18.6%	18.7%	18.4%	20.4%	19.1%
2008A	20.4%	21.5%	18.5%	18.8%	19.74%
2009E	18.7%	18.8	19.5%	19.1%	19.02%

INX Operating Margin Analysis (%)

	1Q	2Q	3Q	4Q	Fiscal
2007A	0.8%	1.9%	1.9%	2.0%	1.7%
2008E	3.0%	2.9%	1.1%	-3.2%	0.9%
2009E	-1.3%	-1.2%	-0.5%	-0.9%	-1.0%

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 poor macro economic (including negative GDP growth) and technology performance (Cisco Systems guidance for upcoming quarters). Further deterioration of these and other key metrics may negatively impact the Company's financial results and equity values.

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.

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 15,000 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 may be a compelling investment opportunity for risk tolerant technology oriented investors, with a long-term investment horizon. **Therefore, we are maintaining our Speculative Buy rating on the shares of INXI.**

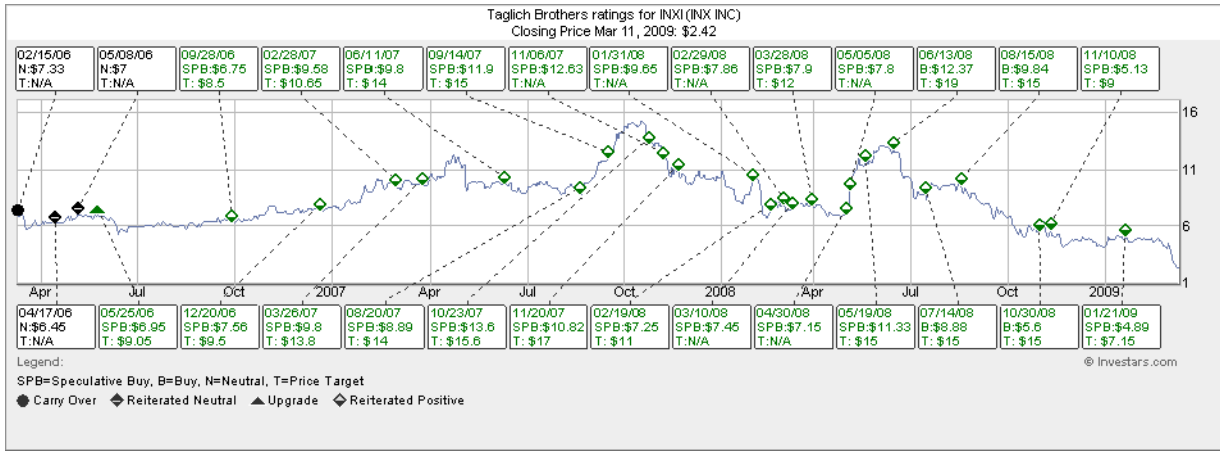
We are reducing our 12-month price target to \$6.00 per share from \$7.15 per share. Given the projected losses we estimate for 2009, we choose to use a P/S model. Our price target is based on the following:

- A P/S multiple of 0.35X applied to our estimated diluted revenue per share of \$26.22 per share. We arrived at this by taking the average P/S for the past 5 years (according to MSN Money); and
- Discounting the result by 35% to incorporate Company risks and current market conditions.

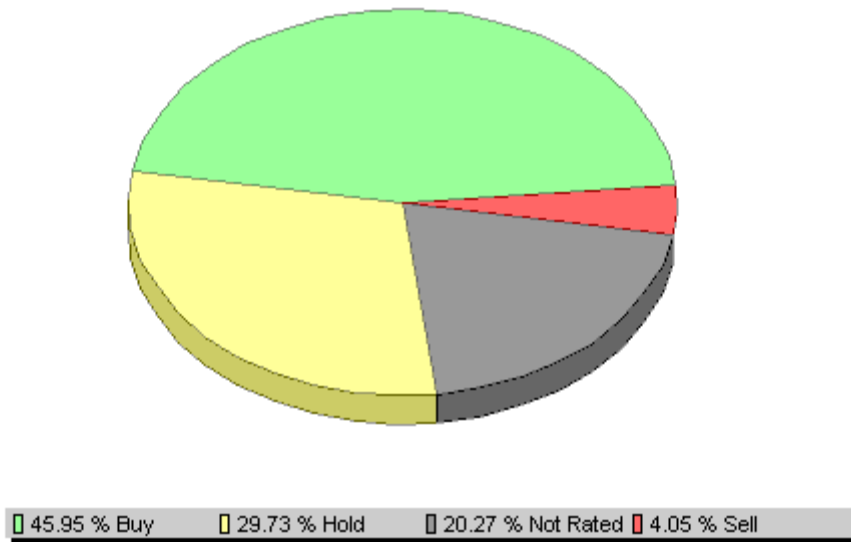
Of note, we are effectively valuing INXI at a fraction of its historical P/S ratio. We believe that our valuation approach provides for the opportunity to achieve price appreciation as the Company delivers on its strategy, returns to profitability, and valuation multiples rebound. **Furthermore, the Company's solid balance sheet (with cash and cash equivalents of \$10.9 million or \$1.26 per share, working capital of \$14.1 million, and virtually no debt) provides a measure of downside protection.**

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	2	7.41%
Hold	0	0
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	F2008A	F2009E
Total Revenues	\$ 107,319	\$ 156,013	\$ 207,967	\$ 259,157	\$ 249,078
Costs of Goods Sold	<u>88,743</u>	<u>125,516</u>	<u>168,320</u>	<u>208,000</u>	<u>201,695</u>
Gross Profit	18,576	30,497	39,647	51,157	47,383
<i>Gross Margins</i>	17.31%	19.55%	19.06%	19.74%	19.02%
S,G&A	<u>22,759</u>	<u>28,710</u>	<u>36,152</u>	<u>48,734</u>	<u>49,816</u>
Operating Income	(4,183)	1,787	3,495	2,423	(2,432)
<i>Operating Margin</i>	<i>-3.90%</i>	<i>1.15%</i>	<i>1.68%</i>	<i>0.93%</i>	<i>-0.98%</i>
Impairment charge	-	-	-	13,071	-
Interest Expense(Income)-net	<u>236</u>	<u>232</u>	<u>79</u>	<u>16</u>	<u>(200)</u>
Pre-Tax Income	(4,419)	1,555	3,416	(10,664)	(2,232)
<i>Pre-Tax Margins</i>	<i>-4.12%</i>	<i>1.00%</i>	<i>1.64%</i>	<i>-4.11%</i>	<i>-0.90%</i>
Taxes (Benefit)	<u>475</u>	<u>44</u>	<u>(236)</u>	<u>2,011</u>	<u>-</u>
<i>Tax Rate</i>	<i>-10.75%</i>	<i>2.83%</i>	<i>-6.91%</i>	<i>-18.86%</i>	<i>0.00%</i>
Net Income-continuing ops	\$ (4,894)	\$ 1,511	\$ 3,652	\$ (12,675)	\$ (2,232)
EPS-fully diluted- cont ops	\$ (0.86)	\$ 0.21	\$ 0.45	\$ (1.56)	\$ (0.26)
Avg Shares Out-fully diluted	<u>5,706</u>	<u>7,294</u>	<u>8,027</u>	<u>8,133</u>	<u>8,700</u>
Income (loss) from discontinued	(2,967)	(316)	83	37	
Minority Interest	(23)	-	-	-	
Net Income	\$ (7,884)	\$ 1,195	\$ 3,735	\$ (12,638)	\$ (2,232)
EPS-fully diluted	\$ (1.38)	\$ 0.16	\$ 0.47	\$ (1.55)	\$ (0.26)
Avg Shares Out-fully diluted	<u>5,706</u>	<u>7,294</u>	<u>8,027</u>	<u>8,133</u>	<u>8,700</u>
<u>Percent of Revenue</u>					
Costs of Goods Sold	82.69%	80.45%	80.94%	80.26%	80.98%
SG&A	21.21%	18.40%	17.38%	18.80%	20.00%
Net Margin	-7.35%	0.77%	1.80%	-4.88%	-0.90%
	-1.49%				
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	50.12%	45.37%	33.30%	24.61%	-3.89%

* 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%
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	23.50%	36.40%	36.40%	86.93%	45.37%

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%
Net Income	-169.32%	36.77%	277.86%	88.36%	212.50%

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)A	F2008A
Total Revenues	\$ 59,643	\$ 63,991	\$ 71,942	\$ 63,581	\$ 259,157
Costs of Goods Sold	<u>47,496</u>	<u>50,239</u>	<u>58,616</u>	<u>51,649</u>	<u>208,000</u>
Gross Profit	12,147	13,752	13,326	11,932	51,157
<i>Gross Margins</i>	20.37%	21.49%	18.52%	18.77%	19.74%
S,G&A	<u>10,384</u>	<u>11,871</u>	<u>12,545</u>	<u>13,934</u>	<u>48,734</u>
Operating Income	1,763	1,881	781	(2,002)	2,423
<i>Operating Margin</i>	2.96%	2.94%	1.09%	-3.15%	0.93%
Impairment charge	-	-	-	13,071	13,071
Interest Expense(Income)-net	<u>73</u>	<u>98</u>	<u>(106)</u>	<u>(49)</u>	<u>16</u>
Pre-Tax Income	1,690	1,783	887	(15,024)	(10,664)
<i>Pre-Tax Margins</i>	0.21	2.79%	1.23%	-23.63%	-4.11%
	4.43				
Taxes (Benefit)	<u>683</u>	<u>680</u>	<u>470</u>	<u>178</u>	<u>2,011</u>
<i>Tax Rate</i>	40.41%	38.14%	52.99%	-1.18%	-18.86%
Net Income-continuing ops	<u>\$ 1,007</u>	<u>\$ 1,103</u>	<u>\$ 417</u>	<u>\$ (15,202)</u>	<u>\$ (12,675)</u>
EPS-fully diluted- cont ops	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.04</u>	<u>\$ (1.76)</u>	<u>\$ (1.56)</u>
Avg Shares Out-fully diluted	<u>8,242</u>	<u>8,735</u>	<u>9,338</u>	<u>8,656</u>	<u>8,133</u>
Income (loss) from discontinued	4	10	9	14	37
Net Income	<u>\$ 1,011</u>	<u>\$ 1,113</u>	<u>\$ 426</u>	<u>\$ (15,188)</u>	<u>\$ (12,638)</u>
EPS-fully diluted	<u>\$ 0.12</u>	<u>\$ 0.13</u>	<u>\$ 0.05</u>	<u>\$ (1.75)</u>	<u>\$ (1.55)</u>
Avg Shares Out-fully diluted	<u>8,242</u>	<u>8,735</u>	<u>9,338</u>	<u>8,656</u>	<u>8,133</u>
<u>Percent of Revenue</u>					
Costs of Goods Sold	79.63%	78.51%	81.48%	81.23%	80.26%
SG&A	17.41%	18.55%	17.44%	19.40%	18.80%
Net Margin	1.70%	1.74%	0.59%	-23.89%	-4.88%
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	30.67%	19.10%	38.36%	12.34%	24.61%

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	\$ 56,078	\$ 58,500	\$ 68,000	\$ 66,500	\$ 249,078
Costs of Goods Sold	<u>45,610</u>	<u>47,520</u>	<u>54,750</u>	<u>53,815</u>	<u>201,695</u>
Gross Profit	10,468	10,980	13,250	12,685	47,383
<i>Gross Margins</i>	18.67%	18.77%	19.49%	19.08%	19.02%
S,G&A	<u>11,216</u>	<u>11,700</u>	<u>13,600</u>	<u>13,300</u>	<u>49,816</u>
Operating Income	(747)	(720)	(350)	(615)	(2,432)
<i>Operating Margin</i>	-1.33%	-1.23%	-0.51%	-0.92%	-0.98%
Interest Expense(Income)-net	<u>(50)</u>	<u>(50)</u>	<u>(50)</u>	<u>(50)</u>	<u>(200)</u>
Pre-Tax Income	(697)	(670)	(300)	(565)	(2,232)
<i>Pre-Tax Margins</i>	-1.24%	-1.15%	-0.44%	-0.85%	-0.90%
Taxes (Benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Tax Rate</i>	0.00%	0.00%	0.00%	0.00%	0.00%
Net Income	<u>\$ (697)</u>	<u>\$ (670)</u>	<u>\$ (300)</u>	<u>\$ (565)</u>	<u>\$ (2,232)</u>
EPS-fully diluted	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>	<u>\$ (0.26)</u>
Avg Shares Out-fully diluted	<u>8,700</u>	<u>8,700</u>	<u>8,700</u>	<u>8,700</u>	<u>8,700</u>
<u>Percent of Revenue</u>					
Costs of Goods Sold	81.33%	81.23%	80.51%	80.92%	80.98%
SG&A	20.00%	20.00%	20.00%	20.00%	20.00%
Net Margin	-1.24%	-1.15%	-0.44%	-0.85%	-0.90%
<u>YEAR / YEAR GROWTH</u>					
Total Revenues	-5.98%	-8.58%	-5.48%	4.59%	-3.89%

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

	F2007A	1Q08A	2Q08A	3Q08A	F2008A
Assets					
Current Assets					
Cash & Equivalents	\$ 9,340	\$ 8,236	\$ 12,604	\$ 15,806	\$ 10,937
Net Receivables	45,128	45,292	51,787	51,077	52,886
Inventory	1,439	1,606	1,147	1,872	2,406
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>	<u>1,275</u>
Total Current Assets	60,069	59,589	69,295	71,956	67,484
Plant, Property, & Equipment-net	4,421	4,586	5,019	5,593	5,207
Intangibles	<u>19,751</u>	<u>19,674</u>	<u>25,768</u>	<u>25,584</u>	<u>14,603</u>
Total Assets	<u>\$ 84,241</u>	<u>\$ 83,849</u>	<u>\$ 100,082</u>	<u>\$ 103,133</u>	<u>\$ 87,294</u>
Liabilities & Shareholders' Equity					
Current Liabilities					
Current portion of LTD/notes	\$ 6,200	\$ 6,327	\$ 67	\$ 113	\$ 168
Accounts Payable	37,233	35,487	41,604	42,719	45,172
Accrued Expenses & Other	5,613	6,129	7,405	8,409	6,873
Other	<u>1,440</u>	<u>1,188</u>	<u>1,002</u>	<u>757</u>	<u>1,072</u>
Total Current Liabilities	50,486	49,131	50,078	51,998	53,285
Deferred income taxes	1,565	1,565	1,565	1,565	-
Other LT	163	332	251	477	413
Total Shareholders' Equity	<u>32,027</u>	<u>32,821</u>	<u>48,188</u>	<u>49,093</u>	<u>33,596</u>
Total Liabilities & Equity	<u>\$ 84,241</u>	<u>\$ 83,849</u>	<u>\$ 100,082</u>	<u>\$ 103,133</u>	<u>\$ 87,294</u>
SHARES OUT	7,549	7,423	8,750	8,705	8,709

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

	<u>FY2006A</u>	<u>FY2007A</u>	<u>FY2008A</u>
<i>Cash Flows from Operating Activities</i>			
Net Income	\$ 1,195	\$ 3,735	\$ (12,638)
Depreciation & Amortization	1,178	1,659	2,667
Other	497	602	15,890
Discontinued operations	<u>316</u>	<u>(111)</u>	<u>(37)</u>
	3,186	5,885	5,882
<i>Changes In:</i>			
Receivables	(17,584)	2,733	(8,279)
Inventories	(1,053)	156	(953)
Prepaid Expense	(1,185)	130	758
Accounts Payable	14,981	1,653	7,939
Accrued Expenses & Other	1,629	(560)	956
Discontinued operations	<u>(684)</u>	<u>28</u>	<u>18</u>
Net Changes in Working Capital	<u>(3,896)</u>	<u>4,140</u>	<u>439</u>
Net cash Provided by Operations	<u>(710)</u>	<u>10,025</u>	<u>6,321</u>
<i>Cash Flows from Investing Activities</i>			
Capital Expenditures	(1,921)	(1,588)	(2,259)
Acquisitions	(2,177)	(4,011)	(4,062)
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>(6,321)</u>
<i>Cash Flows from Financing Activities</i>			
Proceeds from Common stock/options	613	1,578	7,738
Proceeds from Credit facilities	2,293	1,526	(6,141)
Repayments of notes	(391)		
Discontinued operations	<u>(1)</u>	<u>-</u>	<u>-</u>
Net cash provided by Financing	<u>2,514</u>	<u>3,104</u>	<u>1,597</u>
Net change in Cash	<u>(802)</u>	<u>7,545</u>	<u>1,597</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>\$ 10,937</u>