

# Reconciliations of Non-GAAP Financial Measures

For the Three and Six Months Ended December 31, 2010 and 2009



## Non-GAAP Metrics Disclosure

- ❑ The Company believes that providing both GAAP and adjusted non-GAAP measures of its performance will provide meaningful supplemental information regarding its operational effectiveness and to enhance investors' overall understanding of the Company's current financial performance and prospects for the future. Management believes that investors benefit from seeing its results "through the eyes" of management in addition to the GAAP presentation.
- ❑ It is Management's belief that while not in accordance with or an alternative for GAAP, the adjusted information allows for greater transparency to supplemental information used by management in its financial and operational decision making.
- ❑ The adjusted information excludes items, such as amortization of intangible assets, impairment charges, depreciation, charges to consolidate and integrate recently acquired businesses and non-cash stock based compensation, and other non-cash charges that may have a material effect on the Company's net income and net income per share in accordance with GAAP.
- ❑ Management monitors these items to ensure that expenses are in line with expectations and that its GAAP results are correctly stated, but does not use them to measure the ongoing bottom line operating performance of the Company. Furthermore, the non-GAAP or adjusted information provided by the Company may be different from the non-GAAP or adjusted information provided by other companies.

## Non-GAAP EBITDA: Reconciliation of GAAP and Non-GAAP Financial Measures For the Three and Six Months Ended December 31, 2010 and 2009

(In \$000's)	For the Three Months Ended December 31		For the Six Months Ended December 31	
	2010	2009	2010	2009
<b>Unaudited results of operations</b>				
Net Income (loss)	\$ 185	\$ (68)	\$ (118)	\$ 100
<b>Non-GAAP EBITDA Reconciliation Adjustments:</b>				
Depreciation and amortization	182	204	377	410
Bad debt expense	3	94	3	140
Interest, net	85	174	183	385
Stock based compensation	232	126	363	211
One-time expenses (stock and cash)	0	0	450	0
Acquisition related costs (1)	0	37	0	41
<b>Adjusted Non-GAAP EBITDA (loss)</b>	<b>\$ 687</b>	<b>\$ 567</b>	<b>\$ 1,258</b>	<b>\$ 1,287</b>

(1) Acquisition related costs are certain costs that were incurred during the period that were not capitalized, including leases on vacant corporate facilities and data centers, travel, training and "run-out" of certain unused equipment leases and maintenance agreements.



## Non-GAAP EPS: Reconciliation of GAAP and Non-GAAP Financial Measures For Three and Six Months Ended December 31, 2010 and 2009

(In \$000's, except per share)	For the Three Months Ended December 31		For the Six Months Ended December 31	
Unaudited results of operations	2010	2009	2010	2009
Net Income (loss)	\$ 185	\$ (68)	\$ (118)	\$ 100
<b>Non-GAAP Net Income (loss) Reconciliation Adjustments:</b>				
Stock based compensation	232	126	363	211
One-time expenses (stock and cash)	0	0	450	0
Acquisition related costs (1)	0	37	0	41
Acquisition related amortization (1)	126	126	252	252
<b>Adjusted Non-GAAP Net Income (loss)</b>	<b>\$ 543</b>	<b>\$ 221</b>	<b>\$ 947</b>	<b>\$ 604</b>
Preferred Dividends	(207)	(83)	(414)	(164)
<b>Adjusted Non-GAAP Net income to Common Shareholders</b>	<b>\$ 336</b>	<b>\$ 138</b>	<b>\$ 533</b>	<b>\$ 440</b>
Weighted average shares, diluted	11,138,000	10,660,000	11,044,000	10,630,000
Adjusted Non-GAAP EPS, diluted	\$ 0.03	\$ 0.01	\$ 0.05	\$ 0.04

(1) Acquisition related costs are certain costs that were incurred during the period that were not capitalized, including leases on vacant corporate facilities and data centers, travel, training and "run-out" of certain unused equipment leases and maintenance agreements. Amortization includes expenses associated with acquired intangible assets.



## Non-GAAP Free Cash Flow: Reconciliation of GAAP and Non-GAAP Financial Measures For the Three and Six Months Ended December 31, 2010 and 2009

(In \$000's)	For the Three Months Ended December 31		For the Six Months Ended December 31	
<b>Unaudited results of operations</b>	2010	2009	2010	2009
Net cash provided by operating activities	\$ 597	\$ 308	\$ 641	\$ 317
<b>Non-GAAP Free Cash Flow Reconciliation</b>				
<b>Adjustments:</b>				
Purchase of property and equipment	(8)	(23)	(25)	(33)
Capitalized of software costs	(108)	0	(197)	0
<b>Adjusted Free Cash Flow</b>	<b><u>\$ 481</u></b>	<b><u>\$ 285</u></b>	<b><u>\$ 419</u></b>	<b><u>\$ 284</u></b>



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