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

Form 8-K

**Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date Of Report (Date Of Earliest Event Reported): 11/09/2006

INFORMATION ANALYSIS INCORPORATED

(Exact Name of Registrant as Specified in its Charter)

VA
(State or Other Jurisdiction Of
Incorporation or Organization)

0-22405
(Commission
File Number)

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

11240 Waples Mill Rd Ste 201
Fairfax, VA 22030
(Address of Principal Executive Offices, Including Zip Code)

703-383-3000
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On November 9, 2006, Information Analysis Incorporated issued a press release reporting earnings and other financial results for its third quarter. A copy of this press release, captioned "Information Analysis Inc. Reports Third Quarter Results", is attached as Exhibit 99.1 to this Current Report on Form 8-K. The information in this Current Report on Form 8-K, including the exhibit, shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

- 99.1 Press Release dated November 9, 2006, captioned:
"Information Analysis Inc. Reports Third Quarter Results"

Signature(s)

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 hereunto duly authorized.

Date: November 13, 2006.

INFORMATION ANALYSIS INCORPORATED

By: /s/ Matthew T. Sands
Matthew T. Sands
Controller

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
EX-99.1	IAI Press Release dated November 9, 2006, captioned: "Information Analysis Inc. Reports Third Quarter Results"

For additional information contact:
Richard S. DeRose (703) 293-7901
For release:
November 9, 2006

Information Analysis Inc. Reports Third Quarter Results

FAIRFAX, VIRGINIA – Information Analysis Inc. (IAIC:OTCBB) today reported results for its third fiscal quarter ended September 30, 2006. Revenues were \$2,574,000, compared to \$2,629,000 reported in the third quarter 2005. The information technology services company reported net income of \$157,000, or \$0.01 per share basic and diluted, compared to net income of \$251,000 or \$0.02 per share basic and diluted, in the third quarter 2005.

For the nine months ended September 30, 2006, IAI's revenues were \$7,457,000, compared to revenues of \$7,822,000 for the same period in 2005. The Company reported net income of \$396,000, or \$0.04 per share basic and \$0.03 per share diluted, compared to net income of \$471,000, or \$0.05 per share basic and \$0.04 per share diluted, reported for the comparable 2005 period.

“Our third quarter revenue was essentially the same as this year's second quarter. Some of the business that we expected during this quarter came in late in the quarter and we expect to derive revenue from these contracts during the fourth quarter and into 2007,” said Sandor Rosenberg, Chairman and Chief Executive Officer of IAI. “We still have a number of bid opportunities outstanding for new business and additional add-on business to existing contracts, which are expected to materialize during the fourth quarter. This should give the company impetus to increase revenue in 2007.

“Since we engaged an advisory firm in July, our M&A activities have increased significantly.”

About Information Analysis Incorporated

Information Analysis Incorporated (www.infoa.com), headquartered in Fairfax, Virginia, is an information technology services company. The Company is a web solution provider and software conversion specialist, modernizing legacy systems and extending their reach to the internet world.

Additional information for investors

This release may contain forward-looking statements regarding the Company's business, customer prospects, or other factors that may affect future earnings or financial results. Such statements involve risks and uncertainties which could cause actual results to vary materially from those expressed in the forward-looking statements. Investors should read and understand the risk factors detailed in the Company's 10-KSB for the fiscal year ended December 31, 2005 and in other filings with the Securities and Exchange Commission.

— more —

Information Analysis Incorporated
Statements of Operations

	Three months ended September 30,	
	2006	2005
<i>(in thousands, except per share data; unaudited)</i>		
Revenue:		
Professional fees	\$ 2,180	\$ 2,371
Software sales	394	258
Total revenue	2,574	2,629
Cost of goods sold and services provided:		
Cost of professional fees	1,626	1,753
Cost of software sales	183	208
Total cost of sales	1,809	1,961
Gross margin	765	668
Selling, general and administrative expense	610	413
Operating income	155	255
Other income (expense)	2	(4)
Income before income taxes	157	251
Provision for income taxes	—	—
Net income	\$ 157	\$ 251
Earnings per share:		
Basic	\$ 0.01	\$ 0.02
Diluted	\$ 0.01	\$ 0.02
Shares used in calculating earnings per share:		
Basic	11,137,371	10,301,494
Diluted	11,478,082	10,655,071

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Information Analysis Incorporated
Statements of Operations

	Nine months ended September 30,	
	2006	2005
<i>(in thousands, except per share data; unaudited)</i>		
Revenue:		
Professional fees	\$ 6,675	\$ 6,858
Software sales	782	964
Total revenue	7,457	7,822
Cost of goods sold and services provided:		
Cost of professional fees	5,080	5,272
Cost of software sales	478	813
Total cost of sales	5,558	6,085
Gross margin	1,899	1,737
Selling, general and administrative expense	1,508	1,253
Operating income	391	484
Other income (expense)	5	(13)
Income before income taxes	396	471
Provision for income taxes	—	—
Net income	<u>\$ 396</u>	<u>\$ 471</u>
Earnings per share:		
Basic	\$ 0.04	\$ 0.05
Diluted	\$ 0.03	\$ 0.04
Shares used in calculating earnings per share:		
Basic	10,973,470	10,293,910
Diluted	11,436,461	10,687,084

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Information Analysis Incorporated
Balance Sheets

<i>(in thousands)</i>	As of <u>September 30, 2006</u> <i>(unaudited)</i>	As of <u>December 31, 2005</u> <i>(audited)</i>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 477	\$ 452
Accounts receivable, net	2,096	1,994
Prepaid expenses	422	183
Notes receivable	113	85
Other assets	12	—
Other receivables	6	15
Total current assets	<u>3,126</u>	<u>2,729</u>
Fixed assets, net	56	57
Other assets	2	9
Total assets	<u>\$ 3,184</u>	<u>\$ 2,795</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 944	\$ 1,175
Deferred revenue	371	214
Accrued payroll and related payroll items	249	321
Other accrued liabilities	72	125
Income taxes payable	—	4
Total current liabilities	<u>1,636</u>	<u>1,839</u>
Total liabilities	<u>1,636</u>	<u>1,839</u>
Common stock, par value \$0.01, 30,000,000 shares authorized; 12,779,987 shares issued, 11,137,371 outstanding at September 30, 2006, and 12,127,626 shares issued, 10,623,015 outstanding at December 31, 2005	128	121
Additional paid in capital	14,478	14,212
Accumulated deficit	(12,115)	(12,511)
Accumulated other comprehensive income	(12)	(12)
Less treasury stock; 1,642,616 shares at cost at September 30, 2006, and 1,504,611 shares at cost at December 31, 2005	<u>(931)</u>	<u>(854)</u>
Total stockholders' equity	<u>1,548</u>	<u>956</u>
Total liabilities and stockholders' equity	<u>\$ 3,184</u>	<u>\$ 2,795</u>

— end —