

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

Form 10-Q

(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, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-22405

**Information Analysis Incorporated**

(Exact Name of Registrant as Specified in Its Charter)

Virginia

(State or other jurisdiction of incorporation or organization)

54-1167364

(I.R.S. Employer Identification No.)

11240 Waples Mill Road

Suite 201

Fairfax, Virginia 22030

(703) 383-3000

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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 (§ 232.405 of this chapter) 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

As of May 8, 2015, 11,201,760 shares of common stock, par value \$0.01 per share, of the registrant were outstanding.

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**INFORMATION ANALYSIS INCORPORATED  
FORM 10-Q**

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INFORMATION ANALYSIS INCORPORATED  
BALANCE SHEETS

	March 31, 2015 (Unaudited)	December 31, 2014 (see Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,122,914	\$ 2,450,006
Accounts receivable, net	1,110,325	970,621
Prepaid expenses and other current assets	486,810	759,982
Notes receivable, current	4,092	3,896
Total current assets	<u>3,724,141</u>	<u>4,184,505</u>
Property and equipment, net	48,254	53,675
Notes receivable, long-term	4,250	5,102
Other assets	6,281	6,281
Total assets	<u>\$ 3,782,926</u>	<u>\$ 4,249,563</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 62,531	\$ 32,327
Commissions payable	1,004,079	1,017,047
Deferred revenue	451,109	737,994
Accrued payroll and related liabilities	228,345	255,703
Other accrued liabilities	28,427	116,097
Total liabilities	<u>1,774,491</u>	<u>2,159,168</u>
Stockholders' equity:		
Common stock, par value \$0.01, 30,000,000 shares authorized; 12,844,376 shares issued, 11,201,760 shares outstanding as of March 31, 2015 and December 31, 2014	128,443	128,443
Additional paid-in capital	14,616,758	14,613,887
Accumulated deficit	(11,806,555)	(11,721,724)
Treasury stock, 1,642,616 shares at cost	(930,211)	(930,211)
Total stockholders' equity	<u>2,008,435</u>	<u>2,090,395</u>
Total liabilities and stockholders' equity	<u>\$ 3,782,926</u>	<u>\$ 4,249,563</u>

*The accompanying notes are an integral part of the financial statements*

**INFORMATION ANALYSIS INCORPORATED**  
**STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE LOSS**  
(Unaudited)

	For the three months ended March 31,	
	2015	2014
Revenues:		
Professional fees	\$ 1,115,096	\$ 875,260
Software sales	361,027	304,550
Total revenues	<u>1,476,123</u>	<u>1,179,810</u>
Cost of revenues:		
Cost of professional fees	643,284	497,827
Cost of software sales	348,584	227,705
Total cost of revenues	<u>991,868</u>	<u>725,532</u>
Gross profit	484,255	454,278
Selling, general and administrative expenses	432,094	445,819
Commission expense	<u>139,471</u>	<u>108,677</u>
Loss from operations	(87,310)	(100,218)
Other income	<u>2,479</u>	<u>2,699</u>
Loss before provision for income taxes	(84,831)	(97,519)
Provision for income taxes	<u>--</u>	<u>--</u>
Net loss	<u>\$ (84,831)</u>	<u>\$ (97,519)</u>
Comprehensive loss	<u>\$ (84,831)</u>	<u>\$ (97,519)</u>
Net loss per common share:		
Basic	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average common shares outstanding:		
Basic	<u>11,201,760</u>	<u>11,201,760</u>
Diluted	<u>11,201,760</u>	<u>11,201,760</u>

*The accompanying notes are an integral part of the financial statements*

**INFORMATION ANALYSIS INCORPORATED**  
**STATEMENTS OF CASH FLOWS**  
(Unaudited)

	For the three months ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (84,831)	\$ (97,519)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,805	7,585
Stock option compensation	2,871	5,254
Changes in operating assets and liabilities:		
Accounts receivable	(139,704)	644,025
Prepaid expenses and other current assets	273,172	42,469
Accounts payable, accrued payroll and related liabilities, and other accrued liabilities	(84,824)	(572,553)
Commissions payable	(12,968)	(49,525)
Deferred revenue	(286,885)	(58,639)
	(325,364)	(78,903)
Net cash used in operating activities		
Cash flows from investing activities:		
Acquisition of furniture and equipment	(2,384)	(13,214)
Payments received on notes receivable	656	1,442
	(1,728)	(11,772)
Net cash used in investing activities		
Net decrease in cash and cash equivalents	(327,092)	(90,675)
Cash and cash equivalents, beginning of the period	2,450,006	2,359,527
Cash and cash equivalents, end of the period	\$ 2,122,914	\$ 2,268,852
Supplemental cash flow information		
Interest paid	\$ --	\$ --
Income taxes paid	\$ --	\$ --

*The accompanying notes are an integral part of the financial statements*

**INFORMATION ANALYSIS INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Basis of Presentation**

**Organization and Business**

Information Analysis Incorporated ("IAI", or the "Company") was incorporated under the corporate laws of the Commonwealth of Virginia in 1979 to develop and market computer applications software systems, programming services, and related software products and automation systems. The Company provides services to customers throughout the United States, with a concentration in the Washington, D.C. metropolitan area.

**Unaudited Interim Financial Statements**

The accompanying unaudited financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions for Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the unaudited financial statements include all adjustments necessary (which are of a normal and recurring nature) for the fair and not misleading presentation of the results of the interim periods presented. These unaudited financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2014 included in the Annual Report on Form 10-K filed by the Company with the Securities and Exchange Commission on March 20, 2015 (the "Annual Report"). The accompanying December 31, 2014 financial information was derived from our audited financial statements included in the Annual Report. The results of operations for any interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

There have been no changes in the Company's significant accounting policies as of March 31, 2015 as compared to the significant accounting policies disclosed in Note 1, "Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 that was filed with the SEC on March 20, 2015.

**Use of Estimates and Assumptions**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results can, and in many cases will, differ from those estimates.

**Income Taxes**

As of March 31, 2015, there have been no material changes to the Company's uncertain tax position disclosures as provided in Note 7 of the Annual Report. The Company does not anticipate that total unrecognized tax benefits will significantly change prior to March 31, 2015.

**Note 2 - Recent Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB"), or other standard setting bodies that the Company adopts as of the specified effective date.

In May 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09 ("Topic 606"), "*Revenue from Contracts with Customers*." This new standard will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount it expects to receive for those goods and services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and estimates and changes in those estimates. The ASU will be effective for the Company beginning January 1, 2017, and allows for both retrospective and modified-retrospective methods of adoption. The Company is in the process of determining the method of adoption it will elect and is currently assessing the impact of this ASU on its financial statements and footnote disclosures.

### 3. Stock-Based Compensation

At March 31, 2015, the Company had the stock-based compensation plans described below. Total compensation expense related to these plans was \$2,871 and \$5,254 for the quarters ended March 31, 2015 and 2014, respectively, of which \$0 and \$564, respectively, related to options awarded to non-employees. The Company estimates the fair value of options granted using a Black-Scholes valuation model to establish the expense. When stock-based compensation is awarded to employees, the expense is recognized ratably over the vesting period. When stock-based compensation is awarded to non-employees, the expense is recognized over the period of performance.

There were 20,000 option awards granted to employees and members of the Board of Directors in the three months ended March 31, 2015 and there were no option awards granted to employees and no option awards granted to non-employees in the three months ended March 31, 2014. The fair values of option awards granted in the three months ended March 31, 2015 were estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2015</u>
Risk free interest rate	1.61 – 1.97%
Dividend yield	0%
Expected term	5-10 years
Expected volatility	41.2 – 54.2%

The status of the options issued as of March 31, 2015 and changes during the three months ended March 31, 2015 and 2014 were as follows:

	<u>Options outstanding</u>	
	<u>Number of shares</u>	<u>Weighted average exercise price per share</u>
Balance at December 31, 2014	1,264,000	\$ 0.26
Options granted	20,000	0.20
Options exercised	--	--
Options expired or forfeited	(1,000)	0.24
Balance at March 31, 2015	<u>1,283,000</u>	<u>\$ 0.26</u>

	<u>Options outstanding</u>	
	<u>Number of shares</u>	<u>Weighted average exercise price per share</u>
Balance at December 31, 2013	1,187,000	\$ 0.26
Options granted	--	--
Options exercised	--	--
Options expired or forfeited	--	--
Balance at March 31, 2014	<u>1,187,000</u>	<u>\$ 0.26</u>

The following table summarizes information about options at March 31, 2015:

<u>Options outstanding</u>				<u>Options exercisable</u>			
<u>Total shares</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life in years</u>	<u>Aggregate intrinsic value</u>	<u>Total shares</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual life in years</u>	<u>Aggregate intrinsic value</u>
1,283,000	\$ 0.26	5.36	\$ 42,258	1,059,500	\$ 0.28	4.56	\$ 30,602

### 3. Stock-Based Compensation (continued)

Nonvested stock awards as of March 31, 2015 and changes during the three months ended March 31, 2015 were as follows:

	<u>Nonvested</u>	
	<u>Number of shares</u>	<u>Weighted average grant date fair value</u>
Balance at December 31, 2014	209,500	\$ 0.07
Granted	20,000	0.11
Vested	(5,000)	0.08
Expired before vesting	(1,000)	0.10
Balance at March 31, 2015	<u>223,500</u>	<u>\$ 0.08</u>

As of March 31, 2015 and 2014, unrecognized compensation cost associated with non-vested share-based employee and non-employee compensation totaled \$6,801 and \$11,469, respectively, which are expected to be recognized over weighted average periods of 6 months and 7 months, respectively.

### 4. Loss Per Share

Basic loss per share excludes dilution and is computed by dividing loss available to common shareholders by the weighted-average number of shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, except for periods when the Company reports a net loss because the inclusion of such items would be antidilutive.

The following is a reconciliation of the amounts used in calculating basic and diluted net loss per common share:

	<u>Net Income</u>	<u>Shares</u>	<u>Per Share Amount</u>
Basic net loss per common share for the three months ended March 31, 2015:			
Loss available to common stockholders	\$ (84,831)	11,201,760	\$ (0.01)
Effect of dilutive stock options	-	-	-
Diluted net loss per common share for the three months ended March 31, 2015	<u>\$ (84,831)</u>	<u>11,201,760</u>	<u>\$ (0.01)</u>
Basic net loss per common share for the three months ended March 31, 2014:			
Loss available to common stockholders	\$ (97,519)	11,201,760	\$ (0.01)
Effect of dilutive stock options	-	-	-
Diluted net loss per common share for the three months ended March 31, 2014	<u>\$ (97,519)</u>	<u>11,201,760</u>	<u>\$ (0.01)</u>



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

### Cautionary Statement Regarding Forward-Looking Statements

This Form 10-Q contains forward-looking statements regarding our business, customer prospects, or other factors that may affect future earnings or financial results that are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. 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 our Form 10-K for the fiscal year ended December 31, 2014 and in other filings with the Securities and Exchange Commission.

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. This list highlights some of the risks which may affect future operating results. These are the risks and uncertainties we believe are most important for you to consider. Additional risks and uncertainties, not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. If any of the following risks or uncertainties actually occurs, our business, financial condition and operating results would likely suffer. These risks include, among others, the following:

- changes in the funding priorities of the U.S. federal government;
- changes in the way the U.S. federal government contracts with businesses;
- terms specific to U.S. federal government contracts;
- our failure to keep pace with a changing technological environment;
- intense competition from other companies;
- inaccuracy in our estimates of the cost of services and the timeline for completion of contracts;
- non-performance by our subcontractors and suppliers;
- our dependence on third-party software and software maintenance suppliers;
- our failure to adequately integrate businesses we may acquire;
- fluctuations in our results of operations and the resulting impact on our stock price;
- the limited public market for our common stock;
- changes in the economic health of our non U.S. federal government customers; and
- our forward-looking statements and projections may prove to be inaccurate.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expect,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “intends,” “potential” and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We discuss many of these risks in greater detail under the heading “Risk Factors” in Item 1A. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we assume no obligation to update any forward-looking statements after the date of this report.

### Our Business

Founded in 1979, IAI is in the business of modernizing client information systems, developing and maintaining information technology systems, developing electronic forms, and performing consulting services to government and commercial organizations. We have performed software conversion projects for over 100 commercial and government customers, including Computer Sciences Corporation, IBM, Computer Associates, Sprint, Citibank, U.S. Department of Homeland Security, U.S. Treasury Department, U.S. Department of Agriculture, U.S. Department of Education, U.S. Department of Energy, U.S. Army, U.S. Air Force, U.S. Department of Veterans Affairs, and the Federal Deposit Insurance Corporation. Today, we primarily apply our technology, services and experience to legacy software migration and modernization for commercial companies and government agencies, and to developing web-based solutions for agencies of the U.S. federal government.

In the three months ended March 31, 2015, five of our customers - three of which are U.S. government agencies with which we contract directly, one of which is a company under which we subcontract for services to U.S. government agencies, and one of which is a commercial customer - represented material portions of our revenue. These customers collectively accounted for 76.8% of our revenue. The three U.S. government agency customers accounted for 23.5%, 14.9% and 13.9%, respectively, of revenue, the company under which we subcontract for services to U.S. government agencies accounted for 13.9% of revenue, and the commercial customer accounted for 10.7% of revenue in the first three months of 2015.

In the three months ended March 31, 2014, four of our customers - two of which are U.S. government agencies with which we contract directly, one of which is a company under which we subcontract for services to U.S. government agencies, and one of which is a commercial customer - represent material portions of our revenue. These customers collectively accounted for 55.1% of our revenue. The two U.S. government agency customers accounted for 17.7% and 11.0%, respectively, of revenue, the company under which we subcontract for services to U.S. government agencies accounted for 12.2% of revenue, and the commercial customer accounted for 14.2% of revenue in the first three months of 2014.

### **Three Months Ended March 31, 2015 versus Three Months Ended March 31, 2014**

#### *Revenue*

Our revenues in the first quarter of 2015 were \$1,476,123 compared to \$1,179,810 in 2014, an increase of 25.1%. Professional fees revenue was \$1,115,096 versus \$875,260, an increase of 27.4%, and software product and maintenance revenue was \$361,027 versus \$304,550, an increase of 18.5%. The increase in our professional fees revenue is due to some U.S. federal government prime contracts and subcontracts that did not exist in the first quarter of 2014. Software product and maintenance sales and associated margins are subject to considerable fluctuation from period to period, based on the product mix sold.

#### *Gross Profit*

Gross profit was \$484,255, or 32.8% of net revenue in the first quarter of 2015 versus \$454,278, or 38.5% of revenue in the first quarter of 2014. For the quarter ended March 31, 2015, \$471,812 of the gross profit was attributable to professional fees at a gross profit percentage of 42.3%, and \$12,443 of the gross profit was attributable to software sales at a gross profit percentage of 3.4%. In the same quarter in 2014, we reported gross profit of \$377,433, or 43.1% of sales for professional fees and \$76,845, or 25.2% of sales for software sales. Gross profit on professional fees increased with the increases in professional fees revenue, and as a percentage of sales on professional fees was consistent with the corresponding prior three month period. Gross profit on software sales decreased in terms of dollars and as a percentage of revenue due to a larger portion of the 2014 revenue having come from referral fees for facilitating third-party sales, for which there were no direct costs incurred by us. If we exclude these referral fees, the 2015 and 2014 gross profits would be \$9,279 and \$5,752, respectively, and gross profit percentages would be 2.6% and 2.5%, respectively. Software product sales and sales referral fees and associated margins are subject to considerable fluctuation from period to period, based on the product mix sold.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses, exclusive of sales commissions, were \$432,094, or 29.3% of revenues, in the first quarter of 2015 versus \$445,819, or 37.8% of revenues, in the first quarter of 2014. These expenses decreased \$13,725, or 3.1%, due largely to decreases in the use of non-billable temporary personnel, decreases in the fringe benefit costs associated with non-billable employees, and decreases in recruiting fees.

Commission expense was \$139,471, or 9.4% of revenues, in the first quarter of 2015 versus \$108,677, or 9.2% of revenues, in the first quarter of 2014. This increase of \$30,794, or 28.3%, is due to the increases in revenue and gross profits on commissionable professional services contracts, which drive commission earned at varying rates for each salesperson.

#### *Net Loss*

Net loss for the three months ended March 31, 2015, was \$84,831, or 5.7% of revenue, versus net loss of \$97,519, or 8.3% of net revenue, for the same period in 2014.

### **Liquidity and Capital Resources**

Our cash and cash equivalents balance, when combined with our cash flow from operations during the first three months of 2015, were sufficient to provide financing for our operations. Our net cash used in the combination of our operating, investing, and financing activities in the first three months of 2015 was \$327,092. This net cash used, when subtracted from a beginning balance of \$2,450,006 yielded cash and cash equivalents of \$2,122,914 as of March 31, 2015. Our accounts receivable balances increased \$139,704 primarily as a result of the increase in our revenue. Prepaid expenses and other current assets decreased \$273,172 due to the allocation over time of prepaid expenses associated with the maintenance contracts on software sales. Accounts payable, accrued payroll liabilities, and other accrued liabilities decreased \$84,824, due to accrued liabilities being relieved through accounts payable and to the application of a security deposit held to an outstanding balance, deferred revenue decreased \$286,885 due to the recognition of revenue over time from maintenance contracts on software sales, and commissions payable decreased \$12,968. We had no non-current liabilities as of March 31, 2015.

We have a revolving line of credit with a bank providing for demand or short-term borrowings of up to \$1,000,000. The line became effective December 20, 2005, and expires on May 31, 2016. As of March 31, 2015, no amounts were outstanding under this line of credit.

Given our current cash position and operating plan, we anticipate that we will be able to meet our cash requirements for the next twelve months.

We presently lease our corporate offices on a contractual basis with certain timeframe commitments and obligations. We believe that our existing offices will be sufficient to meet our foreseeable facility requirement. Should we need additional space to accommodate increased activities, management believes we can secure such additional space on reasonable terms.

We have no material commitments for capital expenditures.

We have no off-balance sheet arrangements.

#### **Item 4. Controls and Procedures**

##### ***Disclosure Controls and Procedures***

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, and people performing similar functions, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of March 31, 2015 (the "Evaluation Date"). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

##### ***Changes in Internal Controls over Financial Reporting***

There were no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### ***Inherent Limitations on Effectiveness of Controls***

Because of the inherent limitations in all control systems, no control system can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of a person, by collusion of two or more people or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected. Notwithstanding these limitations, we believe that our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

None.

### Item 1A. Risk Factors

“Item 1A. Risk Factors” of our annual report on Form 10-K for the year ended December 31, 2014 includes a discussion of our risk factors. There have been no material changes from the risk factors described in our annual report on Form 10-K for the year ended December 31, 2014.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">10.13</a>	Eighth Amendment to Loan Agreement regarding Line of Credit Agreement with TD Bank, N.A., successor to Commerce Bank, N.A., dated April 21, 2015.
<a href="#">31.1</a>	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934
<a href="#">31.2</a>	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934
<a href="#">32.1</a>	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<a href="#">32.2</a>	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**SIGNATURES**

In accordance with the requirements of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Information Analysis Incorporated**  
(Registrant)

Date: May 15, 2015

By: /s/ Sandor Rosenberg  
Sandor Rosenberg,  
Chairman of the Board, Chief Executive Officer, and  
President

Date: May 15, 2015

By: /s/ Richard S. DeRose  
Richard S. DeRose  
Richard S. DeRose, Executive Vice President, Treasurer, and  
Chief Financial Officer

## EIGHTH AMENDMENT TO LOAN AGREEMENT

This EIGHTH AMENDMENT TO LOAN AGREEMENT ("Amendment") is dated as of April 21, 2015, by and between INFORMATION ANALYSIS INCORPORATED a Virginia corporation ("Borrower") and TD BANK, N.A., a national banking association ("Bank").

## BACKGROUND

A. Pursuant to the terms of a certain Loan Agreement dated December 20, 2005, by and between Borrower and Bank (as the same has been or may be supplemented, restated, superseded, amended or replaced from time to time, the "Loan Agreement"), Bank made available to Borrower, inter alia, a revolving line of credit not to exceed One Million Dollars (\$1,000,000.00) (the "Revolving Loan"). All capitalized terms used herein without further definition shall have the respective meaning set forth in the Loan Agreement and all other Loan Documents.

B. The Loans are secured by, inter alia, continuing perfected security interests in the Collateral.

C. Borrower has requested that Bank modify, in certain respects, the terms of the Loan Agreement and Bank has agreed to such modifications in accordance with and subject to the satisfaction of the conditions hereof.

NOW, THEREFORE, with the foregoing Background incorporated by reference and intending to be legally bound hereby, the parties agree as follows:

1. The Schedule of Defined Terms as referenced in section 1 of the Loan Agreement shall be amended by deleting the definition of "Termination Date" and replacing such definition as follows:

**"Termination Date" means May 31, 2016, as the same may be extended from time to time by the Bank in its sole discretion.**

2. Section 2 (b) of the Loan Agreement shall be amended by deleting the section in its entirety and replacing it with the following:

**(a) Interest. Advances shall bear interest at a per annum rate equal to 3.00% plus LIBOR. Accrued interest shall be payable monthly, in arrears, on the first (1st) day of each month, and on the Termination Date. The interest rate shall be adjusted monthly on the first Business Day of each month to reflect LIBOR then in effect.**

3. Section 7(a) of the Loan Agreement shall be restated as follows:

**(a) Financial Reporting Requirements. The Borrower shall deliver to the Bank:**

- within 120 days after the close of each fiscal year audited consolidated and consolidating financial statements of the Borrower and its Subsidiaries, prepared in accordance with GAAP, including consolidated and consolidating balance sheets, income statements, statements of equity and of cash flows, for the fiscal year then ended, prepared by an independent certified public accounting firm acceptable to the Bank.
- within 45 days after the end of each quarter of each of its fiscal years, unaudited consolidated and consolidating financial statements of the Borrower and its Subsidiaries, including consolidated and consolidating balance sheets and income statements, for the period then ended, prepared in accordance with GAAP;
- when there is an outstanding balance\*, within 15 days after the end of each calendar month (i) an appropriately completed Borrowing Base Certificate setting forth a calculation of the Borrowing Base as of the end of the preceding calendar month, (ii) agings of accounts receivable of the Borrower and its Subsidiaries as of the end of such month, and (iii) agings of accounts payable of the Borrower and its Subsidiaries as of the end of such month. \* when there is no outstanding balance, said reports are not required;
- within 45 days after the end of each fiscal quarter of the Borrower and its Subsidiaries, status and backlog reports relating to the contracts of the Borrower and its Subsidiaries as of the end of such fiscal quarter;
- within 45 days after the end of each quarter of each of its fiscal years a Covenant Compliance Certificate of the Borrower's chief financial officer for the period then ended;
- promptly after receipt, copies of any reports from auditors of Government Contracts to the extent such reports are not classified;

- promptly upon receipt, copies of any reports submitted to the Borrower by independent certified public accountants in connection with examination of the financial statements of the Borrower made by such accountants; and
- such other information concerning the Collateral or the financial condition of the Borrower, any Subsidiary or any Guarantor as the Bank from time to time may reasonably request.

All financial statements and reports shall be in form and detail acceptable to the Bank and shall be certified to be accurate by a duly authorized officer of the Borrower.

4. Section 8 of the Loan Agreement shall be amended as follows:

- **Minimum Tangible Net Worth.** The Borrower and its subsidiaries shall maintain a Tangible Net Worth of not less than \$1,800,000.00, tested annually, defined as: the book value of net worth (total assets – total liabilities) as set forth in the statement of financial position of the Borrower determined in accordance with Generally Accepted Accounting Principals (GAAP), minus the net book value of the following items (but only to the extent that such items are included in any determination of the total assets of the Borrower): (i) good will, patents, trademarks, copyrights, trade names, customer lists, and other like intangible assets; (ii) receivables due from affiliates, subsidiaries or other related parties, including officers, employees or stockholders of the Borrower; and (iii) any capitalized start-up or development expenses, and (iv) any write-up or reappraisal of the Borrower's existing assets.
- **Waive the Positive Net Income covenant as of 12/31/2014 and testing of this covenant will no longer be required subsequent to 12/31/2014.**

5. Representations and Warranties. Borrower warrants and represents to Bank that:

- Prior Representations.** By execution of this Amendment, Borrower reconfirms all warranties and representations made to Bank under the Loan Agreement and the other Loan Documents respectively and restate such warranties and representations as of the date hereof, all of which shall be deemed continuing until all of the obligations due to Bank are indefeasibly paid and satisfied in full.
  - Authorization.** The execution and delivery by Borrower of this Amendment and the performance by Borrower of the transactions herein contemplated (i) are and will be within its powers, (ii) have been duly authorized by all necessary action on behalf of Borrower and (iii) are not and will not be in contravention of any order of court or other agency of government, of law or of any indenture, agreement or undertaking to which Borrower is a party or by which the property of Borrower is bound, or be in conflict with, result in a breach of or constitute (with due notice and/ or lapse of time) a default under any such indenture, agreement or undertaking, or result in the imposition of any lien, charge or encumbrance of any nature on any of the properties of the Borrower.
  - Valid, Binding and Enforceable.** This Amendment and any assignment or other instrument, document or agreement executed and delivered in connection herewith, will be valid, binding and enforceable in accordance with their respective terms.
  - No Default.** No Default or Event of Default exists after giving effect to this Amendment.
6. **Ratification of Loan Documents.** This Amendment is hereby incorporated into and made a part of the Loan Agreement and all other Loan Documents respectively, the terms and provisions of which, except to the extent modified by this Amendment are each ratified and confirmed and continue unchanged in full force and effect. Any reference to the Loan Agreement and all other Loan Documents respectively in this or any other instrument, document or agreement related thereto or executed in connection therewith shall mean the Loan Agreement and all other Loan Documents respectively as amended by this Amendment. As security for the payment of the Obligations, and satisfaction by Borrower of all covenants and undertakings contained in the Loan Agreement, Borrower hereby confirms its prior grant to Bank of a continuing first lien on and security interest in, upon and to all of Borrower's now owned or hereafter acquired, created or arising Collateral as described in the Loan Agreement.
7. **Governing Law.** THIS AMENDMENT, AND ALL RELATED AGREEMENTS AND DOCUMENTS, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS SET FORTH IN SECTION 10(h) OF THE LOAN AGREEMENT. THE PROVISIONS OF THIS AMENDMENT AND ALL OTHER AGREEMENTS AND DOCUMENTS REFERRED TO HEREIN ARE TO BE DEEMED SEVERABLE, AND THE INVALIDITY OR UNENFORCEABILITY OF ANY PROVISION SHALL NOT AFFECT OR IMPAIR THE REMAINING PROVISIONS WHICH SHALL CONTINUE IN FULL FORCE AND EFFECT.
8. **Modification.** No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed by Borrower and Bank.
9. **Duplicate Originals.** Two or more duplicate originals of this Amendment may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument.
10. **Waiver of Jury Trial.** BORROWER AND BANK EACH HEREBY WAIVE ANY AND ALL RIGHTS IT MAY HAVE TO A JURY TRIAL IN CONNECTION WITH ANY LITIGATION, PROCEEDING OR COUNTERCLAIM ARISING WITH RESPECT TO RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO OR UNDER THE LOAN DOCUMENTS OR WITH RESPECT TO ANY CLAIMS ARISING OUT OF ANY DISCUSSIONS, NEGOTIATIONS OR COMMUNICATIONS INVOLVING OR RELATED TO ANY PROPOSED RENEWAL, EXTENSION, AMENDMENT, MODIFICATION, RESTRUCTURE, FORBEARANCE, WORKOUT, OR ENFORCEMENT OF THE TRANSACTIONS CONTEMPLATED BY THE LOAN DOCUMENTS.

IN WITNESS WHEREOF, the undersigned parties have executed this Amendment the day and year first above written.

**BORROWER:**  
**Information Analysis Incorporated**

By: \_\_\_\_\_  
Name: Sandor Rosenberg  
Title: Chief Executive Officer

By: \_\_\_\_\_  
Name: Richard S. DeRose  
Title: Executive Vice President

**LENDER:**  
**TD BANK, N.A.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



## CERTIFICATIONS

I, Sandor Rosenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Information Analysis Incorporated;
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(s) 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 us 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(s) 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: May 15, 2015

By: /s/ Sandor Rosenberg

Sandor Rosenberg  
Chairman of the Board, Chief Executive Officer and  
President

A signed original of this written statement required by Section 302 has been provided to Information Analysis Incorporated and will be retained by Information Analysis Incorporated and furnished to the Securities and Exchange Commission or its staff upon request

## CERTIFICATIONS

I, Richard S. DeRose, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Information Analysis Incorporated;
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(s) 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 us 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(s) 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: May 15, 2015

By: /s/ Richard S. DeRose  
Richard S. DeRose  
Executive Vice President, Treasurer, Chief Financial Officer

A signed original of this written statement required by Section 302 has been provided to Information Analysis Incorporated and will be retained by Information Analysis Incorporated and furnished to the Securities and Exchange Commission or its staff upon request

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Sandor Rosenberg, Chief Executive Officer of Information Analysis Incorporated, a Virginia corporation (the "Company"), do hereby certify, to the best of my knowledge, that:

- 1 the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof, (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company for the periods presented therein.

Date: May 15, 2015

By: /s/ Sandor Rosenberg \_\_\_\_\_

Sandor Rosenberg  
Chairman of the Board, Chief Executive Officer and  
President

A signed original of this written statement required by Section 906 has been provided to Information Analysis Incorporated and will be retained by Information Analysis Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

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

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Richard S. DeRose, Chief Financial Officer of Information Analysis Incorporated, a Virginia corporation (the "Company"), do hereby certify, to the best of my knowledge, that:

- 1 the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2015, as filed with the Securities and Exchange Commission on the date hereof, (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company for the periods presented therein.

Date: May 15, 2015

By: /s/ Richard S. DeRose

Richard S. DeRose  
Executive Vice President, Treasurer, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Information Analysis Incorporated and will be retained by Information Analysis Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.