
**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 June 30, 2007

OR

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

For the transition period from January 1, 2007 to June 30, 2007

Commission file number: 1-31949

INX Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation)

76-0515249
(I.R.S. Employer Identification Number)

6401 Southwest Freeway
Houston, Texas 77074
(Address of principal executive offices)
(Zip code)

(713) 795-2000
Registrant's telephone number including area code

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The Registrant has 6,962,499 shares of common stock outstanding as of July 26, 2007.

INX Inc. and Subsidiary
FORM 10-Q for the Quarter Ended June 30, 2007

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited):

INX INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	Three months ended June 30,	
	2007	2006
Revenue:		
Products	\$ 46,918	\$ 33,322
Services	6,809	5,356
Total revenue	<u>53,727</u>	<u>38,678</u>
Cost of products and services:		
Products	39,029	26,962
Services	4,653	4,084
Total cost of products and services	<u>43,682</u>	<u>31,046</u>
Gross profit	10,045	7,632
Selling, general and administrative expenses	9,042	7,001
Operating income	1,003	631
Interest and other income (expense), net	41	(18)
Income from continuing operations before income taxes	1,044	613
Income tax expense	7	—
Net income from continuing operations	1,037	613
Income (loss) from discontinued operations, net of income taxes	(3)	143
Net income	<u>\$ 1,034</u>	<u>\$ 756</u>
Net income per share:		
Basic:		
Income from continuing operations	\$ 0.15	\$ 0.10
Income from discontinued operations, net of income taxes	—	0.02
Net income per share	<u>\$ 0.15</u>	<u>\$ 0.12</u>
Diluted:		
Income from continuing operations	\$ 0.13	\$ 0.08
Income from discontinued operations, net of income taxes	—	0.02
Net income per share	<u>\$ 0.13</u>	<u>\$ 0.10</u>
Shares used in computing net income per share:		
Basic	6,862,538	6,223,118
Diluted	<u>7,817,371</u>	<u>7,324,469</u>

The accompanying notes are an integral part of these condensed consolidated financial statements

INX INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	Six months ended June 30,	
	2007	2006
Revenue:		
Products	\$ 86,468	\$ 55,633
Services	12,902	9,321
Total revenue	<u>99,370</u>	<u>64,954</u>
Cost of products and services:		
Products	71,361	44,855
Services	9,457	7,060
Total cost of products and services	<u>80,818</u>	<u>51,915</u>
Gross profit	18,552	13,039
Selling, general and administrative expenses	17,214	12,846
Operating income	1,338	193
Interest and other income (expense), net	17	(103)
Income from continuing operations before income taxes	1,355	90
Income tax expense	14	1
Net income from continuing operations	1,341	89
Income from discontinued operations, net of income taxes	59	139
Net income	<u>\$ 1,400</u>	<u>\$ 228</u>
Net income per share:		
Basic:		
Income from continuing operations	\$ 0.20	\$ 0.01
Income from discontinued operations, net of income taxes	0.01	0.03
Net income per share	<u>\$ 0.21</u>	<u>\$ 0.04</u>
Diluted:		
Income from continuing operations	\$ 0.17	\$ 0.01
Income from discontinued operations, net of income taxes	0.01	0.02
Net income per share	<u>\$ 0.18</u>	<u>\$ 0.03</u>
Shares used in computing net income per share:		
Basic	6,762,681	6,135,350
Diluted	<u>7,749,270</u>	<u>7,202,067</u>

The accompanying notes are an integral part of these condensed consolidated financial statements

INX INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and par value amounts)

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,826	\$ 1,795
Accounts receivable, net of allowance of \$210 and \$299	39,656	42,424
Inventory	2,237	1,157
Other current assets	1,958	2,086
Total current assets	<u>51,677</u>	<u>47,462</u>
Property and equipment, net of accumulated depreciation of \$3,008 and \$2,414	4,084	3,854
Goodwill	12,097	10,891
Intangible and other assets, net of accumulated amortization of \$1,364 and \$1,264	196	313
Total assets	<u>\$ 68,054</u>	<u>\$ 62,520</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable and current portion of long-term debt	\$ 37	\$ 4,609
Accounts payable	36,320	28,798
Accrued expenses	4,627	5,038
Other current liabilities	1,233	1,385
Total current liabilities	<u>42,217</u>	<u>39,830</u>
Other long-term liabilities	306	306
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$.01 par value, 5,000,000 shares authorized, no shares issued	—	—
Common stock, \$.01 par value, 15,000,000 shares authorized, 6,952,511 and 6,603,070 shares issued	70	66
Additional paid-in capital	32,341	30,598
Retained deficit	(6,880)	(8,280)
Total stockholders' equity	<u>25,531</u>	<u>22,384</u>
Total liabilities and stockholders' equity	<u>\$ 68,054</u>	<u>\$ 62,520</u>

The accompanying notes are an integral part of these condensed consolidated financial statements

INX INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

	\$.01 par value Common Stock		Additional Paid-In Capital	Retained Deficit	Total
	Shares	Amount			
Balance at December 31, 2006	6,603,070	\$ 66	\$ 30,598	\$ (8,280)	\$ 22,384
Exercise of common stock options	240,116	3	429	—	432
Issuance of shares as additional purchase price consideration for Datatran acquisition	25,253	—	250	—	250
Issuable shares as additional purchase price consideration for Network Architects, Corp. acquisition	75,000	1	676	—	677
Share-based compensation expense related to employee stock options	—	—	240	—	240
Share-based compensation expense related to directors' stock grants	9,072	—	90	—	90
Share-based compensation expense related to employee restricted stock grants	—	—	18	—	18
Issuance of warrants	—	—	40	—	40
Net income	—	—	—	1,400	1,400
Balance at June 30, 2007	<u>6,952,511</u>	<u>\$ 70</u>	<u>\$ 32,341</u>	<u>\$ (6,880)</u>	<u>\$ 25,531</u>

The accompanying notes are an integral part of this condensed consolidated financial statement

INX INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six months ended June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,400	\$ 228
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net (income) from discontinued operations	(59)	(139)
Depreciation and amortization	716	549
Share-based compensation expense for stock options and stock grants	356	192
Issuance of warrants	40	—
Loss on retirement of assets	10	3
Bad debt expense	40	26
Changes in operating assets and liabilities:		
Accounts receivable	2,728	(10,462)
Inventory (net of effect of acquisition)	(1,080)	(586)
Accounts payable	7,522	10,586
Other assets and liabilities	(403)	785
Net cash provided by continuing operations	<u>11,270</u>	<u>1,182</u>
Net operating activities of discontinued operations	22	(433)
Net cash provided by operating activities	<u>11,292</u>	<u>749</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Datatran Network Systems	(250)	(1,000)
Acquisition of Network Architects, Corp.	—	(394)
Transaction costs paid for acquisitions	(30)	(36)
Capital expenditures (net of effect of acquisitions)	<u>(856)</u>	<u>(1,124)</u>
Net cash used in investing activities of continuing operations	<u>(1,136)</u>	<u>(2,554)</u>
Net investing activities of discontinued operations	15	1,117
Net cash used in investing activities	<u>(1,121)</u>	<u>(1,437)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of stock options	432	443
Net payments of short-term interest bearing credit facilities	(4,350)	2,016
Payments on notes payable	(222)	(77)
Net cash provided by (used in) financing activities of continuing operations	<u>(4,140)</u>	<u>2,382</u>
Net financing activities of discontinued operations	—	(1)
Net cash provided by (used in) financing activities	<u>(4,140)</u>	<u>2,381</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,031	1,693
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,795	2,597
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 7,826</u>	<u>\$ 4,290</u>

The accompanying notes are an integral part of these condensed consolidated financial statements

INX INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six months ended June 30,	
	2007	2006
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 112	\$ 90
Cash paid for income taxes	\$ 8	\$ 1
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of Datatran Network Systems:		
Fair value of assets acquired	\$ 500	\$ 1,551
Common stock issued	(250)	(515)
Acquisition of Network Architects, Corp.:		
Fair value of assets acquired	677	\$ 965
Common stock issued	(677)	(571)
Acquisition of InfoGroup Northwest, Inc.:		
Fair value of assets acquired	—	\$ 1,504
Additional purchase price payable	—	(717)
Transaction costs accrued	—	(70)
Common stock issuable	—	(717)
Issuance of warrants in connection with sale of Stratasoft, Inc.	—	128

The accompanying notes are an integral part of these condensed consolidated financial statements

INX INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (In thousands, except share and per share amounts)

1. Description of Business

INX Inc. ("INX" or the "Company") is a provider of Internet Protocol ("IP") communications solutions for enterprise-class organizations based primarily on Cisco System, Inc. ("Cisco") technology. These solutions include design, implementation and support of LAN/WAN routing and switching, IP telephony, voice over IP ("VoIP"), network security, network storage and wireless networks.

2. Basis of Presentation

The accompanying unaudited financial data as of June 30, 2007 and for the three-month and six-month periods ended June 30, 2007 and 2006 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. The December 31, 2006 Condensed Consolidated Balance Sheet was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. However, the Company believes the disclosures are adequate to make the information presented not misleading. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 ("Annual Report").

In the opinion of management, all adjustments (which include normal recurring adjustments, except as disclosed herein) necessary for a fair presentation of financial position as of June 30, 2007, results of operations for the three-month and six-month periods ended June 30, 2007 and 2006, cash flows for the six months ended June 30, 2007 and 2006, and stockholders' equity for the six months ended June 30, 2007, have been included. The results of the interim periods are not necessarily indicative of results for the full year or any future period.

3. Adoption of FASB Interpretation No. 48

Effective January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides related guidance on derecognition, classification, interest and penalties, and accounting in interim periods and disclosure. The adoption of FIN 48 did not have a material impact on the Condensed Consolidated Financial Statements for the three-month and six-month periods ended June 30, 2007.

The Company and its subsidiary file income tax returns in the U.S. federal jurisdiction and several states. With few exceptions, the Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2003. The Company is currently not undergoing an income tax examination in any jurisdiction. The Company has no unrecognized tax benefits not recorded as of January 1, 2007, the date of adoption of FIN 48.

There were no interest or penalties recorded for unrecognized tax benefits in the three-month and six-month periods ended June 30, 2007. There were no interest or penalties accrued in the Condensed Consolidated Balance Sheets at June 30, 2007 or December 31, 2006.

4. Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 is not expected to have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. It also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 does not: (a) affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value; (b) establish requirements for recognizing and measuring dividend income, interest income, or interest expense; or (c) eliminate disclosure requirements included in other accounting standards. SFAS 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact on the Company's consolidated financial statements.

5. Acquisitions

Datatron Network Systems

Under an Asset Purchase Agreement dated February 3, 2006, the Company purchased the assets and operations of Datatron Network Systems ("DNS"). DNS is a specialized provider of network solutions serving the Southern California market. DNS designs, implements and supports solutions based on Cisco technologies with a primary focus on IP Telephony. The Company completed the acquisition simultaneously with the execution of the Asset Purchase Agreement.

The consideration paid at closing pursuant to the Asset Purchase Agreement was \$1,000 in cash, including \$100 placed in escrow under holdback provisions defined in the Asset Purchase Agreement and 71,003 shares of the Company's common stock valued at \$500. Legal and other costs of \$47 were paid in connection with the transaction, of which \$32 was paid in cash and \$15 was paid through the issuance of 2,105 shares of common stock. The \$100 holdback was released from escrow and paid to DNS in May 2007.

Additional purchase price consideration valued at \$500 and recorded as goodwill was paid to DNS in June 2007 for achievement of certain operating profit milestones during the twelve-month period ending February 28, 2007. The consideration consisted of a cash payment of \$250 and issuance of 25,253 shares of the Company's common stock with a value of \$250. The calculation of the number of shares of Company's common stock was determined by dividing \$250 by \$9.90, the average closing price per share for the common stock as reported by NASDAQ for the five consecutive trading days prior to March 1, 2007. Additionally, cash of \$30 was paid to the broker of the transaction.

Network Architects, Corp.

Effective May 26, 2005, the Company acquired the operations and certain assets of Network Architects, Corp. ("Network Architects"), a data network and IP telephony systems design, installation and support business with branches in Albuquerque, New Mexico and El Paso, Texas. Additional purchase price consideration consisting of 75,000 shares of the Company's common stock, were issued to Network Architects in June 2007 for achievement of certain operating profit milestones during the twelve-month period ending May 31, 2007. The additional purchase price consideration was valued at \$677 and recorded as goodwill, determined by multiplying the shares issued by the closing price per share for the common stock as reported by NASDAQ on June 29, 2007.

Under the terms of the Asset Purchase Agreement, the Company will issue Network Architects a maximum of 75,000 shares of common stock as additional purchase price consideration following the twelve-month period ending May 31, 2008 if operating profit during such period exceeds \$726. If operating profit is less than the applicable milestone for any of the two years, the number of shares of common stock issuable by the Company will be equal to 75,000 multiplied by the percentage of actual operating profit during the period as compared to the applicable milestone. Additional purchase price consideration, if any, will be recorded as goodwill.

6. Discontinued Operations

On November 3, 2005, the Company's Board of Directors approved a plan to sell its Stratasoft and Valerent subsidiaries. Under a Stock Purchase Agreement ("Agreement") dated January 26, 2006, INX sold all outstanding shares of Stratasoft's common stock for a pretax gain on disposal of \$302. Key terms of the sale are summarized as follows:

- All outstanding Stratasoft common stock was sold for a purchase price of \$3,000, which has been or is subject to reduction as follows:
 - \$800 placed in escrow, which is available to satisfy indemnified losses, if any, as defined in the Agreement. Funds placed in escrow are excluded from the estimated gain stated above. Approximately \$621 in indemnified losses have been paid or presented for payment as of June 30, 2007.
 - \$221 representing a preliminary net working capital adjustment, as defined. The final working capital adjustment recorded during June 2006 resulted in the further reduction of the sale proceeds of \$40.
 - The Company indemnified the buyer for potential losses as defined in the Agreement to a maximum of \$1,400, inclusive of amounts placed in escrow. Excess funds held in escrow will be released on January 26, 2008 unless retained in escrow for potential indemnified losses as allowed in the Agreement under certain circumstances.
 - The Company may receive additional consideration in the form of 10% of the outstanding Stratasoft common stock if revenue exceeds \$10,000 for any consecutive twelve month period within two years of closing.
 - The Company may receive additional cash consideration if Stratasoft is sold by the buyer to another party prior to January 26, 2008, for an amount in excess of \$15,000.

Transaction costs of \$815 were incurred by the Company in connection with the transaction, including the \$128 value of warrants issued to the investment banker for the transaction for 40,000 shares of common stock with an exercise price of \$6 per share. The warrants expire 5 years after January 26, 2006. Additional transaction costs of up to \$120 are payable based on the final sale price. Additional costs of \$134 were recorded as a reduction of the gain on sale for space leased by INX that will not be subleased to Stratasoft in the future.

The sale of Valerent operations involved two separate transactions which were closed in October 2006. The managed services business and related inventory, property and equipment were sold to OuterNet Management, L.P. for a cash sales price of \$185. The consulting business and related property and equipment were sold to Vicano Acquisition Corp., a company owned by Valerent's former President and brother-in-law of our CEO and largest shareholder. The consulting business was sold for cash paid at closing of \$50 and a \$70 promissory note to be received in twenty-four monthly installments of \$3 plus interest of 10%. Additional consideration is due to the Company if certain revenue thresholds and conditions are met. The Company recorded a gain of \$25 on the cash component of the transactions and will record a gain on proceeds under the \$70 promissory note as received, of which a cumulative total of \$23 was received through June 30, 2007.

The results of operations and gain on disposal of discontinued operations are summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenue:				
Stratasoft	\$ —	\$ —	\$ —	\$ 268
Valerent	—	1,364	—	3,045
Total	\$ —	\$ 1,364	\$ —	\$ 3,313
Income (loss) from operations of discontinued subsidiaries:				
Stratasoft	\$ —	\$ —	\$ 12	\$ (260)
Valerent	(9)	(326)	32	(372)
Total	(9)	(326)	44	(632)
Gain on disposal of discontinued operations:				
Stratasoft	—	—	—	302
Telecom and Computer Products Divisions	—	469	—	469
Valerent	6	—	15	—
Gain (loss) from discontinued operations, net of taxes	\$ (3)	\$ 143	\$ 59	\$ 139

7. Earnings Per Share

Basic EPS is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted EPS is based on the weighted-average number of shares outstanding during each period and the assumed exercise of dilutive stock options and warrants less the number of treasury shares assumed to be purchased from the exercise proceeds using the average market price of the Company's common stock for each of the periods presented.

The following table presents the calculation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Numerator for basic and diluted earnings per share:				
Net income from continuing operations	\$ 1,037	\$ 613	\$ 1,341	\$ 89
Income (loss) on disposal of discontinued operations, net of income taxes	(3)	143	59	139
Net income	\$ 1,034	\$ 756	\$ 1,400	\$ 228
Denominator for basic earnings per share — weighted-average shares outstanding	6,862,538	6,223,118	6,762,681	6,135,350
Effect of dilutive securities — shares issuable from assumed conversion of common stock options, restricted stock, and warrants	954,833	1,101,351	986,589	1,066,717
Denominator for diluted earnings per share — weighted-average shares outstanding	7,817,371	7,324,469	7,749,270	7,202,067

8. Credit Facility

On April 30, 2007, the Company entered into a new \$50,000 senior credit facility agreement ("Agreement") with Castle Pines Capital LLC ("CPC") to provide inventory financing and to fund working capital requirements. The new facility with CPC replaced the \$40,000 senior credit facility with CPC. Key terms of the Agreement are summarized as follows:

- The Agreement provides a discretionary line of credit up to a maximum aggregate amount of \$50,000 to purchase inventory from CPC approved vendors.
- The Agreement provides a working capital revolving line of credit under the above line of credit with an aggregate outstanding sublimit of \$10 million.
- The working capital revolving line of credit incurs interest payable monthly at the rate of prime plus 0.5%.
- The Agreement contains customary covenants regarding maintenance of insurance coverage, maintenance of and reporting collateral, and submission of financial statements. The Agreement also contains covenants measured as of the end of each calendar quarter covering required maintenance of minimum current ratio, tangible net worth, working capital, and total liabilities to tangible net worth ratio (all as defined in the Agreement).
- The credit facility is collateralized by substantially all assets of the Company.
- The term of the Agreement is for one year, with automatic renewals for one year periods, except as otherwise provided under the Agreement.

On August 1, 2007, the Company entered into an amendment ("Amendment") to the above Agreement to provide an additional \$10 million credit facility specifically for acquisitions ("Acquisition Facility"). Advances under the Acquisition Facility will be specific to each acquisition and subject to approval by CPC based on pre-established criteria contained in the amendment. The new Acquisition Facility is discussed further in Part II, Item 5.

9. Share-Based Compensation

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award. The fair value of options granted during the three-month and six-month periods ended June 30, 2007 and 2006 were calculated using the following estimated weighted average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Expected volatility	—	64.1%	61.32%	64.4%
Expected term (in years)	—	6.2	6.5	6.3
Risk-free interest rate	—	5.1%	4.5%	5.0%
Expected dividend yield	—	0%	0%	0%

There were no options granted during the three-month period ended June 30, 2007. Expected volatility is based on historical volatility over the period that IP communications solutions was the primary line of business of the Company. Beginning in 2006, the Company used the simplified method outlined in Securities and Exchange Commission Staff Accounting Bulletin No. 107 to estimate expected lives for options granted in any period. The risk-free interest rate is based on the yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption. The Company has not historically issued any dividends and does not expect to in the future.

Share-based compensation expense recognized under SFAS 123R for the three-month and six-month periods ended June 30, 2007 and 2006 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Cost of products and services — services	\$ 13	\$ 14	\$ 25	\$ 28
Selling, general and administrative expenses	118	110	223	154
Share-based compensation from continuing operations before income taxes	131	124	248	182
Income tax benefit	—	—	—	—
Share-based compensation from continuing operations	131	124	248	182
Share-based compensation from discontinued operations	—	2	(8)	4
Total share-based compensation	\$ 131	\$ 126	\$ 240	\$ 186

A summary of the activity under the Company's stock option plans for the six-month period ended June 30, 2007 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at December 31, 2006	1,870,763	\$ 3.42		
Granted	45,000	\$ 9.28		\$ 0
Exercised	(240,116)	\$ 1.79		\$ 2,016
Canceled	(34,947)	\$ 6.95		\$ 98
Options outstanding June 30, 2007	1,640,700	\$ 3.74	6.33	\$ 8,681
Options exercisable at June 30, 2007	1,254,934	\$ 2.74	5.55	\$ 7,885
Options vested and options expected to vest at June 30, 2007	1,562,482	\$ 3.62	6.50	\$ 8,463

The total intrinsic value of options exercised during the three-month periods ended June 30, 2007 and 2006 was \$795 and \$141, respectively, and during the six-month periods ended June 30, 2007 and 2006 was \$2,016 and \$753, respectively. The total grant-date fair value of stock options that became fully vested during the six-month periods ended June 30, 2007 and 2006 was approximately \$252 and \$221, respectively. The weighted average grant-date fair value of options granted during the three-month periods ended June 30, 2007 and 2006 was \$0 and \$4.15, respectively, and during the six-month periods ended June 30, 2007 and 2006 was \$5.82 and \$4.11, respectively. As of June 30, 2007, there was \$1,403 of total unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based awards, which is expected to be recognized over a weighted-average period of 3.4 years.

A summary of the status of nonvested restricted shares as of June 30, 2007 and changes during the six-month period ended June 30, 2007 is presented below:

Nonvested Shares	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2006	37,194	\$ 7.48
Granted	12,161	\$ 9.38
Vested	(11,602)	\$ 9.38
Forfeited	(14,647)	\$ 7.51
Nonvested at June 30, 2007	23,106	\$ 7.51

As of June 30, 2007, there was \$166 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan, which is expected to be recognized over the weighted-average period of 4 years.

10. Stockholders' Equity

In January 2007, INX issued warrants to an investor relations firm under a personal services agreement to purchase up to 50,000 shares of common stock at an exercise price equal to \$8.00 per share expiring January 1, 2009. Warrants for 25,000 shares are exercisable immediately and resulted in a charge to selling, general and administrative expense and a credit to additional paid-in capital of \$40 in the six-month period ended June 30, 2007. Warrants for 25,000 shares are exercisable after June 30, 2007 and will result in a charge of \$46 during the third quarter of 2007.

Upon re-election to the Board of Directors in May 2007, INX issued 9,072 shares to its non-employee directors. The issued shares were valued at \$90 determined by multiplying the shares issued by the closing price per share for the common stock as reported by NASDAQ on May 15, 2007.

11. Commitments and Contingencies

Litigation — On December 22, 2005, CenterPoint Energy Service Company filed a lawsuit in the District Court of Harris County, Texas styled *CenterPoint Energy Service Company (“CenterPoint”), LLC v. InterNetwork Experts, Inc. (now INX, Inc.), Yellow Transportation, Inc. and Cisco Systems, Inc.* claiming damages to product during shipment estimated to be \$488 plus consequential damages, legal fees, court costs, and interest. On April 26, 2007 the Company settled its lawsuit with CenterPoint, resulting in a charge to selling, general and administrative expense of \$50 in the six-month period ended June 30, 2007.

INX is also party to other litigation and claims which management believes are normal in the course of its operations. While the results of such litigation and claims cannot be predicted with certainty, INX believes the final outcome of such matters will not have a materially adverse effect on its results of operations or financial position.

On January 19, 2007, the Company was notified that a customer was terminating a NetSurant support services contract effective February 28, 2007. The customer paid a contract termination payment of \$239 in June 2007, on which service revenue of \$222 was recognized in the six-month period ended June 30, 2007. The Company continues to negotiate the final termination payment amount. Additional amounts, if any, would be recorded for amounts received in excess of \$239 when agreed to in writing by the customer.

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

The following discussion is qualified in its entirety by, and should be read in conjunction with, our consolidated financial statements, including the notes thereto included elsewhere in this Form 10-Q and our annual report on Form 10-K for the fiscal year ended December 31, 2006, as previously filed with the Securities and Exchange Commission. Amounts are presented in thousands except for share and per share data.

Special notice regarding forward-looking statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to future events or our future financial performance including, but not limited to, statements contained in Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Readers are cautioned that any statement that is not a statement of historical fact including, but not limited to, statements which may be identified by words including, but not limited to, “anticipate,” “appear,” “believe,” “could,” “estimate,” “expect,” “hope,” “indicate,” “intend,” “likely,” “may,” “might,” “plan,” “potential,” “seek,” “should,” “will,” “would,” and other variations or negative expressions thereof, are predictions or estimations and are subject to known and unknown risks and uncertainties. Numerous factors, including factors that we have little or no control over, may affect INX’s actual results and may cause actual results to differ materially from those expressed in the forward-looking statements contained herein. In evaluating such statements, readers should consider the various factors identified in our Annual Report on Form 10-K for our fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission including the matters set forth in Item 1. — “Risks Related to Our Business,” which could cause actual events, performance or results to differ materially from those indicated by such statements.

Results Of Operations

Period Comparisons. The following tables set forth, for the periods indicated, certain financial data derived from our condensed consolidated statements of operations. Percentages shown in the table below are percentages of total revenue, except for the products and services components of gross profit, which are percentages of the respective product and service revenue.

Three Months Ended June 30, 2007 Compared To the Three Months Ended June 30, 2006

	Three Months Ended June 30,			
	2007		2006	
	Amount	%	Amount	%
Revenue:				
Products	\$ 46,918	87.3	\$ 33,322	86.2
Services	6,809	12.7	5,356	13.8
Total revenue	<u>53,727</u>	<u>100.0</u>	<u>38,678</u>	<u>100.0</u>
Gross profit:				
Products	7,889	16.8	6,360	19.1
Services	2,156	31.7	1,272	23.7
Total gross profit	<u>10,045</u>	<u>18.7</u>	<u>7,632</u>	<u>19.7</u>
Selling, general and administrative expenses	9,042	16.8	7,001	18.1
Operating income	<u>1,003</u>	<u>1.9</u>	<u>631</u>	<u>1.6</u>
Interest and other income (expense), net	41	0.0	(18)	(0.0)
Income tax expense	7	0.0	—	0.0
Net income from continuing operations	<u>1,037</u>	<u>1.9</u>	<u>613</u>	<u>1.6</u>
Income (loss) from discontinued operations, net of income taxes	(3)	0.0	143	0.4
Net income	<u>\$ 1,034</u>	<u>1.9</u>	<u>\$ 756</u>	<u>2.0</u>

Revenue. Total revenue increased by \$15,049, or 38.9%, to \$53,727 from \$38,678. Products revenue increased \$13,596, or 40.8% to \$46,918 from \$33,322. The increase in products revenue was primarily due to revenue increases in our Texas, Los Angeles, and New Mexico locations. Services revenue increased \$1,453 or 27.1% to \$6,809 from \$5,356. The increase in services revenue was primarily due to large projects in our Pacific Northwest location and the Federal Division and continued growth in the NetSurant® post-sale recurring support services revenue, which increased 73.1% to \$777 from \$449.

Gross Profit. Total gross profit increased by \$2,413, or 31.6%, to \$10,045 from \$7,632. Gross profit as a percentage of sales decreased to 18.7% from 19.7%, due to lower 2007 products revenue margins partially offset by significantly improved 2007 services revenue margins. Gross profit on the products sales component increased \$1,529 or 24.0%, to \$7,889 from \$6,360 and, as a percentage of sales, decreased to 16.8% from 19.1%. The decrease from the first quarter of 2006 is primarily due to large low gross margin projects. Gross profit on services revenue increased \$884 or 69.5% to \$2,156 from \$1,272 and gross profit as a percent of services revenue increased to 31.7% from 23.7%. The increase in services gross margin was primarily due to significantly improved utilization of internal technical staff combined with reduced use of outside contractors.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$2,041, or 29.2% to \$9,042 from \$7,001. As a percentage of total revenue, these expenses decreased to 16.8% from 18.1%. Increased 2007 expenses were incurred for additional sales compensation costs on substantially higher revenues, additional sales and administrative personnel costs from headcount increases, and higher professional fees due to the CenterPoint litigation and increased Sarbanes-Oxley consulting fees.

Operating Income. Operating income increased \$372 to \$1,003 from \$631, primarily due to higher sales and proportionately lower selling, general and administrative expenses.

Interest and Other Income (Expense), Net. Interest and other income (expense), net, changed by \$59 to income of \$41 from expense of \$18 due to the reduction of interest-bearing borrowings under the credit facility.

Income (Loss) from Discontinued Operations, Net of Tax. Income from discontinued operations decreased by \$146, to a loss of \$3 from income of \$143. Loss from discontinued operations of \$3 in the second quarter of 2007 consisted of a loss from operations of \$9 and a gain on disposal of Valerent of \$6. The income from discontinued operations of \$143 in the second quarter of 2006 consisted of a loss from Valerent operations of \$326, offset by the gain from adjustment of previously recorded accruals in the Telecom and Computer Products Divisions of \$469.

Net Income. Net income increased \$278 to \$1,034 from \$756, primarily due to higher sales and proportionately lower selling, general and administrative expenses.

Six Months Ended June 30, 2007 Compared To the Six Months Ended June 30, 2006

	Six Months Ended June 30,			
	2007		2006	
	Amount	%	Amount	%
Revenue:				
Products	\$ 86,468	87.0	\$ 55,633	85.6
Services	12,902	13.0	9,321	14.4
Total revenue	99,370	100.0	64,954	100.0
Gross profit:				
Products	15,107	17.5	10,778	19.4
Services	3,445	26.7	2,261	24.3
Total gross profit	18,552	18.7	13,039	20.1
Selling, general and administrative expenses	17,214	17.3	12,846	19.8
Operating income	1,338	1.4	193	0.3
Interest and other income (expense), net	17	0.0	(103)	(0.2)
Income tax expense	14	0.0	1	0.0
Net income from continuing operations	1,341	1.4	89	0.1
Income from discontinued operations, net of income taxes	59	0.0	139	0.3
Net income	\$ 1,400	1.4	\$ 228	0.4

Revenue. Total revenue increased by \$34,416, or 53.0%, to \$99,370 from \$64,954. Products revenue increased \$30,835, or 55.4% to \$86,468 from \$55,633. The increase in products revenue is primarily due to substantial revenue increases across virtually all locations. Services revenue increased \$3,581 or 38.4% to \$12,902 from \$9,321. The increase in services revenue is due to the growth in installation revenue across substantially all locations, including a large project in the Pacific Northwest, and continued growth in the NetSurant® post-sale recurring support services revenue, which increased 76.8% to \$1,482 from \$838. The NetSurant® revenue of \$222 from a customer contract termination payment recorded in the six-month period ended June 30, 2007 was excluded from the calculation of the 76.8% growth rate.

Gross Profit. Total gross profit increased by \$5,513, or 42.3%, to \$18,552 from \$13,039. Gross profit as a percentage of sales decreased to 18.7% from 20.1%, primarily due to lower 2007 products revenue margins partially offset by higher 2007 services revenue margins. Gross profit on the products revenue component increased \$4,329 or 40.2%, to \$15,107 from \$10,778 and, as a percentage of sales, decreased to 17.5% from 19.4%. The decrease from 2006 was due to large low margin projects, primarily in the second quarter of 2007. Gross profit on services revenue increased \$1,184 or 52.4% to \$3,445 from \$2,261 and gross profit as a percent of services revenue increased to 26.7% from 24.3%. The increase in services gross margin was primarily due to improved utilization of internal technical staff.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$4,368, or 34.0% to \$17,214 from \$12,846. As a percentage of total revenue, these expenses decreased to 17.3% from 19.8%. Increased 2007 expenses were incurred for additional sales compensation costs on substantially higher revenues, additional sales and administrative personnel costs from headcount increases, and higher professional fees due to the CenterPoint litigation and increased Sarbanes-Oxley consulting fees.

Operating Income. Operating income increased \$1,145 to \$1,338 from \$193, primarily due to higher sales and proportionately lower selling, general and administrative expenses.

Interest and Other Income (Expense), Net. Interest and other income (expense), net, changed by \$120 to income of \$17 from expense of \$103 due to reduced borrowings under the credit facility.

Income from Discontinued Operations, Net of Tax. Income from discontinued operations decreased by \$80, to \$59 from \$139. Income from discontinued operations of \$59 in the six months ended June 30, 2007 consisted of income from operations of \$44 and a gain on disposal of Valerent of \$15. The income from discontinued operations of \$139 in the six months ended June 30, 2006 consisted of a loss from operations of \$632, offset by the gain on disposal of Stratasoft in January 2006 of \$302 and the gain from adjustment of previously recorded accruals in the Telecom and Computer Products Divisions of \$469.

Net Income. Net income increased \$1,172 to \$1,400 from \$228, primarily due to higher sales and proportionately lower selling, general and administrative expenses.

Tax Loss Carryforward. Because of our prior operating losses we have accumulated a net operating loss carryforward for federal income tax purposes that, as of June 30, 2007, was approximately \$1.8 million and is available to offset future federal taxable income. This carryforward expires during the period 2023 through 2025. In addition to potential expiration, there are several factors that could limit or eliminate our ability to use these carryforwards. For example, under Section 382 of the Internal Revenue Code of 1986, as amended, use of prior net operating loss carryforwards is limited after an ownership change. If we achieve sustained profitability, which may not happen, the use of net operating loss carryforwards would reduce our tax liability and increase our net income and available cash resources. When all operating loss carryforwards have been used or have expired, we would again be subject to increased tax expense and reduced earnings due to such tax expense. The income tax expense recorded for 2007 and 2006 represents minimum state income tax payments due regardless of income or loss.

Liquidity and Capital Resources

Sources of Liquidity

Our principal sources of liquidity are collections from our accounts receivable and our credit facility with Castle Pines Capital (the "Credit Facility"), which we believe are sufficient to meet our short-term and long-term liquidity requirements. We use the Credit Facility to finance the majority of our purchases of inventory and to provide working capital when our cash flow from operations is insufficient. In 2007, we experienced positive cash flow from operating activities of continuing operations of \$11,270 and positive cash flow from discontinued operations of \$22. Our working capital increased to \$9,460 at June 30, 2007 from \$7,632 at December 31, 2006.

Accounts Receivable. The timing of our collection of accounts receivable and payments of our accounts payable is one of the principal influences on our cash flow from operations. We typically sell our products and services on short-term credit terms. We manage our credit risk by performing credit checks, obtaining letters of credit in certain instances, and conducting our own collection efforts. Our accounts receivable, net of allowance for doubtful accounts, were \$39,656 and \$42,424 at June 30, 2007 and December 31, 2006, respectively. The decrease in accounts receivable was attributable to improved collection of past due accounts during the second quarter of 2007 compared to the fourth quarter of 2006, which more than offset increased sales.

Inventory. We had inventory of \$2,237 and \$1,157 at June 30, 2007 and December 31, 2006, respectively. The higher level of 2007 inventory is attributable to a large customer order to be shipped and recorded as revenue in the third quarter of 2007. We try to minimize the amount of inventory on hand to reduce the risk that the inventory will become obsolete or decline in value. We are able to do this by relying on the ready availability of products from our principal suppliers. As noted above, we rely principally on our Credit Facility to finance our inventory purchases.

Accounts Payable. We rely on our Credit Facility to finance a substantial portion of our trade accounts payable under terms ranging from 30 to 60 days. Credit Facility balances within the Free Finance Period defined below are non-interest bearing and classified as accounts payable in our balance sheet. Credit Facility balances outstanding beyond the Free Finance Period are interest bearing and classified as notes payable in our balance sheet. Our accounts payable were \$36,320 and \$28,798 at June 30, 2007 and December 31, 2006, respectively. The increase in accounts payable is a result of higher sales during the second quarter of 2007 compared to the fourth quarter of 2006.

Contractual Obligations

Our contractual cash obligations with terms in excess of one year consist of a software license obligation and lease obligations, substantially all of which are for office space. We do not have any material contractual purchase obligations. We purchase inventory to fulfill in-hand orders from customers and we attempt to minimize the amount of inventory on hand to reduce the risk that the inventory will become obsolete or decline in value. We are able to do this by relying on the ready availability of products from our principal suppliers.

We expect to be able to meet our contractual cash payment obligations by their due dates through cash generated from operations, augmented, if needed, by borrowings under the Credit Facility.

Credit Facility. On April 30, 2007, we entered into a new Credit Facility with CPC which increased the total credit facility to \$50,000 under similar terms and conditions as the previous Credit Facility as further discussed in Note 8 to Condensed Consolidated Financial Statements in Part I, Item 1. On August 1, 2007, we entered into an amendment to the Credit Facility with CPC to provide an additional \$10 million credit facility specifically for acquisitions ("Acquisition Facility"). Advances under the Acquisition Facility will be specific to each acquisition and subject to approval by CPC based on pre-established criteria contained in the amendment as discussed further in Part II, Item 5.

As of June 30, 2007, borrowing capacity and availability were as follows:

Total Credit Facility	\$ 50,000
Borrowing base limitation	(18,227)
Total borrowing capacity	<u>31,773</u>
Less interest-bearing borrowings	—
Less non-interest bearing advances	(31,387)
Total unused availability	<u>\$ 386</u>

In addition to unused borrowing availability, liquidity at June 30, 2007 included our cash balance of \$7,826. The “unused availability” is the amount not borrowed, but eligible to be borrowed. The borrowing base restrictions generally restrict our borrowings under the Credit Facility to 85% of the eligible receivables, 100% of our Floorplanned inventory and 75% of Cisco vendor rebates receivable.

We use the 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 those respective 60-day and 30-day periods (the “Free Finance Period”) do not accrue interest and are classified as accounts payable in our balance sheet. To the extent that we have credit availability under the Credit Facility, it gives us the ability to extend the payment terms past the Free Finance Period. Amounts extended past the Free Finance Period accrue interest and are classified as notes payable on our balance sheet. These extended payment balances under the Credit Facility accrue interest at the prime rate (8.25% at June 30, 2007) plus 0.5%.

As defined in the Credit Facility there are restrictive covenants measured at each quarter and year-end regarding minimum tangible net worth, maximum debt to tangible net worth ratio, minimum working capital and a minimum current ratio. At June 30, 2007, we were in compliance with the loan covenants and we anticipate that we will be able to comply with the loan covenants during the next twelve months. If we violate any of the loan covenants, we would be required to seek waivers from CPC for those non-compliance events. If CPC refused to provide waivers, the amount due under the Credit Facility could be accelerated and we could be required to seek other sources of financing.

Cash Flows. During the six months ended June 30, 2007, our cash increased by \$6,031. Operating activities provided cash of \$11,292, investing activities used \$1,121, and financing activities used \$4,140.

Operating Activities. Operating activities provided \$11,292 in the six months ended June 30, 2007, as compared to providing cash of \$749 in the comparable 2006 period. Operating activities from continuing operations provided \$11,270 in the six months ended June 30, 2007, as compared to providing cash of \$1,182 in the comparable 2006 period. Changes in asset and liability accounts provided \$8,767 in the six months ended June 30, 2007. The most significant sources of working capital related to an increase in accounts payable of \$7,522 and a decrease in accounts receivable of \$2,728, partially offset by the \$1,080 increase in inventory, as discussed further above under “Sources of Liquidity”.

Investing Activities. Investing activities used \$1,121 in the six months ended June 30, 2007, compared to a use of \$1,437 for the comparable period in 2006. Our 2007 investing activities consisted primarily of \$856 in capital expenditures and additional purchase price and related transaction costs of \$280 for the Datatran acquisition. Our 2006 investing activities consisted of the purchase of Datatran, using cash of \$1,036, and capital expenditures, which used cash of \$1,124, less cash provided by the sale of Stratasoft stock of \$1,117, net of transaction costs. Capital expenditures in both years were primarily related to purchases of computer equipment and software, and to a lesser degree, leasehold improvements. During the next twelve months, we do not expect to incur significant capital expenditures requiring cash, except for acquisitions, of which we cannot predict the certainty or magnitude.

Financing Activities. Financing activities used \$4,140 in the six months ended June 30, 2007, as compared to providing \$2,381 in the comparable period in 2006. The funds used in the six months ended June 30, 2007 were primarily to reduce debt compared to funds provided through increased borrowings in the comparable 2006 period.

Related Party Transactions

We lease office space from Allstar Equities, Inc., a Texas corporation, a company wholly owned by James H. Long, our Chief Executive Officer. The lease expires on January 31, 2014 and has a rental rate of \$20 per month.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We incur certain market risks related to interest rate variations because we hold floating rate debt. Based upon the average amount of debt outstanding during the six months ended June 30, 2007, a one percent change in variable interest rates will not have a material impact on our financial condition.

Our business depends upon our ability to obtain an adequate supply of products and parts at competitive prices and on reasonable terms. Our suppliers are not obligated to have product on hand for timely delivery to us nor can they guarantee product availability in sufficient quantities to meet our demands. INX's business is Cisco-centric. Any material disruption in our supply of products could have a material adverse effect on our financial condition and results of operations.

Item 4. Controls and Procedures

Under the supervision and with the participation of certain members of our management, including our Chairman of the Board, Chief Executive Officer and Chief Financial Officer, we completed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) to the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, we and our management have concluded that, our disclosure controls and procedures at June 30, 2007 were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and are designed to ensure that information required to be disclosed by us in these reports is accumulated and communicated to our management, as appropriate to allow timely decisions regarding required disclosures. In the first six months of 2007, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

We will consider further actions and continue to evaluate the effectiveness of our disclosure controls and internal controls and procedures on an ongoing basis, taking corrective action as appropriate. Management does not expect that disclosure controls and procedures or internal controls can prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. While management believes that its disclosure controls and procedures provide reasonable assurance that fraud can be detected and prevented, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 11 to condensed consolidated financial statements in Part I, Item 1.

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

See Note 10 to condensed consolidated financial statements in Part I, Item 1 regarding issuance of 9,072 unregistered shares to its non-employee directors upon re-election to the Board of Directors in May 2007.

See Note 5 to condensed consolidated financial statements in Part I, Item 1 regarding issuance of additional purchase price consideration consisting of 75,000 unregistered shares of the Company's common stock to Network Architects, Corp. in June 2007 for achievement of certain operating profit milestones during the twelve-month period ending May 31, 2007.

See Note 5 to condensed consolidated financial statements in Part I, Item 1 regarding issuance of additional purchase price consideration consisting of issuance of 25,253 unregistered shares of the Company's common stock with a value of \$250 and cash of \$250 to Datatran Network Systems in June 2007 for achievement of certain operating profit milestones during the twelve-month period ending February 28, 2007.

Item 4. Submission of Matters to a Vote of Security Holders

See Item 8.01 to Form 8-K filed May 15, 2007 which is incorporated herein by reference as the results of matters submitted to a vote of security holders required as part of this report.

Item 5. Other Information

On August 1, 2007, the Company entered into an amendment to the senior credit facility with CPC to provide an additional \$10 million credit facility specifically for acquisitions ("Acquisition Facility"). Advances under the Acquisition Facility will be specific to each acquisition and subject to approval by CPC based on pre-established criteria contained in the amendment. The Acquisition Facility Amendment to the Amended and Restated Credit Agreement by and among Castle Pines Capital LLC, and INX, Inc. dated August 1, 2007 ("Amendment") is filed as Exhibit 10.2 to this Form 10-Q. Key terms of the Amendment are summarized as follows:

- \$10,000 maximum aggregate commitment for acquisitions.
- Advances under the Acquisition Facility are not to exceed 80% of purchase price or six times adjusted EBITDA, as defined in the Amendment, for the twelve months immediately preceding the acquisition closing date.
- Interest is payable at the rate of prime plus 2%.
- An acquisition commitment fee of 1% of the advance amount is payable with one-eighth paid at closing and seven-eighths paid with each loan funding.
- Repayment of each advance under the Acquisition Facility is interest only for first year then amortizing for 36 to 48 months, to be determined for each advance, with no penalty to prepay any principal balance. The loan will also be reduced annually by an amount equal to 25% of excess cash flow, as defined in the Amendment, beginning December 31, 2008.
- CPC may negotiate with the Company to revise existing financial covenants in conjunction with each advance as required.
- Termination date of the senior credit facility was extended to August 1, 2009, subject to automatic renewal as defined in the Amendment.

Item 6. Exhibits

See exhibit list in the Index to Exhibits is incorporated herein by reference as the list of exhibits required as part of this report.

SIGNATURE

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, thereunto duly authorized.

INX Inc.

Date: August 6, 2007

By: /s/ BRIAN FONTANA
Brian Fontana, Vice President
and Chief Financial Officer

Index to Exhibits

Exhibit No.	Description	Filed Herewith or Incorporated by Reference From:
10.1	Fifth Amendment to I-Sector Corporate Incentive Plan	Exhibit 10.1 to Form 8-K filed May 15, 2007
10.2	Acquisition Facility Amendment to Amended and Restated Credit Agreement by and among Castle Pines Capital LLC, and INX, Inc. dated August 1, 2007	Filed herewith.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer	Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer	Filed herewith.
32.1	Section 1350 Certification of Principal Executive Officer	Filed herewith.
32.2	Section 1350 Certification of Principal Financial Officer	Filed herewith.

**ACQUISITION FACILITY AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT**

This Acquisition Facility Amendment to Amended and Restated Credit Agreement is made as of August 1, 2007, amending that certain Credit Agreement (as defined below) between CASTLE PINES CAPITAL LLC, a Delaware limited liability company ("CPC"), having its chief executive office located at 9785 Maroon Circle, Suite 110, Englewood, Colorado 80112 and INX INC., a Delaware corporation, ("INX" or "Reseller"), having its chief executive office located at 6401 South West Freeway, Houston, Texas 77074.

WHEREAS, Reseller and CPC have entered in to the Credit Agreement originally dated December 27, 2005, as amended and restated pursuant to that certain Amended and Restated Credit Agreement dated April 30, 2007 (the "Credit Agreement") between CPC and Reseller, providing the availability for credit to finance inventory on behalf of Reseller (the "Credit Facility"); and

WHEREAS, Reseller has requested that CPC extend credit to permit Reseller to effect Approved Acquisitions; and

WHEREAS, CPC is willing to accommodate such request for credit upon and subject to the terms, conditions and provisions of this Acquisition Amendment and the Documents;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Reseller and CPC hereby mutually covenant and agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

SECTION 2. Amendments to Credit Agreement.

A. Section 2 of the Credit Agreement, Financing Terms, is amended by inserting the following new subsection (h) "Approved Acquisition Facility":
“(h) Approved Acquisition Facility.

(i) Subject to the terms and conditions set forth in this Agreement and so long as no Default has occurred and is continuing, during the Acquisition Period, CPC agrees to make loans to Reseller (individually, an "Acquisition Loan" and collectively, the "Acquisition Loans") as Reseller may from time to time request for Approved Acquisitions for an amount not to exceed 80% of the Purchase Price of each proposed Target. The Acquisition Commitment is in addition to the Line of Credit provided for in Section 1 of the Agreement and has no effect upon Reseller's ability to borrow under such Line of Credit. Within the limits set forth in this Agreement, Reseller may borrow under this Section 2.(h)(i), pay under Section 2.(h)(vii), (viii) and (ix), and reborrow at any time during the Acquisition Period under this Section 2.(h). All Acquisition Loans not paid prior to the last day of the Acquisition Period, together with all accrued and unpaid interest thereon and all fees and other amounts owing by Reseller to CPC shall be due and payable on the Termination Date.

(ii) If the Acquisition Commitment on any date should be less than the total Acquisition Loans outstanding on such date (other than by reason of the termination of the Acquisition Commitment or failure to renew such Acquisition Commitment), Reseller shall be automatically required (without demand or notice of any kind by the Lender, all of which are hereby expressly waived by the Reseller) to immediately repay the Acquisition Loans in an amount sufficient to reduce the amount of the Total Acquisition Loans outstanding to an amount equal to or less than the total Acquisition Commitment.

(iii) Reseller may, in its sole discretion, at any time or from time to time upon three (3) Business Days' prior written notice to CPC, terminate the Acquisition Commitment in its entirety or reduce the Acquisition Commitment by a minimum amount of \$25,000 or any larger multiple of \$25,000 of the unused portions of the Acquisition Commitment provided, however, that any such termination or reduction shall be permanent and Reseller shall have no right to thereafter reinstate or increase, as the case may be, the Acquisition Commitment. Simultaneously with each reduction of the Acquisition Commitment pursuant to this Section 2.(h)(iii), the aggregate amount of such reduction shall be automatically applied to any outstanding indebtedness consisting of Acquisition Loans as may be requested by Reseller.

(iv) Unless previously terminated, the Acquisition Commitment shall terminate on the Termination Date.

(v) The Reseller shall give notice to CPC by 10:00 a.m. (Colorado time) on the Business Day of each Acquisition Loan to be made to Reseller to finance an Approved Acquisition, previously approved, and which request shall be irrevocable and shall specify the following:

- (A) The date of such Acquisition Loan, which must be a Business Day during the Acquisition Period;
- (B) The location and number of the Reseller's account or account of seller of Target to which funds are to be disbursed; and
- (C) A reasonably detailed calculation of the financial covenants, if any, applicable to the Reseller after giving effect to such Acquisition Loan.

(vi) So long as no Default has occurred and is continuing, each Acquisition Loan shall bear interest on the outstanding principal amount thereof for each day until the maturity of the Acquisition Loan (whether by reason of acceleration or otherwise) at a rate per annum equal to the Prime Rate plus 2%, which interest shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day). Such interest shall be due and payable monthly in arrears on the last Business Day of each month, commencing the first month after the extension of each Acquisition Loan, and ending at the earlier of (i) the maturity of each Acquisition Loan or (ii) the Termination Date. From and after the maturity of the Acquisition Loan, whether by reason of acceleration or otherwise, all unpaid amounts of such Acquisition Loan shall bear interest, due and payable on demand, for each day until paid at a rate per annum equal to the Default Rate.

(vii) Principal on each Acquisition Loan shall be due and payable in such consecutive monthly installments as shall be determined by CPC in conjunction with each funding and in any event will not be less than 36 months and not more than 48 months, commencing on the thirteenth month after such Acquisition Loan and continuing for such time as is determined by CPC, but in no event, later than the Termination Date, upon which all outstanding principal and interest together with any unpaid fees shall be remitted to CPC.

(viii) Reseller may prepay all at any time or any portion from time to time of the unpaid principal balance of all or any Acquisition Loan prior to maturity provided that contemporaneously with each such prepayment, the Reseller shall pay all accrued and unpaid interest due as of such date of prepayment.

(ix) In addition to the regularly scheduled payments due on the Acquisition Loan provided for in Section 2(h)(vii) above and any voluntary prepayments made by the Reseller under Section 2(h)(viii) above, the Reseller hereby covenants and agrees to pay to CPC as mandatory prepayments on each Acquisition Loan in inverse order of maturity, within one hundred twenty (120) days after the end of each fiscal year of Reseller (commencing with the fiscal year of Reseller ending December 31, 2008), an amount equal to Twenty-Five Percent (25%) of Reseller's Excess Cash Flow (if any) for such fiscal year. All such amounts paid by Reseller pursuant to this subsection (ix) shall be applied first against any interest that may be delinquent and if no interest in then delinquent, then to any principal outstanding under such Acquisition Loans.

(x) CPC agrees to use commercially reasonable best efforts to issue a determination to Reseller as to whether each proposed Acquisition will be approved as a potential Approved Acquisition within 10 Business Days of CPC's receipt of a request by Reseller.

(xi) Reseller agrees to pay CPC (A) a non-refundable Acquisition Commitment fee of one-eighth of one percent of the Acquisition Commitment which will be due and payable in full upon the execution of the Acquisition Amendment, and (B) a non-refundable fee of seven-eighths of one percent of each Acquisition Loan which will be due and payable in full upon CPC's extension of each Acquisition Loan.

(xii) Notwithstanding any provision contained in this Agreement to the contrary, CPC shall have no obligation to make any Acquisition Loan under this Agreement with respect to an Approved Acquisition unless CPC shall have received all or any portion of the following as may be designated by CPC with respect to each Acquisition Loan:

- (A) written notice requesting an Acquisition Loan as provided in subsection (v) above;
- (B) a payoff letter (including wire transfer instructions and release of security interests and liens upon receipt of payment) with respect to obligations of the Reseller to the seller of the Target;
- (B) the Target Information Package;
- (C) a duly executed a Collateral Assignment of Contract Rights with respect to each Purchase Agreement (which must be in form and substance satisfactory to CPC) in which Reseller assigns it rights in such Purchase Agreement to CPC and is duly executed by the Reseller;
- (D) evidence satisfactory to CPC that the Property to be acquired as a result of the Approved Acquisition shall be subject to CPC's first priority security interest in all such Property (including but not limited to a separate security agreement to be executed by any Subsidiary created by Reseller or a Subsidiary of Reseller with respect to the proposed Target and results of searches of UCC records under name of seller and of the Target);

- (E) a guaranty duly executed by any Person with respect to the proposed Target as may be required by CPC;
- (F) such amendments to the Credit Agreement as may be required by CPC and WFDF, including but not limited to revision of existing financial covenants or addition of new financial covenants by Reseller or any Subsidiary;
- (G) evidence satisfactory to CPC that the performance by the Reseller of its obligations under each Purchase Agreement shall not (1) violate any of its organizational documents, (2) violate any applicable law, statute, rule or regulation or (3) conflict with, or result in a default or event of default under, any material agreement of the Reseller;
- (H) pro forma income statements and balance sheets of Reseller and each Subsidiary as of the closing date of the Approved Acquisition after giving effect to the Acquisition then contemplated for the twelve month period immediately following the closing date of the Approved Acquisition;
- (I) evidence satisfactory to CPC that the Reseller has received all requisite governmental, regulatory, corporate, and required third party authorization, consents and approvals necessary to execute and deliver the Purchase Agreement and consummate the transactions contemplated thereunder;
- (J) completion by CPC of its field audits of the Reseller and the Subsidiaries, with the results of such field audit being satisfactory to CPC;
- (K) evidence sufficient to CPC to determine that all material financial, accounting, and tax aspects of the transaction contemplated by this Agreement are acceptable to CPC in its sole discretion;
- (L) evidence satisfactory to CPC that no extraordinary judicial relief such as an injunction or temporary restraining order has been entered which, in the judgment of CPC, would prohibit the making of the Acquisition Loan hereunder, as well as the absence of any litigation or other governmental proceeding that could reasonably be expected to result in such prohibition or otherwise have a Material Adverse Effect;
- (M) evidence satisfactory to CPC that no Material Adverse Effect shall have occurred since the most recent financial statements delivered to CPC by Reseller;
- (N) evidence reasonably satisfactory to CPC that all material documents to be executed and delivered in connection with the acquisition of each Target shall have been delivered to CPC in final form which shall be reasonably satisfactory to CPC and that the acquisition of each Target shall have closed (subject only to the funding of the acquisition consideration);
- (O) evidence satisfactory to CPC that both immediately before and immediately after giving effect to such Acquisition Loan, no Default or Event of Default under this Agreement shall have occurred and be continuing; and
- (P) evidence satisfactory to CPC that all of the representations and warranties made by Reseller under this Agreement shall be true and correct in all material respects on and as of the date of such Acquisition Loan as if made on and as of the date of such Acquisition Loan.

B. Section 17 of the Credit Agreement, Terms and Termination, is amended by deleting the existing Section 17 in its entirety and replacing same with the following:

“Terms and Termination. The term of this Agreement, unless sooner terminated in accordance with this Agreement, shall terminate on August 1, 2009 (subject to renewal as provided below, the “Termination Date”), provided, however, that (a) this Agreement shall automatically renew for one (1) year periods from year to year thereafter unless terminated by the Reseller upon written notice at least 90 days prior to the current Termination Date; (b) CPC may terminate this Agreement immediately (i) by written notice to Reseller if Reseller shall lose or relinquish any right to sell or deal in any Financed Inventory or (ii) upon a Default; or (c) CPC may terminate (i) the Inventory Facility and the Revolving Credit Facility at any time by at least 60 days prior written notice by CPC to Reseller, and (ii) the Approved Acquisition Facility at any time by at least 120 days prior written notice by CPC to Reseller; provided however, where Reseller requests further time be provided within either the 60 day notice period or 120 day notice period, as applicable, CPC will agree to an extension of 30 more days. Upon termination of this Agreement, all Indebtedness owed to CPC shall become immediately due and payable without notice or demand. Upon any termination, Reseller shall remain liable to CPC for all Indebtedness to CPC, including without limitation interest, fees, charges and expenses arising prior to or after the effective date of termination, and all of CPC's rights and remedies and its security interest shall continue until all Indebtedness to CPC is indefeasibly paid in full and all obligations of Reseller are performed.”

C. Section 25 of the Credit Agreement, Definitions, is amended by inserting the following new definitions in appropriate alphabetical order:

“Acquisition means any transaction or series of related transactions, consummated on or after the date of this Agreement, by which a Person directly or indirectly (a) acquires all or substantially all of the assets comprising one or more business units of any other Person, whether through purchase of assets, merger or otherwise or (b) acquires (in one transaction or as the most recent transaction in a series of transactions) at least (i) a majority (in number of votes) of the stock and/or other securities of a corporation having ordinary voting power for the election of directors (other than stock and/or other securities having such power only by reason of the happening of a contingency), (ii) a majority (by percentage of voting power) of the outstanding membership interests of a limited liability company, (iii) a majority (by percentage of voting power) of the outstanding general partnership interests and majority of limited partnership interests of a partnership or (iv) a majority of the ownership interests in any organization or entity other than a corporation, limited liability company or partnership.

Acquisition Amendment means that certain Acquisition Facility Amendment to Amended and Restated Credit Agreement dated August 1, 2007, between CPC and Reseller pursuant to which CPC has agreed to provide the Acquisition Commitment to Reseller.

Acquisition Commitment means the extension of credit by CPC to Reseller up to a maximum aggregate amount of Ten Million Dollars (\$10,000,000).

Acquisition Period means the period commencing on the date of this Acquisition Amendment and ending on the Termination Date.

Approved Acquisition means a proposed Acquisition by Reseller which enables Reseller to fund the acquisition cost for one hundred percent (100%) of the equity or substantially all of the assets of a Person (each, a "Target") from a third party seller which meets the following conditions and criteria:

(a) all material aspects of the Target must be acceptable to CPC in its sole discretion;

(b) the total purchase price due at closing of a Purchase Agreement, which includes all cash stock and all tangible property paid at closing pursuant to such Purchase Agreement and not any delayed payment, if any (the "Purchase Price") of the Target shall not exceed a multiple of six times the EBITDA of such Target (as may be adjusted based upon the agreement of the Reseller and CPC) for the twelve month period immediately preceding the anticipated closing date for such Acquisition;

(c) Reseller shall have delivered to CPC an analysis and a copy of any report presented to the equity holders of Reseller (the "Target Information Package"), which Target Information Package shall include, but not be limited to (i) a history of the Target, (ii) biographies of such members of the management of the Target as may be requested by CPC, (iii) copies of the Purchase Agreement in draft and execution form, (iv) a summary of all liabilities of the Target (including contingent liabilities) both before and as anticipated at the closing of the Acquisition of such Target, (v) an analysis of Property of the Target, including but not limited to such UCC, tax and judgment lien searches as may be requested by CPC, (vi) projections of the anticipated business and financial performance of the Target, updated as may be requested by CPC, and (vii) such other information as may be requested by CPC.

EBITDA means, for the period in question, the sum of (a) Net Income during such period plus (b) to the extent deducted in determining such Net Income, the sum of (i) Interest Expense during such period, plus (ii) any Federal, state, local and/or foreign income taxes paid by such Person in cash during such period, plus (iii) all depreciation and amortization expenses of such Person during such period, plus (iv) any extraordinary losses during such period, plus (v) any losses from the sale or other disposition of Property other than in the ordinary course of business during such period minus (c) to the extent added in determining such Net Income, the sum of (i) any extraordinary gains during such period and (ii) any gains from the sale or other disposition of Property other than in the ordinary course of business during such period, all determined in accordance with GAAP.

Excess Cash Flow means, for the period in question, the sum of (a) EBITDA during such period minus (b) the sum of (i) all federal, state, local and/or foreign income taxes paid or payable by Reseller and its Subsidiaries in cash during such period, (ii) all obligations for interest paid or payable by Reseller and its Subsidiaries on all indebtedness in cash during such period (including, without limitation, the interest portion of capitalized lease obligations paid or payable in cash and the interest portion of any deferred payment obligation paid or payable in cash during such period), (iii) the aggregate amount of all principal payments required to be made by Reseller and its Subsidiaries on all indebtedness during such period (including the principal portion of payments in respect of capitalized leases but excluding principal payments on the Acquisition Loans), (iv) capital expenditures made by Reseller and its Subsidiaries during such period (net of any indebtedness incurred by Reseller or any such Subsidiary (other than Acquisition Loans) to finance such capital expenditure), and (v) the aggregate amount of all voluntary principal prepayments made by Reseller and its Subsidiaries on any long term indebtedness during such period (excluding principal payments on the Acquisition Loans), all determined on a consolidated basis and in accordance with GAAP.

Interest Expense means, for the period in question, without duplication, all gross interest expense of such Person (including, without limitation, all commissions, discounts and/or related amortization and other fees and charges owed by such Person with respect to letters of credit, the net costs associated with any Swap Contract of such Person, capitalized interest expense and the interest portion of any deferred payment obligation) for such period, all determined in accordance with GAAP.

Net Income means, for the period in question, the after-tax net income (or loss) of such Person during such period, determined in accordance with GAAP.

Property means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible. Properties mean the plural of Property. For purposes of the Credit Agreement as amended, the Reseller and each Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

Purchase Agreement shall mean each asset purchase agreement, merger agreement or equity purchase agreement between the seller of a Target and the Reseller.

Purchase Price has the meaning set forth within the definition of Approved Acquisition.

Swap Contract shall mean (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a 'Master Agreement'), including any such obligations or liabilities under any Master Agreement.

Target has the meaning set forth within the definition of Approved Acquisition.”

D. Section 25 of the Credit Agreement, Definitions, is amended by deleting the existing definition, Indebtedness, and replacing it with the following in appropriate alphabetical order:

“Indebtedness means all present and future indebtedness and obligations of Reseller to CPC arising under this Agreement as amended, including but not limited to the Acquisition Amendment, of whatever kind, now due or to become due, absolute or contingent, and whether joint, several or joint and several.”

SECTION 3. Full Force and Effect. Except as specifically amended hereby, all of the terms and conditions of the Credit Agreement as amended, the Documents, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and the same are hereby ratified and confirmed. This Acquisition Amendment, the Credit Agreement, and the other Documents constitute legal, valid and binding obligations of Reseller and are enforceable against Reseller in accordance with their respective terms.

SECTION 4. Counterparts. This Acquisition Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute together but one and the same agreement.

SECTION 5. Governing Law. This Acquisition Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of Colorado.

[signature page(s) to follow]

IN WITNESS WHEREOF, the Reseller has caused this Acquisition Amendment to Credit Agreement to be executed by its authorized officers as of the day and year first above written.

INX INC.

ATTEST:

/s/ Joseph E. Horzepa
Joseph E. Horzepa, Secretary

By: /s/ Brian Fontana
Name: Brian Fontana
Title: Vice-President - CFO

ATTEST:

/s/ James H. Long
James H. Long, Chief Executive Officer

CASTLE PINES CAPITAL LLC

By: /s/ Michael Gallagher
Name: Michael Gallagher
Title: Managing Partner

Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer

I, James H. Long, certify that:

1. I have reviewed this quarterly report on Form 10-Q of INX Inc.;
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 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)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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
 - c) 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 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: August 6, 2007

By: /s/ JAMES H. LONG

James H. Long, Chief Executive Officer

Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer

I, Brian Fontana, certify that:

1. I have reviewed this quarterly report on Form 10-Q of INX Inc.;
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 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)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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
 - c) 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 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: August 6, 2007

By: /s/ BRIAN FONTANA
Brian Fontana, Vice President
and Chief Financial Officer

Section 1350 Certification of Principal Executive Officer

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

In connection with the Quarterly Report of INX Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, James H. Long, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JAMES H. LONG
James H. Long
Chief Executive Officer

August 6, 2007

Section 1350 Certification of Principal Financial Officer

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

In connection with the Quarterly Report of INX Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Brian Fontana, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ BRIAN FONTANA
Brian Fontana, Vice President
and Chief Financial Officer

August 6, 2007