

ACQUIRED SALES CORP
Form 10-Q
May 16, 2011

FORM 10-Q
U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from _____ to _____

Commission file number 000-52102

Acquired Sales Corp.
(Exact name of registrant as specified in its charter)

| | |
|---|--|
| Nevada | 87-40479286 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

31 N. Suffolk Lane, Lake Forest, Illinois 60045
(Address of principal executive offices)

(847) 404-1964
(Registrant's telephone number, including area code)

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

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

| | | | | | | | |
|-------------------------|-----------------------|-------------------|-----------------------|---|-----------------------|---------------------------|----------------------------------|
| Large Accelerated Filer | <input type="radio"/> | Accelerated Filer | <input type="radio"/> | Non-Accelerated Filer | <input type="radio"/> | Smaller Reporting Company | <input checked="" type="radio"/> |
| | | | | (Do not check if a smaller reporting company) | | | |

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer’s classes of common units, as of the latest practicable date: 5,832,482 shares of common stock, par value \$.001 per share, outstanding as of May 16, 2011.

Transitional Small Business Disclosure Format (Check one): Yes No .

ACQUIRED SALES CORP.

- INDEX -

| | Page(s) |
|--|---|
| PART I – FINANCIAL INFORMATION: | |
| Item 1. | Condensed Financial Statements (unaudited): |
| | Unaudited Condensed Balance Sheets as of March 31, 2011 and December 31, 2010 F-1 |
| | Unaudited Condensed Statements of Operations for the Three Months Ended March 31, 2011 and 2010, and for the Period from May 27, 2004 (Date of Inception of the Development Stage) through March 31, 2011 F-2 |
| | Unaudited Condensed Statements of Cash Flows for the Three Months Ended March 31, 2011 and 2010 and for the Period from May 27, 2004 (Date of Inception of the Development Stage) through March 31, 2011 F-3 |
| | Notes to Unaudited Condensed Financial Statements F-4 – F-7 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations 1 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk 2 |
| Item 4A(T). | Controls and Procedures 3 |
| PART II – OTHER INFORMATION: | |
| Item 1. | Legal Proceedings 3 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds 3 |
| Item 3. | Defaults Upon Senior Securities 4 |
| Item 4. | Submission of Matters to a Vote of Security Holders 4 |
| Item 5. | Other Information 4 |
| Item 6. | Exhibits 4 |
| Signatures | 5 |

Item 1. Financial Statements

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the financial statements contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations, and cash flows of the Company for the interim periods presented.

The results for the period ended March 31, 2011 are not necessarily indicative of the results of operations for the full year. These financial statements and related footnotes should be read in conjunction with the financial statements and footnotes thereto included in the Company's Form 10-K filed with the Securities and Exchange Commission for the transition period from October 1, 2010 to December 31, 2010.

Acquired Sales Corp.
(a development stage enterprise)
Unaudited Condensed Balance Sheets

| | March 31, 2011 | December 31, 2010 |
|---|-------------------|----------------------|
| Assets: | | |
| Current Assets: | | |
| Cash | \$ 92,266 | \$ 5,148 |
| Total Current Assets | 92,266 | 5,148 |
| Long-term related party note receivable | 820,000 | - |
| Total Assets | \$ 912,266 | \$ 5,148 |
| Liabilities and Stockholders' Equity (Deficit): | | |
| Current Liabilities: | | |
| Accounts payable | \$ 39,648 | \$ 17,055 |
| Note payable - related parties | 44,000 | 44,000 |
| Total Current Liabilities | 83,648 | 61,055 |
| Long-term Liabilities: | | |
| Notes payable - related parties, net of discount | 274,084 | - |
| Notes payable, net of discount | 351,834 | - |
| Total Liabilities | 709,566 | 61,055 |
| Stockholders' Equity (Deficit): | | |
| Preferred stock, \$0.001 par value, 10,000,000 shares authorized, no shares issued and outstanding | - | - |
| Common stock, \$0.001 par value, 50,000,000 shares authorized, 5,832,482 shares issued and outstanding | 5,833 | 5,833 |
| Additional paid-in capital | 1,032,609 | 454,754 |
| Deficit accumulated prior to the development stage | (69,151) | (69,151) |
| Deficit accumulated during the development stage | (766,591) | (447,343) |
| Total Stockholders' Equity (Deficit) | 202,700 | (55,907) |
| Total Liabilities and Stockholders' Equity (Deficit) | \$ 912,266 | \$ 5,148 |

See accompanying notes to the condensed financial statements.

Acquired Sales Corp.
(a development stage enterprise)
Unaudited Condensed Statements of Operations

| | For the Three Months Ended March 31, | | For the period May 27, 2004 (Date of Inception of the Development Stage) through March 31, 2011 |
|--|---|-------------|---|
| | 2011 | 2010 | |
| Operating Expense: | | | |
| General and administrative | \$ (304,667) | \$ (7,765) | \$ (802,434) |
| Other Income (Expense): | | | |
| Interest income | 3,921 | - | 3,921 |
| Interest expense | (18,502) | (493) | (28,442) |
| Waiver of tax liability penalty | - | - | 60,364 |
| Total Other Income (Expense) | (14,581) | (493) | 35,843 |
| Net Loss | \$ (319,248) | \$ (8,258) | \$ (766,591) |
| Basic and diluted loss per share | \$ (0.05) | \$ (0.00) | |
| Basic and diluted weighted average common shares outstanding | 5,832,482 | 5,832,482 | |

See accompanying notes to the condensed financial statements.

Acquired Sales Corp.
(a development stage enterprise)
Unaudited Condensed Statements of Cash Flows

| | For the Three Months Ended March 31, | | For the period May 27, 2004 (Date of Inception of the Development Stage) through March 31, 2011 |
|---|---|-----------------|---|
| | 2011 | 2010 | |
| Cash Flows from Operating Activities: | | | |
| Net loss | \$ (319,248) | \$ (8,258) | \$ (766,591) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Expenses paid by capital contributed by officer | - | - | 20 |
| Share-based compensation | 268,852 | - | 577,639 |
| Waiver of tax liability penalty | - | - | (60,364) |
| Issuances of warrants for services | - | - | 11,970 |
| Changes in assets and liabilities: | | | |
| Prepaid expenses | - | 19 | - |
| Accounts payable | 22,593 | 1,791 | 39,648 |
| Payroll tax penalties and accrued interest | - | - | (8,787) |
| Net Cash Used by Operating Activities | (27,803) | (6,448) | (206,465) |
| Cash Flows from Investing Activities: | | | |
| Long-term related party note receivable | (820,000) | - | (820,000) |
| Net Cash Used by Investing Activities | (820,000) | - | (820,000) |
| Cash Flows from Financing Activities: | | | |
| Deficit in bank | - | 125 | - |
| Long-term notes payable - related party | 400,000 | - | 400,000 |
| Long-term notes payable | 520,000 | - | 520,000 |
| Proceeds from issuance of note payable to | | | |

Edgar Filing: ACQUIRED SALES CORP - Form 10-Q

| | | | |
|---|-----------|----------|-----------|
| related party | - | - | 239,000 |
| Payment of principal on note payable to related party | - | - | (95,000) |
| Amortization of discount on long-term notes payable | 14,921 | - | 14,921 |
| Proceeds from issuance of common stock | - | - | 40,000 |
| Redemption of common stock | - | - | (190) |
| Net Cash Provided by Financing Activities: | 934,921 | 125 | 1,118,731 |
| Net Increase (Decrease) in Cash | 87,118 | (6,323) | 92,266 |
| Cash at Beginning of Period | 5,148 | 6,323 | - |
| Cash at End of Period | \$ 92,266 | \$ - | \$ 92,266 |
| Supplemental Cash Flow Information | | | |
| Cash paid for interest | \$ 3,582 | \$ 493 | |

See accompanying notes to the condensed financial statements.

Acquired Sales Corp.
(a development stage enterprise)
Notes to Unaudited Condensed Financial Statements

Note 1: Basis of Presentation

The accompanying unaudited condensed financial statements of Acquired Sales Corp. (the "Company") were prepared pursuant to the rules and regulations of the United States 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 of America have been condensed or omitted pursuant to such rules and regulations. Management of the Company ("Management") believes that the following disclosures are adequate and sufficient to make the information presented not misleading. These financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's Form 10-K report for the transition period from October 1, 2010 to December 31, 2010.

These unaudited condensed financial statements reflect all adjustments, consisting only of normal recurring adjustments that, in the opinion of Management, are necessary to present fairly the financial position and results of operations of the Company for the periods presented. Operating results for the three months ended March 31, 2011, are not necessarily indicative of the results that may be expected for the year ending December 31, 2011 or for any other period.

Note 2: Organization and Summary of Significant Accounting Policies

The Company was incorporated under the laws of the State of Nevada on January 2, 1986. In August 2001, the Company ceased all of its prior operations and remained dormant from then until May 27, 2004 when it began new development stage activities.

On November 15, 2010 the Company's Board of Directors approved and with a record date of November 23, 2010 a majority of the Company's stockholders approved by written consent the following actions: a) increase the number of shares of common stock authorized to be issued from 50,000,000 to 100,000,000; b) to change the fiscal year end from September 30 to December 31; c) a 1-for-20 reverse split of common stock and warrants; d) the acquisition of Cogility Software Corporation ("Cogility"); and e) a stock option plan relating to the options associated with the letter of intent with Cogility. The Company has undertaken to change its year end to December 31; however, none of the other approved actions have been consummated.

Development stage enterprise – The Company is a development stage enterprise and has only generated revenue in relation to interest earned on a long-term \$820,000 loan made to Cogility. Otherwise, the Company's efforts have been devoted primarily to raising capital, borrowing funds and attempting to enter into a reverse acquisition with an operating entity. On November 4, 2010 the Company entered into a letter of intent with Cogility and commenced taking such other action as required by such letter of intent as further described in Note 5.

Fair value of financial instruments – The carrying amounts reported in the balance sheets for accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts reported for current liabilities: notes payable – related parties, approximate fair value because the underlying instruments are at interest rates which approximate current market rates. Long-term liabilities are described in Note 7.

Basic and diluted loss per share – Basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed by dividing the net loss

by the weighted average number of common shares outstanding and potential dilutive common shares. There were

F-4

12,600,000 stock options outstanding at March 31, 2011 that are excluded from the calculation of diluted loss per share as their effect is anti-dilutive.

Business condition – The Company’s financial statements have been prepared using accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. For the three months ended March 31, 2011, the Company sustained a net loss of \$319,248 and generated revenue only incidental to interest collected in the amount of \$3,921 from a long-term note receivable from Cogility. At March 31, 2011 the Company had \$92,266 in cash and current liabilities of \$83,648. Loans from related parties and others have provided the needed capital for the Company to date; however, substantial doubt remains about the Company’s ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's ability to meet its ongoing financial requirements is dependent on management being able to obtain additional equity and/or debt financing, the realization of which is not assured. In addition, the Company is dependent on management being willing to continue to serve without monetary remunerations. In addition, the Company has entered into substantial long-term indebtedness as a result of the long-term liabilities described in Note 7.

Recently adopted accounting standards – Recent accounting standards that have been issued by the FASB (or rules and interpretive releases of the SEC) are not expected to have a material impact on the Company’s financial statements.

Note 3 – Related Party Transactions

During January and November 2009, the Company issued demand promissory notes to the spouse of the Company’s sole officer and one of its directors in the amount of \$10,000 and \$10,000, respectively. These notes bear interest at 10% per annum and are unsecured. During the three months ended March 31, 2011 and 2010 the Company incurred interest expense made cash payments for interest in the amounts of \$493 and \$493, respectively.

During April 2010, the Company issued a demand promissory note to an entity related to its sole officer and one of its directors in the amount of \$4,000. This note bears interest at 10% per annum and is unsecured. During the three months ended March 31, 2011, the Company incurred interest expense of \$101 and made cash payments for interest in the same amount.

On October 12, 2010, the Company issued a demand promissory note to an entity related to its sole officer and one of its directors in the amount of \$20,000. This note bears interest at 10% per annum and is unsecured. During the three months ended March 31, 2011, the Company incurred interest expense of \$493 and made cash payments for interest in the same amount.

During the January and February of 2011, the Company entered into long-term notes payable in the amount of \$400,000 with several entities and individuals related to the Company. These long-term notes bear interest at 3% per annum and are due December 31, 2014. During the three months ended March 31, 2011, the Company incurred interest expense of \$1,683 and made cash payments for interest in the same amount. These long-term notes have been discounted on the Company's financial statements as described in Note 7.

During the three months ended March 31, 2011, the Company loaned \$600,000 of cash to Cogility, assumed from Cogility a \$200,000 note payable to an entity related to the sole officer of the Company and assigned and transferred to Cogility a \$20,000 note receivable from Cortez Systems, all in exchange for \$820,000 of promissory notes receivable from Cogility. The Cogility note receivable bears interest at 5% per annum payable quarterly beginning March 31, 2011, is due December 31, 2014 and is secured by all of Cogility's assets.

Note 4 – Waiver of Tax Liability Penalty

During the period from December 31, 1998 through December 31, 1999, the business operated by the Company prior to becoming dormant withheld payroll taxes and incurred payroll tax obligations that were not paid to the United States Department of the Treasury, Internal Revenue Service (“IRS”) in a timely manner. Subsequently, these taxes were paid; however, penalties for the Company's failure to make these payments in a timely manner were assessed, including interest on the penalties. The Company accrued interest on the unpaid penalties through December 31, 2006. In January 2007, the Company filed with the IRS a request for a compromise and settlement with respect to these outstanding obligations, which was accepted in September 2007. As a result, the Company paid \$12,000 to extinguish the liability, \$2,838 for legal and filing fees, and \$60,364 was recognized as income.

Note 5 – Letter of Intent

On November 4, 2010 the Company entered into an Agreement (the “November 4, 2010 Agreement”) which included a letter of intent with Cogility, a software technology company specializing in Model-Driven Complex Event Processing for the U.S. defense and intelligence communities and private sector corporations with complex information management requirements, for a wholly-owned subsidiary of the Company to acquire Cogility in a stock-for-stock merger (“Cogility Merger”). The closing of the Cogility Merger contemplated by the letter of intent is subject to a number of conditions including completion of mutually acceptable due diligence, execution of definitive merger documents and obtaining necessary third party approvals. In addition, Cogility will be required to deliver audited financial statements to the Company and the Company will be required to complete a 1-for-20 reverse split of its common stock, options and warrants as a condition precedent to the closing of the Cogility Merger and all necessary filings with the SEC.

Pursuant to the November 4, 2010 Agreement:

(1) on November 4, 2010, the Company issued to its director and sole officer and five of its non-officer directors options to acquire an aggregate of 12,600,000 pre-split shares of its common stock at an exercise price of \$.10 per share (upon completion of the 1-for-20 reverse split, these options shall be converted into an aggregate of 630,000 options, each with an exercise price of \$2.00 per share), with the vesting of such options being contingent upon the closing of the Cogility Merger;

(2) on November 4, 2010, Cogility issued to the Company's sole officer options to acquire an aggregate of 2,500,000 shares of Cogility's common stock at an exercise price of \$0.377358 per share (upon completion of the 1-for-20 reverse split and the closing of the Cogility Merger, these options shall be converted into an aggregate of 471,698 options, each with an exercise price of \$2.00 per share), with the vesting of such options being contingent upon the

completion of a private placement of common stock, preferred stock, convertible preferred stock, debt, or convertible debt by Cogility or the Company either prior to, simultaneously with, or after the closing of the Merger in the amount of \$500,000 or more;

F-6

(3) on November 4, 2010, Cogility issued to the Company's sole officer and two of its directors options to acquire an aggregate of 795,000 shares of Cogility's common stock at an exercise price of \$0.001 per share (upon completion of the 1-for-20 reverse split of the Company's common stock and the closing of the Cogility Merger, these options shall be converted into an aggregate of 150,000 Company options, each with an exercise price of \$.001 per share), with the vesting of such options being contingent upon the completion of a private placement of common stock, preferred stock, convertible preferred stock, debt, or convertible debt by Cogility or the Company either prior to, simultaneously with, or after the closing of the Merger in the amount of \$500,000 or more;

(4) at the closing of the Cogility Merger, the Company will issue an aggregate of 2,175,564 post-split shares of its common stock to Cogility stockholders (which include an affiliate of the Company's sole officer and one of the Company's directors);

(5) at the closing of the Cogility Merger, the Company will issue to Cogility's option holders (these being in addition to options mentioned in (2) and (3) above), options to acquire an aggregate of 497,170 post-split shares of the Company's common stock at exercise prices ranging from \$1.06 to \$5.00 per share; and

(6) at the closing of the Cogility Merger, the Company will issue options to acquire an aggregate of 1,500,000 post-split shares of the Company's common stock at an exercise price of \$5.00 per share to the Company's current or future directors, officers, employees or consultants of or to Cogility.

Note 6 – Stock Options

In connection with the letter of intent described in Note 5, the Company issued to its director and sole officer and five of its non-officer directors on November 4, 2011, options to purchase an aggregate of 12,600,000 shares of its common stock at an exercise price of \$0.10 per share.

The total value of the options issued was determined to be \$801,762 and charged general and administrative expense for the period ended December 31, 2010, in the amount of \$308,787. The Company used an estimated merger date of April 1, 2011, at December 31, 2010 for the purpose of recognizing the related compensation expense for the period then ended. The risk-free interest rate represents the U.S. Treasury bill rate for the expected life of the related option. Forfeitures are estimated based on historical experience rates. At March 31, 2011, the Company reevaluated the estimated merger date and determined it to be June 15, 2011. As a result, for the period ended March 31, 2011, the Company charged general and administrative expense in the amount of \$268,852 and there is \$224,123 of unrecognized compensation expense related to stock options granted, which is expected to be recognized during the three months ended June 30, 2011. There was no income tax benefit recognized for the three months ended March 31, 2011.

Note 7 – Long-term Liabilities

During the three months ended March 31, 2011, the Company issued \$920,000 of 3% promissory notes and warrants to purchase 9,200,000 pre-split shares of common stock at \$0.10 per share to accredited investors in a private placement offering. The notes payable and the warrants were issued in exchange for \$700,000 in cash, the exchange and settlement of a \$200,000 note payable to an entity related to the sole officer of the Company, which note payable had previously been assumed from Cogility, and the transfer and assignment from an unrelated third party of a \$20,000 note receivable from Cortez Systems. Of the cash proceeds received in the offering, \$400,000 was from related parties of the Company (see Note 3). The promissory notes accrue interest at the rate of 3% per annum payable quarterly on the last day of each calendar quarter beginning March 31, 2011, mature on December 31, 2014 and are secured by all of the assets of the Company. The warrants are exercisable through June 14, 2016.

The fair value of the warrants issued was evaluated based on an estimated closing date of June 15, 2011 and was estimated to be \$465,275 using the Black-Scholes option pricing model using the following weighted-average assumptions: estimated future volatility of 82.46%; risk-free interest rate of 1.1%; dividend yield of 0% and an estimated term of 2.65 years. The warrants qualify to be recognized as stockholders' equity; therefore, the consideration received was allocated to the notes payable and the warrants based on their relative fair values and resulted in \$345,347 being allocated to the notes payable, \$265,651 to notes payable – related party, and \$309,002 allocated to the warrants. The resulting discount to the notes payable is being amortized over the term of the promissory notes using the interest method and cause the notes payable to have an effective interest rate of 14.1%. This resulted in \$14,921 in interest expense for the three months ended March 31, 2011.

In addition to the 3% promissory notes and warrants described above, at any time during the first 90 days following the date of the completion of the proposed merger with Cogility, each investor in the private placement offering has the right to make a second loan to the Company in the same amount and on the same terms as the 3% promissory notes and warrants described above. Under current accounting guidance, none of the consideration received was allocated to the investors' rights to make additional loans.

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

The following discussion and analysis should be read in conjunction with our unaudited financial statements and related notes included in this report and the "Forward Looking Statements" section in the forepart of this Report and the "Risk Factors" set forth in Part I of this Report, as may be amended or updated from time to time. The statements contained in this Report that are not historic in nature, particularly those that utilize terminology such as "may," "will," "should," "expects," "anticipates," "estimates," "believes," or "plans" or comparable terminology are forward-looking statements based on current expectations and assumptions. These statements are based on current information available to management. No assurance can be made that any of our forward looking statements will materialize as planned.

Various risks and uncertainties could cause actual results to differ materially from those expressed in forward-looking statements. Factors that could cause actual results to differ from expectations include, but are not limited to, those set forth under the sections "Forward Looking Statements" and "Risk Factors" and other business risks and information, set forth herein, as well as the "Business" section above.

Results of Operations

For the Three Months Ended March 31, 2011

During the three months ended March 31, 2011, we had no revenue and had a net loss of (\$319,248) compared to a net loss of (\$8,258) for the comparable three month period ended March 31, 2010. The reason for the significant increase in loss results primarily from share based compensation and expenses billed by professionals such as accountants and lawyers in connection with SEC disclosures relating to the intended Cogility transaction. The share based compensation, which amounts to 87% of our loss for the quarter, resulted from options to purchase an aggregate of 12,600,000 shares of our common stock at an exercise price of \$0.10 per share issued on November 4, 2010 to Gerard M. Jacobs our sole executive officer, and to several of our other directors, including Roger S. Greene, Michael D. McCaffrey, Richard E. Morrissy, Joshua A. Bloom, MD and Vincent J. Mesolella. As of March 31, 2011, the total value of the options issued to these management personnel was determined to be an aggregate of \$801,762, but recognized over a series of quarters dating back to 2010 when the options were granted and commenced vesting (November 4, 2010) through the anticipated closing date of the Cogility agreement. During the three month period ended December 31, 2010, we recognized \$304,787 in stock based compensation, during the current three month period we recognized \$268,852 in stock based compensation, and we anticipate recognizing \$224,123 in stock based compensation during the three month period ended June 30, 2011.

At March 31, 2011, our current liabilities included accounts payable of \$39,648 compared to payables of \$17,055 at December 31, 2010. During the three month period ended March 31, 2011, we added \$625,480 in notes payable, a net discount of \$294,520. As described below, most of the proceeds of these notes were in turn loaned to Cogility, which left an account balance of \$92,266 at March 31, 2011. For years, we have existed as a public shell searching for assets or business(es) to acquire. Costs and expenses related to legal, accounting, merchant banking, management, employees, and office space has been either extremely low or non-existent during this public shell period. While we currently remain a public shell, our increased cash operating expenses in the second half of the 2010 and the first quarter of 2011 ended March 31, was a result of increased legal, accounting, audit, travel and interests fees resulting from negotiations and agreements with Cogility. Since entering into a letter of intent with Cogility to move toward acquiring them, we have worked to create a number of legal and audited and unaudited accounting documents for both internal and transactional use as well as for use in public disclosure. The costs are reflected in our financial statements. As we lack the assets and revenues necessary to produce cash to meet these expenses, we have been forced to borrow these funds.

As discussed we intend to complete a merger with Cogility. In addition to Cogility, we intend to evaluate, structure and potentially complete other mergers with, or acquisition of, other prospects consisting of private companies, partnerships or sole proprietorships. We may seek to acquire a controlling or minority interest in such entities in contemplation of later completing an acquisition.

Liquidity and Capital Resources

As of March 31, 2011, we had \$92,266 in cash on hand, compared to no cash on hand at December 31, 2010. In the past we have been totally reliant on management and our affiliates to fund our operations via loans made to us. For instance, to sustain the company, affiliated parties loaned the company \$44,000 since 2009. We have borrowed an additional \$700,000. However, we in turn loaned the majority of those funds, \$600,000, to Cogility. We have also needed to deploy cash to meet the increased expenses described above to meet legal, accounting and other costs in connection with the proposed Cogility transaction. These conditions raise substantial doubt about our ability to continue as a going concern. Our ability to meet our ongoing financial requirements is dependent on management being able to obtain additional equity and/or debt financing, the realization of which is not assured. In addition, we are dependent on management being willing to continue to serve without monetary remunerations.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

Item 4A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer / Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2011. Based on our evaluation, our Chief Executive Officer / Chief Financial Officer has concluded that the Company's disclosure controls and procedures were not effective at March 31, 2011.

These weaknesses are due to limited staff and lack of expertise with complex accounting matters which occurred during the period ended March 31, 2011. Management of the Company is attempting to obtain additional expertise. Due to our limited financial and managerial resources, we cannot assure when we will be able to implement effective internal controls over financial reporting.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred in the first quarter of 2011 that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

As of the date of this filing, to remediate the weakness in our internal controls over financial reporting, we are undertaking steps to augment the technical resources available to us to assist us in identifying and analyzing complex non-routine transactions and with valuing and determining the appropriate accounting treatment for any such complex non-routine transactions.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

To the best knowledge of the officers and directors, the Company is not a party to any legal proceeding or litigation.

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

Private Placement of 3% Notes and Warrants

Commencing on January 31, 2011 through March 15, 2011, we issued warrants to purchase 9,200,000 pre-split shares of common stock at \$0.10 to seven parties, two of which, Roger S. Greene and Vincent J. Mesolella, serve on our board of directors and one of which, the Roberti Jacobs Family Trust, is an affiliate of the Company as the holder of 20% of our outstanding common stock and its affiliation with our CEO. No placement agent compensation has been paid in this financing.

The warrants are exercisable through March 31, 2016. The warrants were an equity “kicker” in connection with \$700,000 in loans to us at an interest rate of 3%, the exchange and settlement of a \$200,000 note payable to the Roberti Jacobs Family Trust, which note payable had previously been assumed from Cogility Software Corporation (Cogility), and the transfer and assignment from an unrelated third party of a \$20,000 note receivable from Cortez Systems. The promissory notes accrue interest at the rate of 3% per annum payable quarterly on the last day of each calendar quarter beginning March 31, 2011, mature on December 31, 2014 and are secured by all of the assets of the Company. In addition to the 3% promissory notes and warrants described above, at any time during the first 90 days following the date of the completion of the proposed merger with Cogility, each investor in the private placement offering has the right to make a second loan to the Company in the same amount and on the same terms as the 3% promissory notes and warrants described above. Under current accounting guidance, none of the consideration received was allocated to the investors’ rights to make additional loans.

The foregoing is a summary only of the 3% Note and Warrant, a copy of the forms of which, along with the form of subscription agreement entered into with investors in this offering, are each annexed as exhibits to this Report, the provisions of which are incorporated herein.

All of the issuances of securities described above were restricted share issuances and deemed to be exempt from registration in reliance on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering. Each investor represented that they were accredited investors, as defined in Rule 501 of Regulation D and, there was no general solicitation or general advertising used to market the securities.

We made available to each investor with disclosure of all aspects of our business, including providing the investor with press releases, access to our auditors, and other financial, business, and corporate information. All securities issued were restricted with an appropriate restrictive legend on certificates for notes and warrants issued stating that the securities (and underlying shares) have not been registered under the Securities Act and cannot be sold or otherwise transferred without an effective registration or an exemption therefrom.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders. None.

Item 5. Other Information. None.

Item 6. Exhibits.

The following Exhibits have been previously filed in the below referenced filings or have been attached hereto, and in any case, as is stated on the cover of this Report, all of the below Exhibits are incorporated herein by reference.

Form March 23, 2007

10-SB

- 3.1 Articles of Incorporation dated December 12, 1985
- 3.2 Amended Articles of Incorporation Dated July 1992
- 3.3 Amended Articles of Incorporation Dated November 1996
- 3.4 Amended Articles of Incorporation Dated June 1999
- 3.5 Amended Articles of Incorporation Dated January 25, 2006
- 3.6 Amended Bylaws

Form August 2, 2007

8-K

- 5.01 Shareholder Agreement

Form May 18, 2009

10Q

- 10.1 Private Merchant Banking Agreement-Anniston Capital, Inc.
- 10.2 Warrant Agreement #1-Anniston Capital, Inc.

- 10.3 Warrant Agreement #2-Anniston Capital, Inc.
- 10.4 \$100,000 Promissory Note – December 1, 2007
- 10.5 \$10,000 Promissory Note – January 30, 2008
- 10.6 \$10,000 Promissory Note – November 9, 2008

- Form August 20, 2010
- 10-K
- 10.7 \$4,000 Promissory Note – April 19, 2010

- Form November 5, 2010
- 8-K
- 10.1 Letter of Intent Agreement Cogility Software dated November 4, 2010
- 99.1 Press Release

- Form December 17, 2010
- 10-K
- 10.8 \$20,000 Promissory Note – October 12, 2010

- Form March 31, 2011
- 10-K
- 4.1 Form of Note 3%
- 4.2 Form of Warrant
- 10.10 Subscription Agreement

- This
- 10-Q
- 31.1 Certification of principal executive officer and principal financial officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 executed by Gerard M. Jacobs
- 32.1 Certification of principal executive officer and principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 executed by Gerard M. Jacobs

SIGNATURES

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

Dated: May 16, 2011

ACQUIRED SALES CORP.

By: /s/ Gerard M. Jacobs
Gerard M. Jacobs

