

ACQUIRED SALES CORP
Form 10-K
March 30, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

File Number: 000-51230

ACQUIRED SALES CORP.

(Exact name of registrant as specified in its charter)

Nevada
(State of jurisdiction of Incorporation)

87-0479286
(I.R.S. Employer Identification No.)

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

60045
(Zip Code)

(847) 915-2446
(Registrants telephone number, including area code)

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$0.001 par value per share

(Title of Class)

Indicate by check mark if the Registrant is a well known seasoned issuer, as defined by Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, interactive Data File required to be submitted and posted pursuant to Rule 405 of Item 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 if disclosure of delinquent filers pursuant to Rule 405 of Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 Smaller reporting company

(Do not check if a smaller reporting company)

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

The issuer had revenues of \$460,496 for the twelve month period ended December 31, 2011.

Aggregate market value of the voting stock held by non-affiliates computed by reference to the closing price at which the common stock sold on the over-the-counter market on March 29, 2012 was \$3,230,134. The voting stock held by non-affiliates on that date consisted of 1,615,067 shares of common stock.

Number of shares outstanding of each of the issuer's class of common stock as of March 29, 2012:

Common Stock: 2,702,896

Preferred Stock: 0

PART I

ITEM 1. BUSINESS

Description of Business of Acquired Sales

Acquired Sales Corp. (hereinafter sometimes referred to as “we”, “us”, “our”, etc.) was organized under the laws of the State of Nevada on January 2, 1986. In August 2001, we ceased all of our prior operations and remained dormant from then until May 27, 2004 when we began our current development stage activities. Prior to our acquisition of Cogilty Software Corporation (“Cogilty”), we had no material operations in the prior three years.

In addition to our acquisition of Cogilty and Defense & Security Technology Group, Inc., a Virginia corporation (“DSTG”), we propose to seek, investigate and, if warranted, acquire an interest in one or more businesses. As of the date hereof, we have some business opportunities or ventures under contemplation for acquisition or merger. We propose to investigate potential opportunities, particularly focusing upon existing privately held businesses whose owners are willing to consider merging their businesses into our company in order to establish a public trading market for their common stock, and whose managements are willing to operate the acquired businesses as divisions or subsidiaries of our company. The businesses we acquire may or may not need an injection of cash to facilitate their future operations.

We are interested in mortgage lending companies, unsecured lending companies, defense industry companies, software companies, manufactured housing communities, oil & gas services and production companies, and medical supply and diagnostic companies, but we currently do not intend to restrict our search for investment opportunities to any particular industry or geographical location and may, therefore, engage in essentially any business. Our executive officers will review material furnished to them by the proposed merger or acquisition candidates and will ultimately decide if a merger or acquisition is in our best interests and the interests of our shareholders. We intend to source business opportunities through our officers and directors and their contacts. Those contacts include professional advisors such as attorneys and accountants, securities broker dealers, venture capitalists, members of the financial community, other businesses and others who may present solicited and unsolicited proposals. Management believes that business opportunities and ventures may become available to it due to a number of factors, including, among others: (1) management’s willingness to consider a wide variety of businesses; (2) management’s contacts and acquaintances; and (3) our flexibility with respect to the manner in which we may be able to structure, finance, merge with or acquire any business opportunity.

The analysis of new business opportunities will be undertaken by or under the supervision of our executive officers and directors. Inasmuch as we will have limited funds available to search for business opportunities and ventures, we will not be able to expend significant funds on a complete and exhaustive investigation of such business or opportunity. We will, however, investigate, to the extent believed reasonable by our management, such potential business opportunities or ventures by conducting a so-called “due diligence investigation”.

In a so-called “due diligence investigation”, we intend to obtain and review materials regarding the business opportunity. Typically such materials will include information regarding a target business’ products, services, contracts, management, ownership, and financial information. In addition, we intend to cause our officers or agents to meet personally with management and key personnel of target businesses, ask questions regarding our prospects, tour facilities, and conduct other reasonable investigation of the target business to the extent of our limited financial resources and management and technical expertise.

There is no guarantee that we can obtain the funding needed for our operations, including the funds necessary to search for and investigate acquisition candidates, and to close an acquisition including paying the substantial costs of legal, accounting and other relevant professional services.

We presently have very little cash on hand, approximately \$0 as of the date of this filing, and our payables are typically greater than our cash on hand. Moreover, we recently received on March 28, 2012 a \$100,000 working capital loan from a company affiliated with our chief executive officer in order to meet certain expenses. We have inconsistent income generating ability and are therefore regularly reliant on raising money from loans or stock sales. These conditions raise substantial doubt about our ability to continue as a going concern. Nevertheless, our financial statements are presented on the assumption that we will continue as a going concern.

Business Acquisition

The structure of our participation in a business opportunity or venture will be situational. We may structure our acquisitions as an asset purchase, merger, or an acquisition of securities. It is likely that the anticipated value of the business and/or assets that we acquire relative to the current value of our securities will result in the issuance of a relatively large number of shares and, as a result, substantial additional dilution to the percentage ownership of our current stockholders. Moreover, our present management and shareholders may not have control of a majority of our voting shares following a business acquisition or other reorganization transaction. It is possible that the shareholders of the acquired entity will gain control of our voting stock and our directors may resign and new directors may be appointed without any vote by the shareholders. Those directors are entitled to replace our officers without stockholder vote.

Offices

Our corporate headquarters are located at 31 N. Suffolk Lane, Lake Forest, Illinois 60045. We do not have a dedicated corporate office for our parent company; however, our subsidiary Cogility has several offices as described in the Management's Discussion and Analysis of Financial Condition and Results of Operations of Cogility Software. There are no agreements or understandings with respect to any office facility subsequent to the completion of an acquisition. We may relocate our corporate headquarters in connection with a change in the management of our company, or in connection with the completion of a merger or acquisition.

Employees

While our subsidiaries employ a total of 15 employees, Acquired Sales Corp. currently has no salaried employees. However, we intend to begin paying Gerard M. Jacobs, our chief executive officer, Matthew Ghourdjian, our chief technology officer and Daniel F. Terry, Jr., our president and chief operating officer salaries when we are financially able to do so. We expect to address our need for employees in connection with money raising and acquisitions. We expect to use attorneys and accountants as necessary.

Description of Business of Cogility

Cogility has developed unique, patent-pending software tools that quickly provide solutions to complicated data management and analysis problems, sometimes referred to as “Complex Event Processing” or “Big Data” management. Cogility’s software tools automate many mundane tasks in order to reduce the number of programmers required, and allow a user to focus on solving complex problems at a higher level of abstraction using “models”, sometimes referred to as “Model-Driven Architecture”.

Cogility’s software tools, first, allow a user to identify all of the data that the user needs to be managed and analyzed, and then second, to create rules, which can be easily changed, that specify what happens to the data which is being managed and analyzed. Cogility’s software tools automatically perform the complex tasks involved in implementing these rules, including creating and distributing all necessary changes within the software processing code. This typically reduces the upfront and downstream time/cost involved in developing software applications by 50% or more.

Cogility provides Model Driven Complex Event Processing software technology for the U.S. defense and intelligence communities and private sector corporations with complex information management requirements. Cogility's website can be reviewed at www.cogility.com. Cogility delivers a comprehensive offering that melds the complexities inherent in a multi-vendor enterprise integration solution into a single, yet sophisticated product. Cogility's software technology reaches beyond the promise of current composite application solutions to deliver an advanced, end-to-end solution for the design, deployment, execution, testing, monitoring and maintenance of complex, enterprise-wide composite applications.

Description of Business of DSTG

DSTG collaborates with clients to help its leaders make distinctive decisions leading to substantial improvements in enterprise performance. Founded by Minh Le in 2007, DSTG is currently supporting a number of programs across the military, intelligence, law enforcement, and commercial communities. In an era of Federal budget tightening, DSTG is focused on helping our armed services and Federal agencies improve military and mission readiness while becoming even more cost-efficient. Mr. Le remains with DSTG as its president and chief executive officer. He is a former Partner and Executive Vice President at Accenture who specialized in merger & acquisition integration, complex enterprise reengineering, operations and supply chain management, and system integration. Prior to joining Accenture, Mr. Le was a finished gasoline and distillate trader and held several managerial and technical positions at ExxonMobil. Mr. Le holds an MBA from Georgetown University, and a B.S. in Computer Science from the University of Maryland, College Park.

Reports to Security Holders.

Acquired Sales Corp. ("Acquired Sales") is subject to reporting obligations under the Exchange Act. These obligations include an annual report under cover of Form 10-K, with audited financial statements, unaudited quarterly reports and the requisite proxy statements with regard to annual shareholder meetings. The public may read and copy any materials Acquired Sales files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information of the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0030. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS.

Our business is subject to numerous risks and uncertainties. These risks and uncertainties may cause our operations to vary materially from those contemplated by our forward-looking statements. These risk factors include:

Risk Factors Relating to Our Company and Our Stock

Our balance sheet is weak and we lack liquidity

Our balance sheet is weak. We have very little cash on hand and our payables are greater than our cash on hand. We can give no assurance that our working capital will be adequate to meet all of our short-term liquidity requirements include payroll. During the past few months, we have borrowed \$400,000 from affiliates, in order to try to give us breathing room to raise additional capital. There is no guarantee that we can obtain the funding needed for our operations on acceptable terms, if at all, and neither our directors, officers, or any third party is obligated to provide any financing. A failure to pay our debts and payroll obligations when they become due and payable could materially adversely affect our company and the trading price of our Stock.

We may not be profitable in the future

We have not been profitable during most of our years of operation. We face many risks that could prevent us from achieving profits in future years. We cannot assure you that we will be profitable in the future. In the past 12 months, we acquired Cogility and DSTG. Both companies have limited histories of operations, and in the case of Cogility, has been unprofitable in all but one year of its operations. DSTG is recently formed. Our acquisition of Cogility and DSTG involves significant risk, as there can be no assurance that the business of Cogility will be successful or generate any profit. A failure to achieve profitability could materially adversely affect our company and the trading price of our Stock.

Our Stock lacks a meaningful public market

At present no active market exists for our Stock and there is no assurance that a regular trading market will develop and if developed, that it will be sustained. An owner of our Stock may, therefore, be unable to sell our Stock should he or she desire to do so. Or, if an owner of our Stock decides to sell our Stock, such sales could drive the price of our Stock significantly lower. Furthermore, it is unlikely that a lending institution will accept our Stock as pledged collateral for loans. This lack of liquidity could materially adversely affect our company and the trading price of our Stock.

Our Stock may never be listed on a national exchange

Our Stock may never meet the listing requirements of a national exchange. You should not assume that an effort to list our Stock would be successful, or if successful, that such listing requirements will be maintained, including but not limited to requirements associated with maintenance of a minimum net worth, minimum stock price, and ability to establish a sufficient number of market makers.

Our Stock may be considered a "penny stock" and may be difficult to trade

The U.S. Securities and Exchange Commission ("SEC") has adopted regulations which generally define "penny stock" to be an equity security that has a market or exercise price of less than \$5.00 per share, subject to specific exemptions. The market price of our Stock may be less than \$5.00 per share and, therefore, may be designated as a "penny stock" according to SEC rules. This designation requires any broker or dealer selling these securities to disclose certain information concerning the transaction, to obtain a written agreement from the purchaser, and to determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our Stock and may adversely affect the ability of investors to sell our Stock, and may materially adversely affect our business and the trading price of our Stock.

Our Stock lacks institutional or analyst support

Our company lacks institutional support. In addition, investment banks with research capabilities do not currently follow our Stock. This lack of institutional or analyst support lessens the trading volume and general market interest in our Stock, and may adversely affect an investor's ability to trade a significant amount of our Stock. This lack of institutional or analyst support could materially adversely affect our company and the trading price of our Stock.

The public float of our Stock is small

The public float of our Stock is small, which may limit the ability of some institutions to invest in our Stock. This lack of liquidity could materially adversely affect our company and the trading price of our Stock.

The trading price of our Stock may be volatile and could drop quickly and unexpectedly

The stocks of micro-cap and small-cap companies, especially technology companies, have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macro-economic developments in North America and globally, and market perceptions of the attractiveness of particular industries. This volatility could materially adversely affect our company by making it more difficult to raise capital or complete acquisitions. In addition, securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. Our company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert our management's attention and resources away from our business. For these reasons and others, quick and unexpected drops in the trading price of our Stock are likely from time to time. Volatility in our Stock price could materially adversely affect our company and the trading price of our Stock.

It may be difficult to predict our financial performance because our quarterly operating results may fluctuate

Our revenue and operating results may vary significantly from quarter to quarter due to a variety of factors, some of which are beyond our control. The factors that may affect our quarterly operating results include, but are not limited to, the following: (1) fluctuations in customer demand for our products and services; (2) the timing and nature of future sales transactions and the accounting treatment with respect to customer contracts; (3) the timing and nature of future capital raises and acquisitions; (4) the introduction of new products or services and the market responses to those introductions; (5) customer budgetary pressures and the timing of availability of funding for purchases, or delays in processing or making payments for products or services that have been delivered; (6) changes in pricing policies or service offerings; (7) changes in the level of administrative costs, sales, marketing and other operating expenses to support future growth; (8) fluctuations in the cost of marketing and advertising; (9) competitive factors; (10) fluctuations in our Stock price which may impact the amount of stock-based compensation expense we are required to record; (11) possible impairments of the recorded amounts of goodwill, intangible assets, or other long-lived assets; (12) the timing and amount of expenses associated with future litigation or restructuring activities; (13) new accounting pronouncements, or new interpretations of existing accounting pronouncements, that impact the manner in which we account for, measure or disclose our results of operations, financial position or other financial measures; (14) deterioration in the credit quality of our accounts receivable and an increase in the related provision; (15) disputes or disagreements with our customers; (16) changes in our customers' strategies, budgets or priorities for developing, acquiring, deploying, or evaluating software or other technology; (17) new software or other technologies; (18) changes in laws, rules and regulations; (19) changes in our effective income tax rate; (20) costs related to the development or acquisition of software, other technology, or businesses; (21) increases in the costs of software licenses or other intellectual property-related costs; and (22) general economic conditions.

Consequently, period-to-period comparisons of our results of operations will not necessarily be meaningful, and you should not rely on period-to-period comparisons of our results of operations as an indication of our future performance. Our results of operations may fall below the expectations of acquisition candidates, of research analysts (if any), of investors, or of our own forecasts in some future periods, which may have a material adverse effect on our company and the trading price of our Stock.

We are adversely affected by the difficult economy and by turmoil in the financial markets

Our business and our clients' businesses are materially adversely affected by periods of significant economic slowdown or recession, fears of inflation or deflation, rising interest rates, declining demand for our products or our clients' products, or a public perception that any of these events are occurring or may occur, which could adversely affect our revenues, results of operations, and cash flow. In addition, the capital and credit markets have been experiencing, and continue to experience, volatility and disruption. Current national and global financial and business conditions have been very difficult, and numerous financial institutions and businesses either have gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. Credit remains tight. In many cases, the markets have exerted downward pressure on stock prices and credit capacity for certain issuers. These factors could materially adversely affect our company and the trading price of our Stock.

We may not be able to raise needed capital

We need to raise substantial amounts of additional capital, both for our existing operations, for organic growth and for acquisitions. In addition to the \$400,000 raised in the first three months of 2012, we hope to raise additional capital for our Cogility Software Corporation subsidiary over the next few months, and potentially more for other acquisitions. However, our aggregate future capital requirements are uncertain. The amount of capital that we will need in the future will depend on many factors that we cannot predict with any certainty, including: the market acceptance of our products and services; the levels of promotion and advertising that will be required to launch our new products and services and achieve and maintain a competitive position in the marketplace; our business, product, capital expenditures and technology plans, and product and technology roadmaps; technological advances; our competitors' responses to our products and services; our pursuit of mergers and acquisitions; and our relationships with our customers.

We cannot assure you that we will be able to raise the needed capital on commercially acceptable terms, or at all. Delay, disruption, or failure to obtain sufficient financing may result in the delay or failure of our business plans. Our inability to raise sufficient capital on commercially acceptable terms, or at all, could have a material adverse effect on our company and the trading price of our Stock.

Our Stock may be subject to significant dilution

Our capital raising may include the sale of significant numbers of shares of our Stock or other securities convertible into our Stock. We also may issue significant numbers of shares of our Stock, or options, warrants, or other securities convertible into shares of our Stock, as a portion of the consideration for acquisitions. Such transactions may significantly increase the number of outstanding shares of our Stock, and may be highly dilutive to our existing Stockholders. In addition, the securities that we issue may have rights, preferences or privileges senior to those of the holders of our outstanding Stock. This dilution could have a material adverse effect on our company and the trading price of our Stock. In addition, we have options and warrants outstanding to purchase 2,807,626 shares of our Stock, post reverse split. If all of these 2,807,626 options and warrants were to be exercised, the number of outstanding shares of our Stock would increase significantly. Moreover, additional shares may be issued in connection with Cogility and DSTG acquisition and business operations. This dilution could have a material adverse effect on our company and the trading price of our Stock.

Raising capital by selling our Stock is difficult to accomplish

Selling equity is difficult to accomplish in the current market. This difficulty may make future acquisitions either unlikely, or too difficult and expensive. This could materially adversely affect our company and the trading price of our Stock.

Raising capital by selling our Stock could be expensive

If we were to raise capital by selling common stock or securities convertible into common stock, it could be expensive. We may be required to pay fees equal to 7% or more of the gross sales proceeds raised, in addition to legal, accounting and other fees and expenses. In addition, when it becomes known within the investment community that an issuer is seeking to raise equity capital, it is common for the common stock of that issuer to be sold off in the market, lowering the trading price of the issuer's common stock in advance of the pricing of the issue. This could make our raising capital by selling equity securities significantly more expensive and materially adversely affect the trading price of our Stock.

Debt financing is difficult to obtain

Debt financing is difficult to obtain in the current credit markets. This difficulty may make future acquisitions either unlikely, or too difficult and expensive. This could materially adversely affect our company and the trading price of our Stock.

Raising capital by borrowing could be risky

If we were to raise capital by borrowing to fund our operations or acquisitions, it could be risky. Borrowing typically results in less dilution than in connection with equity financings, but it also would increase our risk, in that cash is required to service the debt, ongoing covenants are typically employed which can restrict the way in which we operate our business, and if the debt comes due either upon maturity or an event of default, we may lack the resources at that time to either pay off or refinance the debt, or if we are able to refinance, the refinancing may be on terms that are less favorable than those originally in place, and may require additional equity or quasi equity accommodations. These risks could materially adversely affect our company and the trading price of our Stock.

Our financing decisions may be made without Stockholder approval

Our financing decisions and related decisions regarding levels of debt, capitalization, distributions, acquisitions and other key operating parameters, are determined by our board of directors in its discretion, in many cases without any notice to or vote by our Stockholders. This could materially adversely affect our company and the trading price of our Stock.

We lack investor relations, public relations and advertising resources

We lack the resources to properly support investor relations, public relations, and advertising efforts. This puts us at a disadvantage with potential acquisition candidates, investors, research analysts, customers, and job applicants. These disadvantages could materially adversely affect our company and the trading price of our Stock.

Sales of our Stock could cause the trading price of our Stock to fall

Sellers of our Stock might include our existing stockholders who have held our Stock for years, former stockholders of Cogility who now own our Stock, or our directors, officers or employees who might exercise stock options and simultaneously sell our Stock. Since the trading volume of our Stock is very low and the amount of our Stock in the public float is very small, any sales or attempts to sell our Stock, or the perception that sales or attempts to sell our Stock could occur, could adversely affect the trading price of our Stock.

An increase in interest rates may have an adverse effect on the trading price of our Stock

An increase in market interest rates may tend to make our common stock less attractive relative to other investments, which could adversely affect the trading price of our common stock.

Increases in taxes and regulatory compliance costs may reduce our revenue

Costs resulting from changes in or new income taxes, value added taxes, service taxes, or other taxes, may not be able to be passed along to clients and consequently may adversely affect our margins. This could materially adversely affect our company and the trading price of our Stock.

We are adversely affected by regulatory uncertainties

Regulatory uncertainties regarding potential adverse changes in federal and state laws and governmental regulations materially adversely affect our business, our clients' businesses, and the trading price of our Stock.

A small number of stockholders have significant influence over us

A small number of our stockholders and members of our board of directors and management acting together would be able to exert significant influence over us through their ability to influence the election of directors and all other matters that require action by our Stockholders. The voting power of these individuals could have the effect of preventing or delaying a change in control of our company which they oppose even if our other stockholders believe it is in their best interests. Gerard M. Jacobs and Matthew Ghourdjian collectively beneficially own a substantial majority of our shares of common stock. They have agreed to vote all of the shares of our Stock that are legally or beneficially owned by them or their affiliates in favor of the election of slates of directors which have been mutually selected by them, and as to certain other matters. In addition, our shareholders have authorized Gerard M. Jacobs to seek similar shareholders agreements and/or proxies from other parties, including potential future capital sources and the owners of potential future acquisition candidates. Accordingly, Gerard M. Jacobs and Matthew Ghourdjian have substantial influence over our policies and management. We may take actions supported by Gerard M. Jacobs and Matthew Ghourdjian that may not be viewed by some stockholders to be in our best interest, or Gerard M. Jacobs and Matthew Ghourdjian could prevent or delay a change in our control which they oppose even if our other stockholders believe it is in their best interests. This could materially adversely affect our company and the trading price of our Stock.

State law and our articles of incorporation and bylaws help preserve insiders' control over us

Provisions of Nevada state law, our articles of incorporation and by-laws may discourage, delay or prevent a change in our management team that stockholders may consider favorable. These provisions may include: (1) authorizing the issuance of "blank check" preferred stock without any need for action by stockholders; (2) permitting stockholder action by written consent; and (3) establishing advance notice requirements for nominations for election to the board of directors, or for proposing matters that can be acted on by stockholders at stockholder meetings. These provisions, if included in our articles of incorporation or by-laws, could allow our board of directors to affect an investor's rights as a stockholder since our board of directors could make it more difficult for preferred stockholders or common stockholders to replace members of the board of directors. Because the board of directors is responsible for appointing the members of the management team, these provisions could in turn affect any attempt to replace the current or future management team. These factors could adversely affect our company or the trading price of our Stock.

Retaining and attracting directors and officers may be expensive

We cannot make any assurances regarding the future roles of our current directors and officers. While our current executive officers intend and expect to spend all of their time on Acquired Sales and its subsidiaries, some of our executives, including our chief executive officer Gerard M. Jacobs, and our chief technology officer Matthew Ghourdjian reserve the right to work on transactions and companies that Acquired Sales chooses not to pursue. Some of our current directors are and will in the future be involved in other businesses, and are not required to, and do not, commit their full time to our affairs, thereby causing conflicts of interest in allocating their time between our operations and the operations of other businesses. We have no employment agreements with any of our existing directors or officers, but we may sign in the coming 12 months employment agreements with Gerard M. Jacobs, our chief executive officer, Daniel F. Terry, Jr., our president and chief operating officer, and Matthew Ghourdjian, our chief technology officer. Some or all of our current directors and officers may resign upon our raising money, upon our consummation of a business combination, or otherwise. Attracting and retaining our directors and officers may be expensive, and may require that we enter into long term employment agreements, issue stock options, and otherwise incentivize our directors and officers. The costs of these incentives could materially adversely affect our company and the trading price of our Stock.

We indemnify our directors and officers, and certain other parties

Our bylaws specifically limit the liability of our officers and directors to the fullest extent permitted by law. As a result, aggrieved parties may have a more limited right to action than they would have had if such provisions were not present. The Bylaws also provide for indemnification of our officers and directors for any losses or liabilities they may incur as a result of the manner in which they operated our business or conducted internal affairs, provided that in connection with these activities they acted in good faith and in a manner which they reasonably believed to be in, or not opposed to, our best interest. In the ordinary course of business, we also may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third-parties. We may also agree to indemnify former officers, directors and employees of acquired companies in connection with the acquisition of such companies. Such indemnification agreements may not be subject to maximum loss clauses. It is not possible to determine the maximum potential amount of exposure in regard to these obligations to indemnify, due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular situation. Use of our capital or assets for such indemnification would reduce amounts available for the operations or for distribution to our investors, which could materially adversely affect our company and the trading price of our Stock.

We do not expect to pay dividends

For the foreseeable future, it is anticipated that earnings, if any, which may be generated from our operations will be used to finance our growth and that dividends may not be paid to the holders of our Stock, which may have a material adverse effect on our company and the trading price of our Stock.

Our cost of being a publicly traded company will increase significantly once we own a business

While we were a shell corporation, our costs of being a publicly traded company were limited. Now that we have taken ownership of Cogility and DSTG, our management expenses, legal and accounting fees, and other costs associated with being a publicly traded company, will increase significantly. These additional costs are expected to be material and to include the hiring of a qualified full-time Chief Financial Officer, as well as additional employees and/or the retention of additional consultants and professionals, in order to have appropriate internal financial controls and accurate financial reporting, and otherwise to comply with the requirements of the Sarbanes-Oxley Act. For instance, our audit costs increased to \$126,914 in 2011 from \$88,882 in 2010 and \$20,439 in 2009. While we cannot state with certainty what all of these costs will be, we believe that our management expenses, legal and accounting fees, and other costs associated with being a publicly traded company, will increase by at least \$250,000 per year.

RISK FACTORS RELATING TO COGILITY'S BUSINESS

We are heavily dependent upon federal defense spending

We derive a majority of our revenue from the federal government, including agencies within the U.S. defense and intelligence communities. Any decline in our business with the federal government would materially adversely affect our business and the trading price of our Stock.

Federal defense spending may decrease

There is tremendous pressure on the federal government today to reduce spending because of the large federal budget deficits. These pressures are particularly acute on the U.S. Defense Department, which has begun to make statements and to take actions in this regard. Reduced federal government spending on defense contracting, including new software initiatives such as those proposed by our Cogility Software Corporation subsidiary, could materially adversely affect our business and the trading price of our Stock.

Federal contracts frequently have long lead times and are subject to delays

Due to the importance, sensitivity and complexity of the federal projects that we typically pursue, such project frequently have long lead times and are subject to delays beyond our control. Often, projects require that we produce a demo to show the functionalities of our product. Delays may be caused by factors within our control, such as possible software coding issues, as well as those outside our control, such as clients' budgetary constraints, internal acceptance reviews, functionality enhancements, lack of trained client personnel to implement our applications, and the complexity of particular clients' needs. Also, failure to deliver product features consistent with delivery commitments could result in a delay in revenue recognition or cancellation of a project contract. In some cases, potential future federal projects are under the jurisdiction of, or are reviewed by, multiple federal agencies or communities, which sometimes causes further delays. These long lead times and delays can subject us to situations where important and highly paid personnel are not as productive or efficient as they could be, which can significantly reduce both our revenues and margins. As a result, we can give you no assurance that our current or potential future federal projects will be profitable, or at any particular margins. This situation could materially adversely affect our company and the

trading price of our Stock.

Many of our competitors are larger and better capitalized

The market for software and related products and services is highly competitive. We expect this competition to continue to increase. Increased competition may result in price reductions, reduced margins and loss of our market share. If existing or future competitors develop or offer products or services that provide significant performance, price, creative or other advantages over those offered by us, our business, results of operations and financial condition would be negatively affected.

Many of our competitors are much larger and better capitalized than we are. These companies have longer operating histories, greater name recognition, larger customer bases, and have greater financial, technical, sales, and marketing resources than we have. Larger companies also have the ability to enter into select market segments and subsidize the cost of operations in order to gain market share through a variety of strategies which include price wars, advertising campaigns, the ability to cross-market brands and services, and the ability to develop better software and functionalities. Their access to greater amounts of capital may enable them to attract top talent, and to promote national brands. These larger competitors frequently can offer a wider scope of products and services to their customers than we can. In addition, these competitors often have many years of experience and established relationships with the major U.S. defense and intelligence agencies. These competitors include such companies as Oracle, IBM, Microsoft, Northrop Grumman, Lockheed Martin, Raytheon, SAIC, and The Boeing Company. As a result, we may not be able to compete successfully. Such a failure could materially adversely affect our business and the trading price of our Stock.

We rely upon relationships with larger and better established defense contractors

In order to grow our business in the federal defense and intelligence sectors, we must cultivate, retain and strengthen successful business relationships and marketing alliances with larger and better established defense contractors. We depend, and expect to continue to depend, on our business relationships and marketing alliances, which are companies with which we have written or oral agreements to work together to jointly pursue projects within the federal defense and intelligence communities. If companies with which we have business relationships and marketing alliances do not work together with us to jointly pursue projects within the federal defense and intelligence communities, it could materially adversely affect our company and the trading price of our Stock.

There is resistance to new software technology

There is significant resistance to new software technology. Typically there has been a substantial investment in legacy software, equipment, and training, which people are reluctant to abandon. New software technology is also resisted due to its perceived cost and due to a lack of certainty as to its benefits. Often we do not have enough champions of the capabilities and benefits of our software technology to overcome this resistance to new software technology. This resistance to new software technology can materially adversely affect our business and the trading price of our Stock.

Our software technology is difficult to understand and explain

Our software technology is complex and is often difficult to understand if you are not a highly qualified software engineer. In addition, much of our work involves dealing with classified defense and intelligence data that limits our ability to clearly explain what we do to potential investors. The difficulty involved in understanding and explaining our software technology materially adversely affects our business and the trading price of our Stock.

Our software technology may suffer from design or performance defects

If our software technology suffers from design or performance defects, we could become subject to significant liability claims. Technologies as complex as our software technology may contain design and/or performance defects which are not detectable even after extensive internal testing. Such defects may become apparent only after widespread commercial use. Our contracts with our customers currently do not contain provisions to completely limit our exposure to liabilities resulting from liability claims. A product liability claim brought against us could cause significant damage to our reputation, and could cost us financially in terms of legal fees, damages or fines, and costs to cure the defects. This could materially adversely affect our company and the trading price of our Stock.

Our brand awareness is extremely limited and we have no advertising

Our software subsidiary has very limited brand awareness, and developing adequate brand awareness may not be possible or may be too costly to achieve. Many of our competitors have much more widespread brand awareness and much more financial ability to promote their brands. In addition, our brand and reputation are closely associated with the business and personal reputations of our key personnel. Any damage to the business or personal reputation of our key personnel could have a material adverse effect on our business and the trading price of our Stock.

We may not be able to protect our intellectual property from unauthorized use

Our success depends in part on our proprietary software technology. The protection of our intellectual property using patents may be critical to our success. We will likely rely on a combination of patents, licensing arrangements, trade secret laws, contractual restrictions, and confidentiality procedures to establish and attempt to protect our proprietary software technology and rights that we may acquire. Despite our efforts to protect those proprietary software technology and rights, we may not be able to prevent misappropriation of those proprietary software technology and rights, nor be able to deter independent development of software technologies that compete with us. Third-party software providers could copy or otherwise obtain and use our technologies without authorization or develop similar technologies independently which may infringe upon our proprietary rights. We may not be able to detect infringement and may lose competitive position in the market before we do so. In addition, competitors may design around our technologies or develop competing technologies, and unauthorized parties may attempt to disclose, obtain or use our products and services or technologies. Intellectual property protection may also be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our proprietary rights as fully as in the United States. We may be required to spend significant resources to monitor and police our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. Further, it is likely that we will have to protect patents in an increasing number of jurisdictions, a process that is expensive and may not be successful in every location. If we fail to successfully enforce our intellectual property rights, the value of our products and services could be diminished and our competitive position may suffer. These factors could materially adversely impact our company and the trading price of our Stock.

We may face intellectual property actions that are costly or could hinder or prevent our ability to deliver our products and services

We may be subject to legal actions alleging intellectual property infringement (including patent, trademark, copyright or other proprietary rights infringement), unfair competition or similar claims against us. Companies may apply for or be awarded patents or have other intellectual property rights covering aspects of our technologies or businesses. Any litigation alleging intellectual property infringement by us, with or without merit, could result in substantial costs and diversions of resources, could require us to change our business practices, could potentially hinder or prevent our ability to deliver our products and services, and could divert management's attention. This could materially adversely affect our company or the trading price of our Stock.

We use database and application server software provided by others

Cogility requires a database and application server to operate. Cogility currently sells its products bundled with database and application server software from Oracle under an Embedded Software License (ESL) agreement. Cogility's software operates equally well with similar offerings from IBM and other vendors. However, a change from Oracle may affect potential customers' acceptance of Cogility's products.

Our operations are not all in one location

We have offices in Providence, Rhode Island, and Anaheim, California. Matthew Ghourdjian, the chief technology officer of Acquired Sales Corp. and of Cogility, is a resident of Colorado, and two of our key software engineers live in Colorado and Ohio, respectively. Gerard M. Jacobs, our chief executive officer, is a resident of Illinois. Daniel F. Terry, Jr., our president and chief operating officer is a resident of Nevada. Minh Le, the chief executive officer of DSTG, is a resident of Virginia. As a result of this situation, we may not be able to function as cohesively and efficiently as we could if all of our key personnel were located in one location. This could materially adversely affect our company and the trading price of our Stock.

Some of our directors lack security clearances

Some of our directors lack the security clearances needed in order for them to have access to classified information regarding Cogility's business. Unless and until such security clearances are obtained, such directors will be limited in regard to their ability to fully understand and evaluate Cogility's business and the opportunities and risks associated therewith.

We could be negatively impacted if the Internet were destroyed or seriously damaged

Our business and our clients' business partly depend upon continued use of the Internet. Internet usage may be inhibited for a number of reasons, such as: inadequate network infrastructure; security concerns; inconsistent quality of service; unavailability of cost-effective, high-speed service; sabotage; or terrorism. If for any reason the Internet were destroyed or seriously damaged, that could materially adversely affect our company and the trading price of our Stock.

We could be subject to claims in regard to our or our clients' failure to comply with privacy, consumer protection, and other laws and regulations

We may be subject to governmental investigations, claims or fines, or private lawsuits, from persons who may claim that our software technology was used by us or by our claims in a manner that failed to comply with applicable privacy, consumer protection, patent, copyright, trademark, or tax laws or regulations. Such claims or suits could materially adversely affect our company or the trading price of our Stock.

We may not be able to adapt to changes in technology and regulation

The software industry is characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions, and changing customer demands. The introduction of new products and services embodying new technologies and the emergence of new industry standards and practices could render our existing products and services obsolete and unmarketable or require unanticipated technology or other investments. In addition, we operate under a myriad of applicable federal, state and local laws, rules and regulations governing governmental procurement, bidding, contracting procedures, and many other salient matters, any of which could change at any time. Our failure to adapt successfully to changes in technology, the competitive landscape, or governmental laws and regulations, could materially adversely affect our company and the trading price of our Stock.

We depend on key personnel, the loss of whom could harm our business

Our future success is substantially dependent on the continued service of our key personnel, including particularly key software engineers and sales executives. We do not have key-person insurance on any of our personnel. We do not have employment contracts with any of our key personnel, nor do we maintain any "key man" life insurance policies on these key personnel. We may not be able to retain and motivate our key personnel, many of whom could easily obtain other jobs if they were dissatisfied with our company. The loss of the services of any of our key personnel could materially adversely affect our company and the trading price of our Stock.

We may not be able to attract highly skilled new personnel

Our future success also depends on our continuing ability to attract, retain and motivate highly skilled employees. Highly qualified software engineers with the intelligence, creativity and experience we need are not easy to find, hire and assimilate into our company. We have experienced difficulty from time to time in attracting or retaining the personnel necessary to support the growth of our business, and may experience similar difficulties in the future. The failure to attract highly skilled new personnel could adversely affect our ability to conduct our business, and our Stock price could be materially adversely affected.

RISK FACTORS RELATING TO FUTURE ACQUISITIONS

We may not be able to identify, negotiate, finance or close future acquisitions

A significant component of our growth strategy focuses on acquiring additional companies or assets. We may not, however, be able to identify or acquire companies or assets on acceptable terms if at all. Additionally, we may need to finance all or a portion of the purchase price for an acquisition by incurring indebtedness. There can be no assurance that we will be able to obtain financing on terms that are favorable, if at all, which will limit our ability to acquire additional companies or assets in the future. Failure to acquire additional companies or assets on acceptable terms, if at all, would have a material adverse effect on our ability to increase assets, revenues and net income and on the trading price of our common stock.

We may acquire businesses without any apparent synergies with Cogility or DSTG

In an effort to diversify our sources of revenue and profits, we may decide to acquire businesses without any apparent synergies with Cogility or DSTG. For example, we believe that the acquisition of oil & gas properties and/or manufactured housing communities across the U.S. may be an important way for us to enhance our Stockholder value. Notwithstanding the critical importance of diversification, some members of the investment community and research analysts would prefer that micro-cap or small-cap companies restrict the scope of their activity to a single line of business, and may not be willing to make an investment in, or recommend an investment in, a micro-cap or small-cap company that undertakes multiple lines of business. This situation could materially adversely impact our company and the trading price of our Stock.

We may not be able to properly manage multiple businesses

We may not be able to properly manage multiple businesses. Managing multiple businesses would be more complicated than managing a single line of business, and would require that we hire and manage executives with experience and expertise in different fields. We can provide no assurance that we will be able to do so successfully. A failure to properly manage multiple businesses could materially adversely affect our company and the trading price of our Stock.

We may not be able to successfully integrate new acquisitions

Even if we are able to acquire additional companies or assets, we may not be able to successfully integrate those companies or assets. For example, we may need to integrate widely dispersed operations with different corporate cultures, operating margins, competitive environments, computer systems, compensation schemes, business plans and growth potential requiring significant management time and attention. In addition, the successful integration of any companies we acquire will depend in large part on the retention of personnel critical to our combined business operations due to, for example, unique technical skills or management expertise. We may be unable to retain existing management, finance, engineering, sales, customer support, and operations personnel that are critical to the success of the integrated company, resulting in disruption of operations, loss of key information, expertise or know-how, unanticipated additional recruitment and training costs, and otherwise diminishing anticipated benefits of these acquisitions, including loss of revenue and profitability. Failure to successfully integrate acquired businesses could have a material adverse effect on our company and the trading price of our Stock.

Our acquisitions of businesses may be extremely risky and we could lose all of our investments

We may invest in software companies, other technology businesses, mortgage lending companies, unsecured lending companies, defense industry companies, software companies, manufactured housing communities, oil & gas services and production companies, and medical supply and diagnostic companies, or other risky industries. An investment in these companies may be extremely risky because, among other things, the companies we are likely to focus on: (1) typically have limited operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns; (2) tend to be privately-owned and generally have little publicly available information and, as a result, we may not learn all of the material information we need to know regarding these businesses; (3) are more likely to depend on the management talents and efforts of a small group of people; and, as a result, the death, disability, resignation or termination of one or more of these people could have an adverse impact on the operations of any business that we may acquire; (4) may have less predictable operating results; (5) may from time to time be parties to litigation; (6) may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence; and (7) may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. Our failure to make acquisitions efficiently and profitably could have a material adverse effect on our business, results of operations, financial condition and the trading price of our Stock.

Future acquisitions may fail to perform as expected

Future acquisitions may fail to perform as expected. We may overestimate cash flow, underestimate costs, or fail to understand risks. This could materially adversely affect our company and the trading price of our Stock.

Competition may result in overpaying for acquisitions

Other investors with significant capital may compete with us for attractive investment opportunities. These competitors may include publicly traded companies, private equity firms, privately held buyers, individual investors, and other types of investors. Such competition may increase the price of acquisitions, or otherwise adversely affect the terms and conditions of acquisitions. This could materially adversely affect our company and the trading price of our Stock.

We may have insufficient resources to cover our operating expenses and the expenses of raising money and consummating acquisitions

We have limited cash to cover our operating expenses and to cover the expenses incurred in connection with money raising and a business combination. It is possible that we could incur substantial costs in connection with money raising or a business combination. If we do not have sufficient proceeds available to cover our expenses, we may be forced to obtain additional financing, either from our management or third parties. We may not be able to obtain additional financing on acceptable terms, if at all, and neither our management nor any third party is obligated to provide any financing. This could have a negative impact on our company and our Stock price.

The nature of our proposed future operations is speculative and will depend to a great extent on the businesses which we acquire

While management typically intends to seek a merger or acquisition of privately held entities with established operating histories, there can be no assurance that we will be successful in locating an acquisition candidate meeting such criteria. In the event we complete a merger or acquisition transaction, of which there can be no assurance, our success if any will be dependent upon the operations, financial condition and management of the acquired company, and upon numerous other factors beyond our control. If the operations, financial condition or management of the acquired company were to be disrupted or otherwise negatively impacted following an acquisition, our company and our Stock price would be negatively impacted.

We may make actions that will not require our stockholders' approval

The terms and conditions of any acquisition could require us to take actions that would not require your approval. In order to acquire certain companies or assets, we may issue additional shares of common or preferred stock, borrow money or issue debt instruments including debt convertible into capital stock. Not all of these actions would require your approval even if these actions dilute your economic or voting interest as a shareholder.

Our investigation of potential acquisitions will be limited

Our analysis of new business opportunities will be undertaken by or under the supervision of our executive officers and directors. Inasmuch as we will have limited funds available to search for business opportunities and ventures, we will not be able to expend significant funds on a complete and exhaustive investigation of such business or opportunity. We will, however, investigate, to the extent believed reasonable by our management, such potential business opportunities or ventures by conducting a so-called "due diligence investigation". In a so-called "due diligence investigation", we intend to obtain and review materials regarding the business opportunity. Typically such materials will include information regarding a target business' products, services, contracts, management, ownership, and financial information. In addition, we intend to cause our officers or agents to meet personally with management and key personnel of target businesses, ask questions regarding the company's prospects, tour facilities, and conduct other reasonable investigation of the target business to the extent of our limited financial resources and management and technical expertise. Any failure of our typical "due diligence investigation" to uncover issues and problems relating to potential acquisition candidates could materially adversely affect our company and the trading price of our Stock.

We will have only a limited ability to evaluate the directors and management of potential acquisitions

We may make a determination that our current directors and officers should not remain, or should reduce their roles, following money raising or a business combination, based on an assessment of the experience and skill sets of new directors and officers and the management of target businesses. We cannot assure you that our assessment of these individuals will prove to be correct. This could have a negative impact on our company and our Stock price.

We will be dependent on outside advisors to assist us

In order to supplement the business experience of management, we may employ accountants, technical experts, appraisers, attorneys or other consultants or advisors. The selection of any such advisors will be made by management and without any control from shareholders. Additionally, it is anticipated that such persons may be engaged by us on an independent basis without a continuing fiduciary or other obligation to us.

We may be unable to protect or enforce the intellectual property rights of any target business that we acquire or the target business may become subject to claims of intellectual property infringement

After completing a business combination, the procurement and protection of trademarks, copyrights, patents, domain names, and trade secrets may be critical to our success. We will likely rely on a combination of copyright, trademark, trade secret laws and contractual restrictions to protect any proprietary technology and rights that we may acquire. Despite our efforts to protect those proprietary technology and rights, we may not be able to prevent misappropriation of those proprietary rights or deter independent development of technologies that compete with the business we acquire. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, or to determine the validity and scope of the proprietary rights of others. It is also possible that third parties may claim we have infringed their patent, trademark, copyright or other proprietary rights. Claims or litigation, with or without merit, could result in substantial costs and diversions of resources, either of which could have an adverse effect on our competitive position and business. Further, depending on the target business or businesses that we acquire, it is likely that we will have to protect trademarks, patents, and domain names in an increasing number of jurisdictions, a process that is expensive and may not be successful in every location. These factors could negatively impact our company and the trading price of our Stock.

Integrating acquired businesses may divert our management's attention away from our day-to-day operations and harm our business

Acquisitions generally involve significant risks, including the risk of overvaluation of potential acquisitions and risks in regard to the assimilation of personnel, operations, products, services, technologies, and corporate culture of acquired companies. Dealing with these risks may place a significant burden on our management and other internal resources. This could materially adversely affect our business and the trading price of our Stock.

We may fail to manage our growth effectively

Future growth through acquisitions and organic expansion would place a significant strain on our managerial, operational, technical, training, systems and financial resources. We can give you no assurance that we will be able to manage our expanding operations properly or cost effectively. A failure to properly and cost-effectively manage our expansion could materially adversely affect our company and the trading price of our Stock.

The management of companies we acquire may lose their enthusiasm or entrepreneurship after the sale of their businesses

We can give no assurance that the management of future companies we acquire will have the same level of enthusiasm for the operation of their businesses following their acquisition by us, or if they cease performing services for the acquired businesses that we will be able to install replacement management with the same skill sets and determination. There also is always a risk that management will attempt to reenter the market and possibly seek to recruit some of the former employees of the business, who may continue to be key employees of ours. This could materially adversely affect our business and the trading price of our Stock.

If we are deemed to be an investment company, we may be required to institute burdensome compliance requirements and our activities may be restricted, which may make it difficult for us to complete a business combination

We believe we will not be subject to regulation under the Investment Company Act insofar as we will not be engaged in the business of investing or trading in securities. However, in the event that we engage in business combinations which result in us holding passive investment interests in a number of entities, we may become subject to regulation under the Investment Company Act. In such event, we may be required to register as an investment company and may incur significant registration and compliance costs. We have obtained no formal determination from the government as to our status under the Investment Company Act, and consequently, any violation of such Act might subject us to material adverse consequences.

RISK FACTORS RELATING TO ACCOUNTING AND INTERNAL FINANCIAL CONTROLS

We do not currently employ a qualified full time Chief Financial Officer

We do not currently employ a qualified full time Chief Financial Officer. There is no assurance that we will be able to promptly find and hire such a qualified full time Chief Financial Officer, nor at a compensation level acceptable to us. This could materially adversely affect our company and the trading price of our Stock.

We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become impaired

We are required under accounting principles generally accepted in the United States to review our amortizable intangible assets for impairment whenever events and circumstances indicate that the carrying value of such assets may not be recoverable. We are also required to review goodwill for impairment on an annual basis, or between annual tests whenever events and circumstances indicate that the carrying value of goodwill may not be recoverable. Events and circumstances considered in determining whether the carrying value of amortizable intangible assets and goodwill may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; a significant decline in the trading price of our Stock for a sustained period of time; and changes in our business strategy. We may be required to record a significant charge to earnings in a period in which any impairment of our goodwill or amortizable intangible assets is determined. Such a charge could materially adversely affect our company and the trading price of our Stock.

We may incur liabilities to tax authorities in excess of amounts that have been accrued

The preparation of our consolidated financial statements requires estimates of the amount of income tax that will become payable in each of the jurisdictions in which we operate. We may be challenged by the taxing authorities in these jurisdictions and, in the event that we are not able to successfully defend our position, we may incur significant additional income tax liabilities which may have an adverse impact on our results of operations and financial condition. Such tax liabilities could materially adversely affect our company and the trading price of our Stock.

New accounting standards could adversely impact us

From time to time, the Financial Accounting Standards Board, the SEC and other regulatory bodies may issue new and revised standards, interpretations and other guidance that change Generally Accepted Accounting Principles in the United States (GAAP). The effects of such changes may include prescribing an accounting method where none had been previously specified, prescribing a single acceptable method of accounting from among several acceptable methods that currently exist, or revoking the acceptability of a current method and replacing it with an entirely different method, among others. Such changes to GAAP could adversely impact our results of operations, financial condition and other financial measures. Such changes could materially adversely affect our company and the trading price of our Stock.

If we fail to maintain an effective system of internal financial controls, we may not be able to accurately report our financial results or prevent fraud

Effective internal controls are necessary for us to provide reliable financial reports and to effectively prevent fraud. Any inability to provide reliable financial reports or to prevent fraud could harm our business. The Sarbanes-Oxley Act of 2002 requires management to evaluate and assess the effectiveness of our internal controls over financial reporting. In order to continue to comply with the requirements of the Sarbanes-Oxley Act, we are required to continuously evaluate and, where appropriate, enhance our policies, procedures and internal controls. Now that we have acquired Cogility and DSTG, we will be subject together to these internal control procedures and must include an assessment of Cogility's and DSTG's internal controls no later than one year from their respective acquisition dates. If we fail to maintain the adequacy of our internal controls, we could be subject to regulatory scrutiny and investors could lose confidence in the accuracy and completeness of our financial reports. We cannot assure you that in the future we will be able to fully comply with the requirements of the Sarbanes-Oxley Act or that management will conclude that our internal controls over financial reporting are effective. A failure to fully comply with the requirements of the Sarbanes-Oxley Act could materially adversely affect our business and the trading price of our Stock.

Decreased effectiveness of stock options could adversely affect our ability to attract and retain employees

We expect to use stock options as a key component of our employee compensation program in order to align employees' interests with the interests of our Stockholders, encourage employee retention, and provide competitive compensation packages. Volatility or lack of positive performance in our Stock price may adversely affect our ability to retain key employees or to attract additional highly-qualified personnel. At any given time, a portion of our outstanding employee stock options may have exercise prices in excess of our then-current stock price, or may have expired worthless. To the extent these circumstances occur, our ability to retain employees may be adversely affected. As a result, we may have to incur increased compensation costs, change our equity compensation strategy, or find it difficult to attract, retain and motivate employees. Any of these situations could materially adversely affect our company and the trading price of our Stock.

ITEM 2. DESCRIPTION OF PROPERTY

Acquired Sales is provided rent-free office space by our sole officer and one of the directors of Acquired Sales at 31 N. Suffolk Lane, Lake Forest, Illinois 60045.

Acquired Sales owns no property.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business, in particular, that may relate to defense of our intellectual property rights. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse affect on our business, financial condition or operating results.

ITEM 4. (THIS ITEM HAS BEEN REMOVED AND RESERVED BY THE SEC)

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock has been quoted under the symbol AQSP on the OTC market. Our shares generally do not trade and the trading price of our shares is not necessarily of the existence of a trading market for our securities or indicative of our value. The following table sets forth, for the periods indicated, the high and low closing prices of our common stock. These prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. As of December 31, 2011, there was not a bid and ask price of our common stock available, the most recent trading price of \$2.00 (1-for-20 reverse split adjusted) on May 13, 2009.

	Closing Bid Prices(1)	
	High	Low
Year Ended December 31, 2011		
4th Quarter	\$ 2.00	\$ 2.00
3rd Quarter	\$ 2.00	\$ 2.00
2nd Quarter	\$ 2.00	\$ 2.00
1st Quarter	\$ 2.00	\$ 2.00
Year Ended December 31, 2010		
4th Quarter	\$ 2.00	\$ 2.00
3rd Quarter	\$ 2.00	\$ 2.00
2nd Quarter	\$ 2.00	\$ 2.00
1st Quarter	\$ 2.00	\$ 2.00
Year Ended December 31, 2009		
4th Quarter	\$ 2.00	\$ 2.00
3rd Quarter	\$ 2.00	\$ 2.00
2nd Quarter	\$ 2.00	\$ 2.00
1st Quarter	\$ 2.00	\$ 2.00

(1) The above table sets forth the range of high and low closing bid prices per share of our common stock as reported by Google Finance for the periods indicated. All prices are 1-for-20 reverse split adjusted.

Approximate Number of Holders of Our Common Stock

As of March 29, 2012, a total of 2,702,896 shares of Acquired Sales' common stock were outstanding and there were 225 holders of record of Acquired Sales' common stock. In addition to our outstanding common stock, we have issued options and warrants to purchase 2,807,626 shares of common stock at \$0.001 to \$8.00 per share. For a detailed description of this issuance, please refer to "Item 9B Other Information" herein. None of these options or warrants have been exercised into shares of common stock, but may be exercised at any time in the sole discretion of the holder.

Dividends

We have never declared or paid a cash dividend and do not foresee paying one in the near future. Any future decisions regarding dividends will be made by our board of directors. We currently intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Our board of directors has complete discretion on whether to pay dividends, subject to the approval of our stockholders. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

Unregistered Sales of Equity Securities.

Plan of Merger Defense & Security Technology Group, Inc.

In connection with our acquisition of DSTG on February 13, 2012, the stockholders of DSTG received 100,000 shares of our common stock, 300,000 vested options to purchase our common stock at an exercise price of \$3.18 per share exercisable until the fifth anniversary of the Effective Date, and 100,000 vested options to purchase our common stock at an exercise price of \$8.00 per share exercisable until the last day of the 21st full calendar quarter following the Effective Date.

Plan of Merger Cogility Software Corporation

In connection with our acquisition of Cogility Software, the stockholders of Cogility received 2,175,564 shares of our common stock in exchange for the retirement of their 11,530,493 shares of Cogility common stock. In addition, the holders of Cogility options received options to purchase an aggregate of 1,080,126 shares of our common stock at exercise prices ranging from \$0.001 to \$5.00 per share. Finally, as part of the acquisition of Cogility, its directors, officers, employees and consultants may in the future be granted options to purchase an aggregate of 1,500,000 shares of Acquired Sales' common stock at an exercise price of \$5.00 per share.

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. 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 had 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 Annual Report, the provisions of which are incorporated herein.

We have also issued a series of promissory notes and warrants to affiliates and entities associated with our affiliates wherein stock purchase warrants were also issued. Please refer to “Item 13. Certain Relationships And Related Transactions” for a description of these issuances of unregistered securities.

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.

Purchases of Equity Securities

No repurchases of our common stock were made during 2011.

ITEM 6. SELECTED FINANCIAL DATA

We had a public float of less than \$75 million for the past several years (including as of the last business day of our most recently completed second fiscal quarter as set out by Rule). As a result, we qualify as a smaller reporting company, as defined by Rule 229.10(f)(1). As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward Looking Statements

This Annual Report on Form 10-K contains statements that are considered forward-looking statements. Forward-looking statements give the Company's current expectations and forecasts of future events. All statements other than statements of current or historical fact contained in this annual report, including statements regarding the Company's future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. These statements are based on the Company's current plans, and the Company's actual future activities and results of operations may be materially different from those set forth in the forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Any or all of the forward-looking statements in this annual report may turn out to be inaccurate. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. The forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and assumptions. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events occurring after the date hereof. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained in this annual report.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Form 10-K.

INTRODUCTION

Management's discussion and analysis of financial condition and results of operations is provided as a supplement to the accompanying consolidated financial statements and related notes to help provide an understanding of our financial condition, the changes in our financial condition and the results of operations. Our discussion is organized as follows:

Basis of Presentation

On November 4, 2010, Acquired Sales Corp. ("Acquired Sales") entered into an agreement with Cogility Software Corporation ("Cogility") that was closed on September 29, 2011, whereby Cogility was merged with and into a newly-formed subsidiary of Acquired Sales. To effect the merger, Cogility shareholders owning 100% of the 11,530,493 Cogility common shares outstanding received 2,175,564 Acquired Sales common shares, or one Acquired Sales common share for each 5.3 Cogility common shares outstanding. Acquired Sales reverse split its common shares outstanding on a 1-for-20 basis, which results in the 5,832,482 Acquired Sales pre-split common shares outstanding before the merger becoming 291,760 common shares. In addition, Cogility had stock options outstanding that would have permitted the holders thereof to purchase 5,724,666 Cogility common shares at prices ranging from \$0.001 to \$1.40 per share. In the merger transaction, the Cogility option holders exchanged these stock options for 1,080,126 Acquired Sales stock options exercisable at prices ranging from \$0.001 to \$5.00 per share.

The Cogility shareholders received 88.2% of the common shares outstanding after the merger and the shareholders and management of Cogility gained ownership and operating control of the combined company after the merger. Accordingly, Cogility was considered the accounting acquirer under current accounting guidance and the merger was recognized as a recapitalization of Cogility. The historical financial information presented herein presents the accounts and results of operations of Cogility for all periods presented, restated on a retroactive basis for all periods presented for the effects of the 5.3-for-1 reverse stock split, and the accounts and operations of Acquired Sales from September 29, 2011. References herein to the "Company," "we," "our" or "us" refer to Cogility through September 29, 2011 and to Acquired Sales and Cogility on a consolidated basis after September 29, 2011, unless the context otherwise indicates.

At December 31, 2011 our current liabilities exceeded our current assets by \$2,170,479 and we had a capital deficiency of \$2,896,800. Accordingly, the Company was insolvent at December 31, 2011. The Company did not generate any material revenue until the second half of the year ended December 31, 2011. The Company signed four engagements in the third quarter of 2011, three government related contracts and one litigation consulting engagement. Expected billings on the government contracts totaled \$1,261,000, with \$1,161,000 having been billed during the year ended December 31, 2011. An additional \$100,000 is expected to be billed through the second quarter of 2012. The Company also generates consulting and hosting revenue on a month to month basis.

The Company continues to be insolvent. We currently have operating liabilities that we cannot pay and without an additional infusion of cash it is unlikely that the Company will be able to continue as a going concern. During the year ended December 31, 2011, we borrowed \$1,150,000 from related parties and \$30,500 from a lending company and issued 15,724 shares of stock for \$50,000.

In addition, without a significant capital infusion it will be very difficult for the Company to perform on any new material contracts or multiple simultaneous contracts, as the Company does not have the necessary infrastructure in place due to the lack of cash flow. Significant lead time is necessary to hire and train employees on the Cogility Software platform. In addition, material capital expenditures are needed to enable the Company to perform under a new single material contract or multiple simultaneous contracts.

On September 29, 2011, Cogility exchanged \$845,000 of notes payable to Acquired Sales and \$10,534 of related accrued interest for \$448,000 of notes payable to related parties and \$520,000 of notes payable to third parties. Subsequent to December 31, 2011, the Company borrowed \$400,000 from various related parties. These sources of financing along with collections of billings on contracts in progress have funded operations through the date of this filing. However, the Company still has obligations it has not paid. Without additional capital or the generation of profits from operations, there can be no assurance whatsoever that the Company will be able to overcome its current financial problems and bankruptcy is a distinct possibility.

This Management's Discussion and Analysis or Plan of Operations ("MD&A") section discusses our results of operations, liquidity and financial condition, contractual relationships and certain factors that may affect our future results. You should read this MD&A in conjunction with our financial statements and accompanying notes included elsewhere in this report.

Overview

Through Cogility Software Corporation ("Cogility"), the Company has developed software technology that is solving mission-critical problems facing the US defense and intelligence communities and many corporations today. Our software technology allows our customers to quickly access and analyzes the avalanche of data being generated by disparate sources and stored in many different databases. We provide Model Driven Complex Event Processing software technology for the U.S. defense and intelligence communities and private sector corporations with complex information management requirements. We address the pressing organizational need for speed, agility and competitive differentiation. Our website can be reviewed at www.Cogility.com.

Our software technology is so uniquely capable that during the past two years -- without any advertising or promotional campaigns -- Cogility has gained significant traction within the U.S. defense and intelligence communities, as evidenced by its most recent contract with the Joint IED Defeat Organization (JIEDDO), which leads U.S. Department of Defense actions to rapidly provide Counter Improvised Explosive Device capabilities to U.S. troops.

During the year ended December 31, 2010 and 2011, respectively, we have realized operating losses and at December 31, 2011, we have negative working capital. These matters have been caused by of our inability to generate significant revenue. The Company signed four engagements in the third quarter of 2011, three government related contracts and one litigation consulting engagement. Expected billings on the government contracts totaled \$1,261,000, with \$1,161,000 having been billed during the year ended December 31, 2011. An additional \$100,000 is expected to be billed through the second quarter of 2012. In addition, the Company has signed two new contracts in the first quarter of 2012 for total anticipated billings of \$725,000. Although we have signed these contracts, there are still several factors we must continue to address in generating additional revenue.

We have found that there is a significant lead time in the sales cycle because of the complex and sophisticated nature of our applications and our product requires substantial education of, and conceptual buy-in from a potential customer's executive operations and information technology professionals. This long sales cycle adversely affected our operations during the latter part of 2010 and into 2011, in regards to closing sales contracts with the U.S. federal government and other commercial customers.

Potential customers frequently require us to build demonstration systems to assist the potential customers' executive, operations and information technology professionals in understanding how our software might change their business processes and how our software might integrate with their existing systems. These factors add significant costs and time to complete a potential sale. During the years ended 2010 and 2011, we were required to build multiple demonstration systems for potential customers.

An additional factor that has adversely affected our marketing to the governmental sector has been the fact that the U.S. federal government had taken an extended period of time to pass a budget for its fiscal year. Instead, the government had relied on continuing resolutions to fund the on-going activities of the federal government and this makes it difficult for potential buyers of our product to know when or how much funding they will ultimately receive in the future. During the year ended December 31, 2010 and the year ended 2011, this had a materially adverse effect on our business, as buyers were unsure of what funds would be available, the timing of funds, and what projects would be funded.

We are new to the government sector and we do not yet have the experience or qualifications to act as a prime contractor in the federal contracting arena, and as a result, we must expend considerable time and effort trying to find organizations or companies that will act as the prime contractor or partner on our projects. The prime contractor collects and distributes funding and communicates with the end user. This adds risk and uncertainty, as we lose control over the projects and do not typically have direct communication with the customer. This inability to act as the prime contractor also can delay the closing of potential contracts and further lengthen the sales cycle. All of the above factors have materially affected our business in the latter part of 2010 and the year ended 2011.

Our lack of any substantial revenue in the fourth quarter 2010 and for the majority of the year ended 2011 has caused us to continue to be insolvent. We currently have operating liabilities that we cannot pay and without an additional infusion of cash it is unlikely that we will be able to continue as a going concern.

On February 10, 2012 Acquired Sales Corp. closed an Agreement and Plan of Merger with Defense & Security Technology Group, Inc.(DSTG), a Virginia corporation. Management believes the acquisition of DSTG will expand the opportunities for Cogility software solutions to assist clients in making accurate and cost-effective decisions on programs that often involve Big Data management or Complex Event Processing analytics. DSTG strategic consulting services are tightly integrated with Cogility rapid modeling software and will provide seamless enterprise solutions available to our clients.

However, there can be no assurance whatsoever that we will be able to overcome our current financial problems and bankruptcy is still a distinct possibility unless additional capital is raised promptly.

In addition to our focus on the government sector, we continue to market our product to the commercial sector. We believe that some of our commercial projects will result in the creation of software work product that can be re-sold multiple times within the same industries. We are currently exploring commercial projects in various industries that we believe may have resale potential.

Liquidity and Capital Resources

The following table summarizes the Company's cash and cash equivalents, working capital deficit and long-term liabilities as of December 31, 2011 and December 31, 2010, as well as its cash flows for the years ended December 31, 2011 and 2010:

	December 31,	
	2011	2010
Cash and cash equivalents	\$ 65,684	\$ 279,532
Working capital	(2,170,479)	(1,310,414)
Long-term debt	790,775	200,000

	For the Years Ended December 31,	
	2011	2010
Cash used in operating activities	\$ (1,377,908)	\$ (181,118)
Cash used in investing activities	(27,940)	(121,913)
Cash provided by (used in) financing activities	1,192,000	(298,445)

At December 31, 2011 the Company had cash of \$65,684 and \$88,018 of accounts receivable. Total current assets at December 31, 2011 were \$154,809, an amount far below what is necessary to fund operations and fulfill corporate obligations. Current liabilities at December 31, 2011 included \$401,229 of accounts payable, \$117,536 of accrued liabilities, \$640,022 of billings in excess of costs on uncompleted contracts, \$130,070 of notes payable, \$540,829 of notes payable to related parties and \$436,394 of accrued employee compensation. Billings in excess of costs on uncompleted contracts represent deferred revenue, net of costs, on contracts that are currently in process, which contracts are accounted for under the completed-contract method of accounting. Notes payable and notes payable to related party represents debt incurred by the Company to fund operating activities. Amounts owed to employees represent deferred payroll, commissions and reimbursable expenses.

During the year ended December 31, 2011, the Company issued seven promissory notes payable to Acquired Sales in the aggregate principal amount of \$845,000 in exchange for \$625,000 in cash, the assumption of a \$200,000 note payable to an entity related to an officer of Acquired Sales and a \$20,000 note receivable from Cortez Systems. The notes payable bore interest at 5% per annum payable quarterly beginning March 31, 2011, were due December 31, 2014 and were secured by all of the assets of the Company.

On September 29, 2011, the Company exchanged the \$845,000 of notes payable to Acquired Sales and \$10,534 of related accrued interest for \$448,000 of notes payable to related parties and \$520,000 of notes payable to third parties. The transaction was recognized as an exchange of liabilities rather than an extinguishment of debt. The new notes payable were recorded at the carrying amount of original notes payable and accrued interest on the date of the exchange of \$855,534 by adjusting the effective interest rate applied to the future payments due under the terms of the notes payable and, as a result, no gain or loss was recognized on the exchange of the liabilities. The resulting discounts and premiums on the new notes payable are being amortized over the term of the new notes. The carrying amount of the notes payable to related parties was \$331,330, net of \$43,669 of unamortized discounts and premiums, and the carrying amount of the notes payable to third parties was \$459,445, net of \$60,555 of unamortized discount, on December 31, 2011. On October 17, 2011 a promissory note in the amount of \$25,000 payable to a director of the company was converted into 7,862 shares of common stock at \$3.18 per share. No beneficial conversion feature was recognized on the conversion of this note.

In addition, during the year ended December 31, 2011, the Company issued notes payable in the amounts of \$525,000 to an individual and \$30,500 to a lending company, to help fund operations.

Although a portion of these borrowings were classified as long-term liabilities at December 31, 2011, the Company still lacks liquidity and capital resources. During the later part of 2011 the Company has been providing services under four revenue contracts; however, these contracts have yet to generate significant cash flows and the Company has had to rely on financing arrangements to fund operations for the year ended 2011. Subsequent to December 31, 2011, the Company issued several additional notes payable to related parties in the aggregate amount of \$400,000, which along with collection of billings in excess of costs, has funded operations through the date of this report. There can be no assurance whatsoever that the Company will be able to permanently overcome its financial problems. Unless and until the Company is able to permanently overcome its financial problems, it will remain at risk of going bankrupt.

Comparison of December 31, 2011 and December 31, 2010

The Company incurred a net loss of \$4,300,348 for the year ended December 31, 2011 mainly due to the lack of revenues generated for the year. Under the completed-contract method of accounting, revenues for contracts in progress are deferred, net of costs, until such time the contracts are completed. Billings in excess of cost on uncompleted contracts are \$640,022 at December 31, 2011. The nature of our operations makes it difficult to scale back costs in periods of reduced revenue. Our labor force is our largest cost and our employees are specifically trained and extremely difficult to replace. At December 31, 2011, the Company had current liabilities in excess of current assets of \$2,170,479, an accumulated deficit of \$9,136,037 and a shareholders' deficit of \$2,896,800.

The Company used \$1,377,908 of cash in its operating activities during the year ended December 31, 2011 compared to using \$181,118 in its operating activities during the year ended December 31, 2010. The components of the cash used in operating activities during the year ended December 31, 2011 was primarily due to the lack of revenue, the increase in account receivable of \$88,018 and the reduction of accounts payable of \$152,559, offset by an increase in billings in excess of costs on uncompleted contracts of \$640,022 and increase in accrued compensation of \$69,752.

The Company utilized cash for investing activities of \$27,940 primarily for the purchases of \$23,359 of property and equipment and \$10,000 of advances on related party notes receivable. This is compared to \$121,913 of cash used in investing activities for year ended December 31, 2010.

The Company borrowed \$1,150,000 from related parties and \$30,500 from an individual during the year ended December 31, 2011 for net cash provided by financing activities of \$1,192,000. This as compared to \$298,445 of cash used in financing activities during the year ended December 31, 2010.

During the year ended December 31, 2011, cash decreased by \$213,848 leaving the Company with \$65,684 in cash at December 31, 2011. This is compared to a \$601,476 decrease in cash during the year ended December 31, 2010.

The Company incurred a net loss for the year ended December 31, 2011 of \$4,300,348 as compared to a net loss of \$200,724 for the year ended December 31, 2010. The Company had two contracts in progress at December 31, 2011; billings net of costs on the contracts in progress are deferred until such time the contracts are closed under the completed-contract method of accounting. Had the contracts been closed at December 31, 2011 the Company would have recognized additional income net of expenses of \$640,022. During the year ended December 31, 2010, the Company closed a substantial government contract and was able to recognize the billings net of costs at that time.

We continue to pursue new contracts from both the U.S. defense and intelligence communities and from commercial customers. With the acquisition of DSTG we believe this will further advance our efforts in this area. However, there can be no assurance whatsoever that such effort will be successful or will result in revenues to us on any particular timetable or in any particular amounts. The Company has a history of losses as evidenced by the accumulated deficit at December 31, 2011 of \$9,136,037.

Comparison of the year ended December 31, 2011 to the year ended December 31, 2010

Revenue – Revenue was \$460,496 and \$4,851,190 for the year ended December 31, 2011 and 2010, respectively, representing a decrease of \$4,390,694, or 90.5%. Revenue, net of costs, on contracts in progress is deferred until such time the contracts are completed. At December 31, 2011, we had two contracts in progress whose billings in excess of cost are being deferred. During the year ended December 31, 2010 we had completed a large single contract.

Cost of Revenue – Our cost of services was \$192,503 for the year ended December 31, 2011, compared to \$2,507,409 for the year ended December 31, 2010, representing a decrease of \$2,314,906 or 92.3%. The decrease in our cost of services was due to a decrease in revenue for the year ended December 31, 2011. Cost of services for the year ended December 31, 2011, represents direct labor and travel on the contracts completed and hosting and maintenance services. Cost of services for the year ended December 31, 2010, represents direct labor and travel on the contracts completed and hosting and maintenance services as well as hardware and software sales.

The changes and percent changes with respect to our revenues and our cost of revenue for the year ended December 31, 2011 and 2010 are summarized as follows:

	For the Year Ended December 31,			Percent Change
	2011	2010	Change	
REVENUE				
Software licensing and hardware sales	-	524,527	(524,527)	-100.0 %
Consulting Services	390,995	4,215,775	(3,824,780)	-90.7 %
Hosting, Maintenance and support services	69,501	110,888	(41,387)	-37.3 %
Total Revenue	\$ 460,496	\$ 4,851,190	\$ (4,390,694)	-90.5 %
COST OF REVENUE				
Hardware and software sales	-	510,427	(510,427)	-100.0 %
Cost of Services	192,503	1,996,982	(1,804,479)	-90.4 %
Total Cost of Revenue	192,503	2,507,409	(2,314,906)	-92.3 %
Gross Profit	\$ 267,993	\$ 2,343,781	\$ (2,075,788)	-88.6 %

Although the preceding table summarizes the net changes and percent changes with respect to our revenues and our cost of revenue for the year ended December 31, 2011 and 2010, the trends contained therein are limited and should not be viewed as a definitive indication of our future results.

Selling, General and Administrative Expense – Selling, general and administrative expense, including non-cash compensation expense, was \$4,504,309 for the year ended December 31, 2011, compared to \$2,467,872 for the year ended December 31, 2010, representing an increase of \$2,036,437 or 82.5%. The increase in our selling, general and administrative expense related to an increase in salaries and wages not allocable to contracts, an increase in stock based compensation expense, and an increase in travel related to selling expenses.

Net Loss – We realized a net loss of \$4,300,348 for the year ended December 31, 2011, compared to a net loss of \$200,724 during the year ended December 31, 2010. The resulting increase in the net loss of \$4,099,624 or 2042.4% was primarily related to the decrease in revenue recognized on completed contracts as well as an increase in compensation relating to issuance of stock compensation. We may continue to incur losses in the future as contracts close and new contracts are not entered into.

Critical Accounting Policies

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Significant estimates include share-based compensation forfeiture rates and the potential outcome of future tax consequences of events that have been recognized for financial reporting purposes. Actual results and outcomes may differ from management's estimates and assumptions.

Accounts Receivable – Accounts receivable are stated at the amount billed to customers, net an allowance for doubtful accounts. The Company evaluates the collectability of the amount receivable from each customer and provides an allowance for those amounts estimated to be uncertain of collection. Accounts determined to be uncollectible are written off against the allowance for doubtful accounts.

Property and Equipment – Property and equipment are recorded at cost less accumulated depreciation. Maintenance, repairs, and minor replacements are charged to expense as incurred. When depreciable assets are retired, sold, traded in or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which are nine to five years. Depreciation expenses for the years ended December 31, 2011 and 2010 was \$45,023 and \$42,649 respectively.

Software Development Costs – Software development costs consist primarily of compensation of development personnel, related overhead incurred to develop new products and upgrade and enhance the Company's current products and fees paid to outside consultants. Software development costs incurred subsequent to the determination of technological feasibility and marketability of a software product are capitalized. Capitalization of costs ceases and amortization of capitalized software development costs commences when the products are available for general release. For the years ended December 31, 2011 and 2010 no software development costs were capitalized because the time period and cost incurred between technological feasibility and general release for all software product releases was insignificant.

Revenue Recognition – The Company enters into contractual arrangements with end-users of its products to sell software licenses, hardware, consulting services and maintenance services, either separately or in various combinations thereof. For each arrangement, revenue is recognized when persuasive evidence of an arrangement exists, the fees to be paid by the customer are fixed or determinable, collection of the fees is probable, and delivery of the product or services has occurred. When the Company is the primary obligor or bears the risk of loss, revenue and costs are recorded on a gross basis. When the Company receives a fixed transactional fee, revenue is recorded under the net method based on the net amount retained.

In contractual arrangements where services are essential to the functionality of the software or hardware, or payment of the license fees are dependent upon the performance of the related services, revenue for the software license, hardware and consulting fees are recognized on the completed-contract method when the contract is substantially completed and all related deliverables have been provided to and accepted by the customer. This method is used because the Company is unable to accurately estimate total cost of individual contracts until the contracts are substantially complete. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Claims for additional compensation are recognized during the period such claims are resolved and collected.

Costs of software, hardware and costs incurred in performing the contract services are deferred until the related revenue is recognized. Contract costs include all purchased software and hardware, subcontract and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, equipment, and travel costs as well as depreciation on equipment used in performance of the contractual arrangements. Depreciation on administrative assets and selling, general and administrative costs are charged to expense as incurred.

Costs in excess of amounts billed are classified as current assets under the caption Costs in excess of billings on uncompleted contracts. Billings in excess of costs are classified as current liabilities under the caption Billings in excess of costs on uncompleted contracts. Contract retentions are included in accounts receivables.

Software Licensing and Hardware Sales: When software licensing and/or hardware functionality are not dependent upon performance of services, the amount of revenue under the arrangement is allocated to the deliverable elements based on prices the Company sells the separate elements, if objectively determinable. If so determinable, the amounts allocated to the software licensing are recognized as revenue at the time of shipment of the software to the customer. Such sales occur when the Company resells third-party software and hardware systems and related peripherals as part of an end-to-end solution to its customers. The Company considers delivery to occur when the product is shipped and title and risk of loss have passed to the customer.

Consulting Services: Consulting services are comprised of consulting, implementation, software installation, data conversion, building interfaces to allow the software to operate in integrated environments, training and applications. Consulting services are sold on a fixed-fee and a time-and-materials basis, with payment normally due upon achievement of specific milestones. Consulting services revenue is recognized under the completed-contract method as described above.

Maintenance and Support Services: Maintenance and support services consist primarily of fees for providing unspecified software upgrades on a when-and-if-available basis and technical support over a specified term, which is typically twelve months. Maintenance revenues are recognized ratably over the term of the related agreement.

Concentration of Significant Customers –At December 31, 2011, accounts receivables from two customers accounted for 100% of total accounts receivable. Revenue from one customer accounted for 75% of total revenue. In 2010, revenue from two customers was 94% of total revenue.

Income Taxes – Provisions for income taxes are based on taxes payable or refundable for the current year and deferred income taxes. Deferred income taxes are provided on differences between the tax bases of assets and liabilities and their reported amounts in the financial statements and on tax carry forwards. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance is provided against deferred income tax assets when it is not more likely than not that the deferred income tax assets will be realized.

Basic and Diluted Loss Per Share – Basic loss per common share is determined by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per common share is calculated by dividing net loss by the weighted-average number of common shares and dilutive common share equivalents outstanding during the period. When dilutive, the incremental potential common shares issuable upon exercise of stock options and warrants are determined by the treasury stock method. There were 1,785,126 and 1,117,924 employee stock options and 460,000 and 0 warrants outstanding during the year ended December 31, 2011 and 2010, respectively, that were excluded from the computation of the diluted loss per share for the years ended December 31, 2011 and 2010 because their effects would have been anti-dilutive.

Share-Based Compensation Plan – Stock-based compensation to employees and consultants is recognized as a cost of the services received in exchange for an award of equity instruments and is measured based on the grant date fair value of the award or the fair value of the consideration received, whichever is more reliably measureable. Compensation expense is recognized over the period during which service is required to be provided in exchange for the award (the vesting period).

Contractual Cash Obligations and Commercial Commitments

The Company currently leases one facility in Providence, Rhode Island under an operating lease. The lease runs through January 15, 2013. Monthly rental payments are \$500 per month. Future minimum lease payments under the terms of the lease agreement are \$6,000.

The Company was leasing office space for \$3,826 per month through November 30, 2011 under an operating lease; this facility was vacated on January 15, 2012. The Company was also leasing office space for \$3,400 per month through a lease agreement that ended December 31, 2011. The Company vacated that space in July 2011. Lastly, the Company was leasing temporary housing space for \$4,250 per month through April 15, 2011. The Company vacated that space on March 31, 2011.

During the year ended December 31, 2011, we borrowed \$525,000 in various installments from an officer of the Company. The related notes payable are unsecured, non-interest bearing and are due upon demand. On October 17, 2011, a significant shareholder, affiliated with another officer of the Company sold 597,000 shares of the Company's common stock to this officer in exchange for the \$525,000 of promissory notes from the Company, for an equivalent price of \$0.88 per share. This significant shareholder transaction resulted in the Company recognizing \$1,373,460 of share-based compensation expense, based upon the price at which common shares were issued for cash at that same date of \$3.18 per share. The Company entered into an agreement with this same significant shareholder on October 17, 2011 such that, at such time as the Company is financially able to do so and at the reasonable discretion of the chief executive officer of the Company, but no earlier than November 18, 2011, the notes payable held by the significant shareholder would be extinguished in full by the payment of \$262,500 in cash and the issuance of 85,548 shares common stock at a price of \$3.18 per share.

On September 29, 2011, the Company exchanged \$845,000 of notes payable to Acquired Sales and \$10,534 of related accrued interest for \$448,000 of notes payable to related parties and \$520,000 of notes payable to third parties. The new debt was recorded at the carrying amount of original debt and accrued interest on the date of the exchange of \$855,534 by adjusting the effective interest rate applied to the future payments due under the terms of the notes payable and, as a result, no gain or loss was recognized on the exchange of the liabilities. The resulting discounts and premiums are being amortized over the term of the new notes payable. The carrying amount of the notes payable to related parties was \$331,330, net of \$43,669 of unamortized discounts and premiums, and the carrying amount of the notes payable to third parties was \$459,445, net of \$60,555 of unamortized discount, on December 31, 2011. On October 17, 2011 a promissory note in the amount of \$25,000 payable to a director of the company was converted into 7,862 shares of common stock at \$3.18 per share. No beneficial conversion feature was recognized on the conversion of this note.

The Company has borrowed cash from a lending company. At December 31, 2011, notes payable to the lender totaled \$130,070, are unsecured, non-interest bearing and due on demand. The Company has not imputed interest on the loans as such imputed interest would not have been material to the accompanying financial statements.

We entered into an agreement with a consultant on February 18, 2011 whereby we agreed to pay the consultant a fee based on net revenue received from two potential new software products. The fee would be equal to 5% of the net revenue received, after deducting software licensing and equipment costs from third parties, from two potential contracts and, for a period of five years, any subsequent revenue from reselling the work product that may result from providing software and services under either of the two potential contracts.

On June 13, 2011, a key executive resigned his position and entered into a severance agreement with the Company. On September 16, 2010, we signed a letter agreeing to pay the former executive officer \$47,000 in one-time commissions, with payment deferred until 30 days after the closing of a private placement of common stock or debt convertible into common stock in the total amount of at least \$2,000,000. Under the severance agreement the former executive officer will receive a one-time bonus of \$35,000 and deferred compensation of \$18,432 payable upon the completion of a private placement of common stock or debt convertible into common stock in the total amount of at least \$2,000,000. The former executive officer was also to be paid additional deferred compensation of \$9,662 by September 30, 2011, but this amount was paid on November 3, 2011. In addition, the severance agreement modified the terms of stock options held by the former executive officer for the purchase 66,667 common shares such that the stock options will not expire until June 14, 2012. Stock options for the purchase of 133,334 common shares were forfeited.

On June 24, 2011 an employee resigned and entered into a severance agreement with the Company. Under the severance agreement, payment of \$8,224 of vacation pay was deferred and to be paid the earlier of the completion of a \$2,000,000 private placement offering or September 23, 2011. The amount has not yet been paid. In addition, the severance agreement modified the terms of stock options held by the former employee for the purchase of 133,000 common shares such that the stock options will not expire until June 24, 2012. Stock options for the purchase of 67,000 common shares were forfeited.

Off Balance Sheet Arrangements – We have no off-balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The full text of our audited consolidated financial statements as of December 31, 2011 and December 31, 2010 begins on page F-1 of this Annual Report.

ACQUIRED SALES CORP. AND SUBSIDIARY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Shareholders
Acquired Sales Corp. and Subsidiary

We have audited the accompanying consolidated balance sheets of Acquired Sales Corp. and Subsidiary as of December 31, 2011 and 2010, and the related statements of operations, shareholders' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cogility Software Corporation as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, at December 31, 2011, the Company had negative working capital, a shareholders' deficit and had an accumulated deficit. In addition, the Company suffered losses during the years ended December 31, 2011 and 2010 and used cash in its operating activities during the year ended December 31, 2011. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HANSEN, BARNETT & MAXWELL, P.C.
Salt Lake City, Utah
March 30, 2012

ACQUIRED SALES CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 65,684	\$ 279,532
Accounts receivable	88,018	-
Receivables from employees	1,107	6,526
Prepaid expenses	-	2,711
Total Current Assets	154,809	288,769
Property and Equipment, net of accumulated depreciation of \$2,237,310 and \$2,192,286, respectively	51,919	73,583
Deposits	12,535	12,791
Total Assets	\$ 219,263	\$ 375,143
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities		
Trade accounts payable	\$ 401,229	\$ 546,757
Accrued liabilities	117,536	175,127
Billings in excess of costs on uncompleted contracts	640,022	-
Unearned revenue	59,208	59,960
Accrued compensation	436,394	305,598
Notes payable, current portion	130,070	441,798
Notes payable - related parties, current portion	540,829	69,943
Total Current Liabilities	2,325,288	1,599,183
Long-Term Liabilities		
Notes payable, net of \$60,555 unamortized discount and current portion	459,445	-
Notes payable - related parties, net of \$43,669 and \$0 unamortized discount and current portion	331,330	200,000
Total Long-Term Liabilities	790,775	200,000
Shareholders' Deficit		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; none outstanding	-	-
Common stock, \$0.001 par value; 100,000,000 shares authorized; 2,602,896 and 2,175,564 shares outstanding, respectively	2,603	2,175
Additional paid-in capital	6,236,634	3,409,474
Accumulated deficit	(9,136,037)	(4,835,689)
Total Shareholders' Deficit	(2,896,800)	(1,424,040)
Total Liabilities and Shareholders' Deficit	\$ 219,263	\$ 375,143

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

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ACQUIRED SALES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2011	2010
Revenue		
Software licensing and hardware sales	\$ -	\$ 524,527
Consulting services	390,995	4,215,775
Maintenance and support services	69,501	110,888
Total Revenue	460,496	4,851,190
Cost of Revenue		
Cost of software and hardware sold	-	510,427
Cost of services	192,503	1,996,982
Total Cost of Revenue	192,503	2,507,409
Gross Profit	267,993	2,343,781
Selling, General and Administrative Expense	4,504,309	2,467,872
Loss from Operations	(4,236,316)	(124,091)
Interest expense	63,232	63,110
Loss before Provision for Income Taxes	(4,299,548)	(187,201)
Provision for Income Taxes	800	13,523
Net Loss	\$ (4,300,348)	\$ (200,724)
Basic and Diluted Loss per Share	\$ (1.86)	\$ (0.09)
Weighted-Average Shares Outstanding	2,306,710	2,175,564

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

ACQUIRED SALES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Shareholders' Deficit
Balance, December 31, 2009	2,175,564	\$ 2,175	\$ 2,866,091	\$ (4,634,965)	\$ (1,766,699)
Services contributed by shareholder, no additional shares issued	-	-	137,500	-	137,500
Share-based compensation	-	-	405,883	-	405,883
Net loss	-	-	-	(200,724)	(200,724)
Balance, December 31, 2010	2,175,564	2,175	3,409,474	(4,835,689)	(1,424,040)
Services contributed by shareholder, no additional shares issued	-	-	250,000	-	250,000
Conversion of notes payable to shareholders, no additional shares issued	-	-	1,446,800	-	1,446,800
Conversion of notes payable to shareholders	119,848	120	380,993	-	381,113
Issuance of common stock for cash	15,724	16	49,984	-	50,000
Share-based compensation	-	-	706,704	-	706,704
Assumption of the Acquired Sales Corp.'s net liabilities	291,760	292	(7,321)	-	(7,029)
Net loss	-	-	-	(4,300,348)	(4,300,348)
Balance, December 31, 2011	2,602,896	\$ 2,603	\$ 6,236,634	\$ (9,136,037)	\$ (2,896,800)

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

ACQUIRED SALES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2011	2010
Cash Flows from Operating Activities		
Net loss	\$ (4,300,348)	\$ (200,724)
Adjustments to reconcile loss to net cash used in operating activities:		
Services contributed by shareholder, no additional shares issued	250,000	137,500
Share-based compensation	706,704	405,883
Conversion of debt for existing shares	1,373,488	-
Amortization of discount	9,070	-
Expenses paid by increase in notes payable to related party	3,376	78,700
Depreciation	45,023	42,649
Loss on forgiveness of related party receivable	31,450	-
Compensation from forgiveness of receivables from employees	-	129,283
Changes in operating assets and liabilities:		
Accounts receivable	(88,018)	505,299
Other	1,517	7,244
Accounts payable	(152,559)	175,800
Accrued liabilities	(27,677)	49,490
Unearned revenue	(752)	(2,540)
Billings in excess of costs on uncompleted contracts	640,022	(1,815,300)
Accrued compensation	130,796	305,598
Net Cash Used in Operating Activities	(1,377,908)	(181,118)
Cash Flows from Investing Activities		
Increase in deposits and other assets	-	(526)
Advances to and collection of loans to employees	5,419	(78,532)
Increase in note receivable from related party	(10,000)	-
Purchase of property and equipment	(23,359)	(42,855)
Net Cash Flows Used in Investing Activities	(27,940)	(121,913)

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

ACQUIRED SALES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	For the Years Ended December 31,	
	2011	2010
Cash Flow from Financing Activities		
Proceeds from borrowing under notes payable	30,500	160,000
Proceeds from borrowing under notes payable to related parties	1,150,000	267,000
Principal payments on notes payable to related party	(33,000)	(500,445)
Principal payments on notes payable	(5,500)	(225,000)
Issuance of common stock	50,000	-
Net Cash Provided by (Used in) Financing Activities	1,192,000	(298,445)
Net Decrease in Cash	(213,848)	(601,476)
Cash and Cash Equivalents at Beginning of Year	279,532	881,008
Cash and Cash Equivalents at End of Year	\$ 65,684	\$ 279,532
Supplemental Cash Flow Information		
Cash paid for interest	\$ 28,038	\$ -
Cash paid for taxes	\$ 800	\$ 800

	2011	2010
Supplemental Disclosure of Noncash Investing and Financing Activities		
Note receivable from Cortez acquired by issuance of note payable to Acquired Sales Corp.	\$ 20,000	\$ -
Note payable to Acquired Sales Corp. issued in exchange for note payable to a related party	200,000	-
Notes payable to Acquired Sales Corp. and related accrued interest exchanged for notes payable	855,534	-
Conversion of notes payable to shareholder for common stock	381,113	
Conversion of note payable to shareholder, no additional shares issued	73,319	-
Liabilities of Acquired Sales Corp. assumed in exchange for the issuance of common stock, stock options and warrants	7,029	-

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

ACQUIRED SALES CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES
Basis of Presentation – On November 4, 2010, Acquired Sales Corp. (“Acquired Sales”) entered into an agreement with Cogility Software Corporation (“Cogility”) that was closed on September 29, 2011, whereby Cogility was merged with and into a newly-formed subsidiary of Acquired Sales. To effect the merger, Cogility shareholders owning 100% of the 11,530,493 Cogility common shares outstanding received 2,175,564 Acquired Sales common shares, or one Acquired Sales common share for each 5.3 Cogility common shares outstanding. Acquired Sales reverse split its common shares outstanding on a 1-for-20 basis, which results in the 5,832,482 Acquired Sales pre-split common shares outstanding before the merger becoming 291,760 common shares. In addition, Cogility had stock options outstanding that would have permitted the holders thereof to purchase 5,724,666 Cogility common shares at prices ranging from \$0.001 to \$1.40 per share. In the merger transaction, the Cogility option holders exchange these stock options for 1,080,126 Acquired Sales stock options exercisable at prices ranging from \$0.001 to \$5.00 per share.

The Cogility shareholders received 88.2% of the common shares outstanding after the merger and the shareholders and management of Cogility gained ownership and operating control of the combined company after the merger. Accordingly, Cogility was considered the accounting acquirer under current accounting guidance and the merger was recognized as a recapitalization of Cogility. The results of operations prior to the merger are those of Cogility, restated on a retroactive basis for all periods presented for the effects of the 5.3-for-1 reverse stock split. The exchange of the stock options was considered to be part of the recapitalization of Cogility and was not a modification of the Cogility stock options.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts and operations of Cogility for all periods presented and accounts and operations of Acquired Sales from September 29, 2011 to December 31, 2011. The entities for these respective periods are referred to herein as “the Company.” Intercompany accounts and transactions have been eliminated on consolidation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Significant estimates include share-based compensation, forfeiture rates and the potential outcome of future tax consequences of events that have been recognized for financial reporting purposes. Actual results and outcomes may differ from management’s estimates and assumptions.

Accounts Receivable – Accounts receivable are stated at the amount billed to customers, net an allowance for doubtful accounts. The Company evaluates the collectability of the amount receivable from each customer and provides an allowance for those amounts estimated to be uncertain of collection. Accounts determined to be uncollectible are written off against the allowance for doubtful accounts.

Property and Equipment – Property and equipment are recorded at cost less accumulated depreciation. Maintenance, repairs, and minor replacements are charged to expense as incurred. When depreciable assets are retired, sold, traded in or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which are three to five years. Depreciation expense for the years ended December 31, 2011 and 2010 was \$45,023, and \$42,649, respectively.

ACQUIRED SALES CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Software Development Costs – Software development costs consist primarily of compensation of development personnel, related overhead incurred to develop new products and upgrade and enhance the Company's current products and fees paid to outside consultants. Software development costs incurred subsequent to the determination of technological feasibility and marketability of a software product are capitalized. Capitalization of costs ceases and amortization of capitalized software development costs commences when the products are available for general release. For the years ended December 31, 2011 and 2010, no software development costs were capitalized because the time period and cost incurred between technological feasibility and general release for all software product releases was insignificant.

Revenue Recognition – The Company enters into contractual arrangements with end-users of its products to sell software licenses, hardware, consulting services and maintenance services, either separately or in various combinations thereof. For each arrangement, revenue is recognized when persuasive evidence of an arrangement exists, the fees to be paid by the customer are fixed or determinable, collection of the fees is probable, and delivery of the product or services has occurred. When the Company is the primary obligor or bears the risk of loss, revenue and costs are recorded on a gross basis. When the Company receives a fixed transactional fee, revenue is recorded under the net method based on the net amount retained.

In contractual arrangements where services are essential to the functionality of the software or hardware, or payment of the license fees are dependent upon the performance of the related services, revenue for the software license, hardware and consulting fees are recognized on the completed-contract method when the contract is substantially completed and all related deliverables have been provided to and accepted by the customer. This method is used because the Company is unable to accurately estimate total cost of individual contracts until the contracts are substantially complete. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Claims for additional compensation are recognized during the period such claims are resolved and collected.

Costs of software, hardware and costs incurred in performing the contract services are deferred until the related revenue is recognized. Contract costs include all purchased software and hardware, subcontract and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, equipment, and travel costs as well as depreciation on equipment used in performance of the contractual arrangements. Depreciation on administrative assets and selling, general and administrative costs are charged to expense as incurred.

Costs in excess of amounts billed are classified as current assets under the caption Costs in excess of billings on uncompleted contracts. Billings in excess of costs are classified as current liabilities under the caption Billings in excess of costs on uncompleted contracts. Contract retentions are included in accounts receivables.

Software Licensing and Hardware Sales: When software licensing and/or hardware functionality are not dependent upon performance of services, the amount of revenue under the arrangement is allocated to the deliverable elements based on prices the Company sells the separate elements, if objectively determinable. If so determinable, the amounts allocated to the software licensing are recognized as revenue at the time of shipment of the software to the customer. Such sales occur when the Company resells third-party software and hardware systems and related peripherals as part of an end-to-end solution to its customers. The Company considers delivery to occur when the product is shipped and title and risk of loss have passed to the customer.

Consulting Services: Consulting services are comprised of consulting, implementation, software installation, data conversion, building interfaces to allow the software to operate in integrated environments, training and applications.

Consulting services are sold on a fixed-fee and a time-and materials basis, with payment normally due upon achievement of specific milestones. Consulting services revenue is recognized under the completed-contract method as described above.

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ACQUIRED SALES CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Hosting: During the year ended December 31, 2011 and 2010, the Company provided remote management, monitoring, data processing, updating or administrative support of applications software, servers, operating systems and other automation tools to customers. Revenue was comprised of recurring fees for licensing access to and the use of the Company's application software as a service, on a subscription or on-demand basis over a contractual term. Related recurring fees were recognized as the services were provided. Related one-time set up fees were recognized on a straight-line basis over the longer of the contractual term or the expected life of the relationship.

Maintenance and Support Services: Maintenance and support services consist primarily of fees for providing unspecified software upgrades on a when-and-if-available basis and technical support over a specified term, which is typically twelve months. Maintenance revenues are recognized ratably over the term of the related agreement.

Concentration of Significant Customers – At December 31, 2011, accounts receivable from two customers accounted for 100% of total accounts receivable. In 2011 and 2010, revenue from two customers totaled over 86% of total revenue earned.

Income Taxes – Provisions for income taxes are based on taxes payable or refundable for the current year and deferred income taxes. Deferred income taxes are provided on differences between the tax bases of assets and liabilities and their reported amounts in the financial statements and on tax carry forwards. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. A valuation allowance is provided against deferred income tax assets when it is not more likely than not that the deferred income tax assets will be realized.

Basic and Diluted Loss Per Common Share – Basic loss per common share is determined by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per common share is calculated by dividing net loss by the weighted-average number of common shares and dilutive common share equivalents outstanding during the period. When dilutive, the incremental potential common shares issuable upon exercise of stock options and warrants are determined by the treasury stock method.

During the year ended December 31, 2011 and 2010 there were 1,785,126 and 264,684 employee stock options and 460,000 and 0 warrants outstanding, respectively. These were excluded from the computation of the diluted loss per share for the years ended December 31, 2011 and 2010 because their effects would have been anti-dilutive.

Share-Based Compensation Plan – Stock-based compensation to employees and consultants is recognized as a cost of the services received in exchange for an award of equity instruments and is measured based on the grant date fair value of the award or the fair value of the consideration received, whichever is more reliably measureable. Compensation expense is recognized over the period during which service is required to be provided in exchange for the award (the vesting period).

Reclassifications – Certain reclassifications have been made to the financial statements for the year ended December 31, 2010 to conform to the December 31, 2011 presentation. The reclassifications had no effect on net income.

ACQUIRED SALES CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - RISKS AND UNCERTAINTIES

The Company has a history of recurring losses which has resulted in an accumulated deficit of \$9,136,037 as of December 31, 2011. During the year ended December 31, 2011, the Company recognized \$460,496 of revenue, suffered a loss of \$4,300,348 and used \$1,377,908 of cash in its operating activities. At December 31, 2011, the Company had negative working capital of \$2,170,479 and a stockholders' deficit of \$2,896,800. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying consolidated balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuing basis, to maintain or replace present financing, to obtain additional capital from investors and to succeed in its future operations. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. In order for the Company to remain as a going concern, it will need to secure additional financing as well as enter into and complete profitable contracts.

NOTE 3 – ACQUISITION OF ACQUIRED SALES CORP.

As of September 29, 2011, Acquired Sales had been a non-operating public shell corporation with no significant operations or assets except for notes receivable from Cogility. During 2011, Acquired Sales issued notes payable and warrants in a private placement offering and in other transactions and loaned most of the proceeds to Cogility. For financial reporting purposes, the merger of Cogility into a newly-formed subsidiary of Acquired Sales was recognized as the acquisition of Acquired Sales by Cogility on September 29, 2011. Under current accounting guidance, Acquired Sales was not a business for purposes of determining whether a business combination occurred. Therefore the acquisition of Acquired Sales was recognized as the exchange of notes payable and as the assumption of liabilities in exchange for equity instruments. The exchange of notes payable is discussed in Note 8.

The acquisition of Acquired Sales has been recognized as the issuance of 291,760 shares of common stock, the issuance of 460,000 warrants exercisable at \$2.00 per share through March 31, 2016, and the issuance of 630,000 stock options exercisable at \$2.00 per share through September 29, 2021, in exchange for the assumption of \$7,029 of accounts payable from Acquired Sales.

The following table presents the unaudited pro forma consolidated results of operations for the year ended December 31, 2011 and for the year ended December 31, 2010, as though the acquisition of Acquired Sales had been completed as of the beginning of each period presented. This unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the combined results of operations to be expected in any future period or the results of operations that actually would have been realized had the entities been combined during the year ended December 31, 2011 or the year ended December 31, 2010:

ACQUIRED SALES CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	For the Year Ended December 31,	
	2011	2010
Revenue	\$ 460,496	\$ 4,851,190
Net loss	(4,994,526)	(770,377)
Basic and diluted loss per share	\$ (2.00)	\$ (0.31)

NOTE 4 – EARNINGS AND COSTS ON UNCOMPLETED CONTRACT

At December 31, 2011 the Company was in the process of providing software license, hardware and services to two customers. Revenue and costs on the uncompleted contracts were deferred at December 31, 2011 and will be recognized upon completion of the contracts. Contract billings in excess of contract costs on uncompleted contracts at December 31, 2011 and 2010 were as follows:

	December December 31, 31,	
	2011	2010
Billings to date	\$ 813,601	\$ -
Less: Costs on uncompleted contracts	(173,579)	-
Billings in excess of costs on uncompleted contracts	\$ 640,022	\$ -

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31 2011 and 2010:

	December 31,	
	2011	2010
Computer equipment	\$ 201,235	\$ 185,860
Computer software	2,082,300	2,074,315
Leasehold improvements	2,019	2,019
Furniture and fixtures	3,675	3,675
Total property and equipment	2,289,229	2,265,869
Less: accumulated depreciation	(2,237,310)	(2,192,286)
Net property and equipment	\$ 51,919	\$ 73,583

NOTE 6– INVESTMENT IN AND LOAN TO CORTEZ SYSTEMS

On October 1, 2010, the Company signed an investment agreement for the purchase of 49% of the common stock of Cortez Systems (Cortez) for \$526, a recently formed company in the business of providing software project applications and related services to government and non-government clients. Through December 31, 2011, the Company recognized a loss of \$526 from its investment in Cortez.

ACQUIRED SALES CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the agreement, the Company agreed to advance Cortez \$5,000 each month during the period October 2010 through March 2011, for a total of \$30,000 for working capital needs. Due to the Company's own lack of liquidity, as of December 31, 2010, the Company had not made the required payments; however, an unrelated individual loaned Cortez \$20,000 for working capital needs on December 1, 2010.

On March 11, 2011, the individual assigned this loan receivable from Cortez to Acquired Sales in exchange for the issuance of a promissory note and warrants issued by Acquired Sales to the individual. At the same time the loan receivable was assigned to the Company in exchange for a 5% promissory note payable to Acquired Sales. On March 17, 2011, the Company loaned Cortez an additional \$10,000 in accordance with the October 1, 2010 investment agreement. The note receivable from Cortez bore interest at 5.75% per annum and is due September 30, 2012. The balance owed to Acquired Sales by Cortez, including accrued interest totaling \$31,450 was deemed uncollectible and written off at December 31, 2011.

NOTE 7– RELATED PARTY TRANSACTIONS

Accrued Compensation – At December 31, 2011, the Company had recorded accrued compensation comprised of \$214,943 in deferred payroll, \$17,484 in employee reimbursements payable, and commissions payable in the aggregate amount of \$203,967. The accrued compensation portion primarily relates to a 25% payroll deferral program for all employees that began on January 26, 2011 and ended June 30, 2011. The resulting deferred payroll expense is included in accrued compensation of \$436,394 at December 31, 2011.

On June 13, 2011, a key executive resigned his position and entered into a severance agreement with the Company. On September 16, 2010, the Company had signed a letter agreeing to pay the former executive officer \$47,000 in one-time commissions, with payment deferred until 30 days after the closing of a private placement of common stock or debt convertible into common stock in the total amount of at least \$2,000,000. Under the severance agreement the former executive officer will receive a one-time bonus of \$35,000 and deferred compensation of \$18,432 payable upon the completion of a private placement of common stock or debt convertible into common stock in the total amount of at least \$2,000,000. The former executive officer was also to be paid additional deferred compensation of \$9,662 by September 30, 2011, which was paid on November 3, 2011. In addition, the severance agreement modified the terms of stock options held by the former executive officer for the purchase 66,667 common shares such that the stock options will not expire until June 14, 2012. Stock options for the purchase of 133,334 common shares were forfeited.

On June 24, 2011 an employee resigned and entered into a severance agreement with the Company. Under the severance agreement, payment of \$8,224 of vacation pay was deferred and to be paid the earlier of the completion of a \$2,000,000 private placement offering or September 23, 2011. The amount has not yet been paid. In addition, the severance agreement modified the terms of stock options held by the former employee for the purchase of 133,000 common shares such that the stock options will not expire until June 24, 2012. Stock options for the purchase of 67,000 common shares were forfeited.

NOTE 8– NOTES PAYABLE

Notes Payable to Related Parties – During the year ended December 31, 2011, the Company borrowed \$525,000 in various installments from an officer of the Company. The related notes payable are unsecured, non-interest bearing and are due upon demand.

ACQUIRED SALES CORP. AND SUBSIDIARY
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On October 17, 2011, a significant shareholder, affiliated with another officer of the Company sold 597,000 shares of the Company's common stock to this officer in exchange for the \$525,000 of promissory notes from the Company, for an equivalent price of \$0.88 per share. This significant shareholder transaction resulted in the Company recognizing \$1,373,460 of share-based compensation expense, based upon the price at which common shares were issued for cash at that same date of \$3.18 per share.

The Company entered into an agreement with this same significant shareholder on October 17, 2011 such that, at such time as the Company is financially able to do so and at the reasonable discretion of the chief executive officer of the Company, but no earlier than November 18, 2011, the notes payable held by the significant shareholder would be extinguished in full by the payment of \$262,500 in cash and the issuance of 85,548 shares common stock at a price of \$3.18 per share.

During the year ended December 31, 2011, a shareholder of Cogility paid \$3,376 of expenses on behalf of Cogility under the terms of an unsecured promissory note agreement bearing interest at 10% per annum and due on demand. At September 29, 2011, the Company owed the shareholder \$73,319 from these payments and similar payments in prior years. On September 22, 2010, the shareholder signed an agreement that, in the event of a potential merger with Acquired Sales Corp., any loans from the shareholder would be forgiven. The shareholder further agreed to make no claims for amounts due to the shareholder under the consulting arrangement and such amounts would also be written off if the potential merger is completed. On September 29, 2011 the note payable was forgiven and is recognized as of that date as a conversion of \$73,319 of notes payable to shareholder to additional paid-in capital without the issuance of additional shares.

On December 14, 2010, the Company issued a promissory note to an entity related to an officer of the Company in the amount of \$200,000 to finance working capital needs. The note bore interest at 5% per annum, was due December 31, 2013 and was unsecured. Interest payments were due quarterly starting in March 2011. On January 31, 2011 this note was assumed by Acquired Sales Corp.

During the year ended December 31, 2011, the Company issued seven promissory notes payable to Acquired Sales Corp. in the aggregate principal amount of \$845,000 in exchange for \$625,000 in cash, the assumption of the \$200,000 note payable by the Company to an entity related to an officer of the Company (see the preceding paragraph) and a \$20,000 note receivable from Cortez. The notes payable bore interest at 5% per annum payable quarterly beginning March 31, 2011, were due December 31, 2014 and were secured by all of the assets of the Company.

On September 29, 2011, Cogility exchanged \$845,000 of notes payable to Acquired Sales and \$10,534 of related accrued interest for \$448,000 of notes payable to related parties and \$520,000 of notes payable to third parties. The transaction was evaluated to determine whether it qualified as an extinguishment of debt under current accounting guidance. Under that guidance, an exchange of debt instruments with substantially different terms is a debt extinguishment. Debt is deemed to have substantially different terms if the present value of the cash flows under the terms of the new debt is a least 10% different from the present value of the remaining cash flows under the terms of the original debt instruments. The present value of the cash flows did not change by 10%; therefore, the new debt was not substantially different from the original debt and the transaction was recognized as an exchange of debt rather than an extinguishment of debt.

The new debt was recorded at the carrying amount of original debt and accrued interest on the date of the exchange of \$855,534 by adjusting the effective interest rate applied to the future payments due under the terms of the notes

payable and, as a result, no gain or loss was recognized on the exchange of the liabilities. The resulting discounts and premiums are being amortized over the term of the new notes payable. On both December 31, 2011, the carrying amount of the notes payable to related parties was \$331,330 net of \$43,669 of unamortized discounts and premiums, and the carrying amount of the notes payable to third parties was \$459,445 net of \$60,555 of unamortized discount. On October 17, 2011 a promissory note in the amount of \$ 25,000 payable to a director of the company was converted into 7,862 shares of common stock at \$3.18 per share. No beneficial conversion feature was recognized on the conversion of this note.

ACQUIRED SALES CORP. AND SUBSIDIARY
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The details of the terms of the notes payable to related parties and their carrying amounts were as follows at December 31, 2011 and 2010:

	December 31, 2011	December 31, 2010
Non-interest bearing notes payable to an entity related to an officer of the Company, unsecured, due on demand	\$ 525,000	\$ -
3% \$400,000 Notes payable to related parties; due December 31, 2014; interest payable quarterly; secured by all of the assets of the Company; net of \$43,669 unamortized discount based on imputed interest rate of 7.60%	331,330	-
10% Note payable to a relation of an officer of the Company; unsecured; due on demand; net of \$829 unamortized premium based on imputed interest rate of 7.60%	15,829	-
Non-interest bearing notes payable to principal shareholder; relating to accrued consulting fees; unsecured; due on demand; paid in full	-	69,943
5% Note to an entity related to an officer of the Company; unsecured; interest payable quarterly; paid in full	-	200,000
Total Notes Payable - Related Parties	872,159	269,943
Less: Current portion	(540,829)	(69,943)
Long-Term Notes Payable - Related Parties	\$ 331,330	\$ 200,000

Notes Payable – The Company was obligated under the terms of unsecured notes payable to an individual totaling \$336,728 that bore interest at 5.75% per annum and was due in October 2012. The notes allowed the lender to demand partial payment earlier than the maturity date upon the completion of a private placement financing by the Company of common stock or debt convertible into common stock of at least \$1,000,000 and payment in full upon the completion of a private placement financing by the Company of common stock or debt convertible into common stock of at least \$2,000,000. On October 17, 2011, the notes payable and related accrued interest of \$19,385 was converted into 111,986 shares of common stock at \$3.18 per share. No beneficial conversion feature was recognized on the conversion of this note.

At December 31, 2011, notes payable to a lending company totaled \$130,070, are unsecured, non-interest bearing and due on demand. The Company has not imputed interest on the loans as such imputed interest would not have been material to the accompanying financial statements.

The details of the terms of the notes payable and their carrying amounts were as follows at December 31, 2011 and 2010:

ACQUIRED SALES CORP. AND SUBSIDIARY
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	December 31, 2011	December 31, 2010
5.75% \$336,728 notes payable to an individual; settled through issuance of stock	\$ -	\$ 336,728
Non-interest bearing notes payable to a lending company; unsecured; due on demand	130,070	105,070
3% \$520,000 Notes payable; due December 31, 2014; interest payable quarterly; secured by all of the assets of the Company; net of \$60,555 unamortized discount based on imputed interest rate of 7.60%	459,445	-
Total Notes Payable	589,515	441,798
Less: Current portion	(130,070)	(441,798)
Long-Term Notes Payable	\$ 459,445	\$ -

NOTE 9 – SHAREHOLDERS’ DEFICIT

On September 29, 2011, the shareholders of Acquired Sales amended its articles of incorporation to increase the authorized common stock to 100,000,000 shares, \$0.001 par value.

During the year ended December 31, 2011, the chief executive officer and shareholder of the Company provided services to the Company, which services were determined by the board of directors to have had a fair value of \$250,000. The Company did not compensate the chief executive officer during the year ended December 31, 2011. The Company has recognized a capital contribution of \$250,000 during the year ended December 31, 2011 for the services provided by the executive officer.

On October 17, 2011 the company issued 15,724 shares of common stock to an entity affiliated with an officer for \$50,000 in cash at a price of \$3.18 per share.

On October 17, 2011, notes payable to an individual totaling \$336,728 and related accrued interest of \$19,385 was converted into 111,986 shares of common stock at \$3.18 per share (see Note 8).

On October 17, 2011 a promissory note in the amount of \$ 25,000 payable to a director of the company was converted into 7,862 shares of common stock at \$3.18 per share. No beneficial conversion feature was recognized on the conversion of this note (see Note 8).

During the year ended December 31, 2011 one key executive and one employee resigned from the Company. As part of the severance agreements, the term of their vested options were extended for a period of eleven months. Included in compensation expense for the year ended December 31, 2011 was \$12,735 of incremental compensation costs associated with the modification of the original option terms.

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On September 29, 2011, Acquired Sales had 630,000 stock options outstanding that were exercisable at \$2.00 per share through September 29, 2021, and 460,000 warrants exercisable at \$2.00 per share through March 31, 2016. These options and warrants were recognized for financial reporting purposes as the replacement of the Acquired Sales' options and warrants on September 29, 2011 as part of the consideration for \$7,029 of liabilities assumed in the acquisition of Acquired Sales. No incremental share based compensation was recognized.

Following is a summary of stock option activity as of December 31, 2010 and 2011, and changes during the years then ended:

	Shares	Weighted - Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2009	497,170	\$ 2.16		
Granted	621,697	1.71		
Forfeited	(629)	2.65		
Expired	(314)	2.65		
Outstanding, December 31, 2010	1,117,924	1.80		
Replacement shares of Acquired Sales	630,000	2.00		
Granted	75,000	1.33		
Forfeited	(37,735)	3.53		
Expired	(63)	2.12		
Outstanding, December 31, 2011	1,785,126	\$ 1.82	8.44	\$ 518,317
Exercisable, December 31, 2011	1,785,126	\$ 1.82	8.44	\$ 518,317

Share-based compensation expense charged against operations during the year ended December 31, 2011 and 2010 was \$706,704 and \$405,883, respectively, and was included in selling, general and administrative expenses. There was no income tax benefit recognized. As of December 31, 2011 there was no remaining unrecognized compensation expense related to stock options granted under the Plan.

The Company has authorized the issuance of options to purchase 1,500,000 shares of common stock to directors, officers, employees and consultants under terms and conditions described in the acquisition agreement between the Company and Acquired Sales. The Company has also authorized the issuance of options to purchase 200,000 shares of common stock upon the execution of an employment agreement between the Company and an officer. As of December 31, 2011 these options had not been granted.

On September 29, 2011, the Company granted stock options to a consultant for the purchase of 25,000 shares of common stock at \$0.001 per share and 50,000 shares at \$2.00 per share. The options vested on the date granted. The grant-date fair value of these options was \$190,956, or a weighted-average fair value of \$2.55 per share, determined by the Black-Scholes option pricing model using the following weighted-average assumptions: expected future volatility of 76.55%; risk-free interest rate of 0.77%; dividend yield of 0% and an expected term of 5 years. The expected volatility was based on a peer company's volatility and the volatility of indexes of the stock prices of companies in the same industry. The risk-free interest rate was based on the U.S. Federal treasury rate for instruments due over the expected term of the options. The expected term of the options was determined based on one half of the

contractual term.

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ACQUIRED SALES CORP. AND SUBSIDIARY
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During the year ended December 31, 2010, the Company granted stock options to directors for the purchase of 150,000 shares of common stock at \$0.001 per share and 471,697 shares at \$2.00 per share. The options vested on the date granted. The grant-date fair value of these options was \$896,738, or a weighted-average fair value of \$1.50 per share, determined by the Black-Scholes option pricing model using the following weighted-average assumptions: expected future volatility of 77.88%; risk-free interest rate of 0.0104%; dividend yield of 0% and an expected term of 5.14 years. The expected volatility was based on a peer company's volatility and the volatility of indexes of the stock prices of companies in the same industry. The risk-free interest rate was based on the U.S. Federal treasury rate for instruments due over the expected term of the options. The expected term of the options was determined based on one half of the contractual term.

NOTE 10—INCOME TAXES

During the years ended December 31, 2011 the Company incurred the minimum California state income tax. During the years ended December 31, 2010 the Company incurred state income tax due to the regulatory suspension of the use of net operating loss carry forwards in California. The components of the current provision for income taxes for the years ended December 31, 2011 and 2010 (there was no deferred tax provision or benefit) were as follows:

	2011	2010
Current		
Federal	\$ -	\$ -
State and local	800	13,523
Provision (benefit) for income taxes	\$ 800	\$ 13,523

At December 31, 2011, the Company has U.S. Federal net operating loss carry forwards of \$6,145,187 that will expire in 2024 through 2032 if not used by those dates and California state net operating loss carry forwards of \$6,263,982 that are currently suspended and not available to offset future taxable income until at least 2013 and that will expire in 2015 through 2032 if not used by those dates.

As of December 31, 2011, the Company had no unrecognized tax benefits that, if recognized, would affect the Company's effective income tax rate over the next 12 months. The Company's policy is to recognize accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company's tax returns are subject to examination for the years ended December 31, 2008 through 2011. A reconciliation of the amount of tax benefit computed using the U.S. federal statutory income tax rate to the provision for income taxes is as follows:

ACQUIRED SALES CORP. AND SUBSIDIARY
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	For the Years Ended December 31,	
	2011	2010
Tax benefit at statutory rate (34%)	\$ (1,505,122)	\$ (65,520)
State tax benefit, net of federal benefit	(195,666)	(8,518)
Non-deductible expenses	583,333	75,427
Other	5,137	(2,242)
Amt Tax	-	-
Change in valuation allowance	1,113,118	14,376
Provision for Income Taxes	\$ 800	\$ 13,523

The tax effects of temporary differences and carry forwards that gave rise to the net deferred income tax asset as of December 31, 2011 and 2010 were as follows:

	December 31,	
	2011	2010
Deferred tax assets		
Operating loss carry forwards	\$ 2,448,895	\$ 1,608,152
Stock-based compensation	296,816	182,489
Accrued liabilities and other items	178,261	25,789
Depreciation	(13,506)	(19,082)
Less: Valuation allowance	(2,910,466)	(1,797,348)
Net Deferred Income Tax Asset	\$ -	\$ -

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company leases one facility in Providence, Rhode Island under an operating lease. The lease runs through January 15, 2013. Monthly rental payments are \$500 per month. Future minimum lease payments under the terms of the lease agreement are \$6,000.

The Company entered into an agreement with a consultant on February 18, 2011 whereby the Company agreed to pay the consultant a fee based on net revenue received from two potential new software products. The fee would be equal to 5% of the net revenue received, after deducting software licensing and equipment costs from third parties, from two potential contracts and, for a period of five years, any subsequent revenue from reselling the work product that may result from providing software and services under either of the two potential contracts. No fees were paid or accrued under this agreement during the year ended December 31, 2011.

NOTE 12 – SUBSEQUENT EVENTS

On February 10, 2012 Acquired Sales Corp. closed an Agreement and Plan of Merger with Defense & Security Technology Group, Inc., a Virginia corporation (“DSTG”). Pursuant to the Merger Agreement, the Company formed AQSP Mergeco as a new wholly-owned subsidiary in Virginia, the single purpose of which was to be acquired by DSTG. AQSP Mergeco was then merged with and into DSTG, with DSTG being the survivor of such merger (“Merger”). As consideration for the Merger, all of the 100 issued and outstanding shares of common stock of DSTG were converted into one hundred thousand (100,000) shares of the Company’s common stock, par value \$0.001 per share (the “Common Shares”), 300,000 vested options at \$3.18 per share exercisable until the fifth anniversary of the

Effective Date, and 100,000 vested options at \$8.00 per share exercisable until the last day of the 21st full calendar quarter following the Effective Date.

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On January 15, 2012 the Company entered into an operating lease for a facility in Providence, Rhode Island. The lease runs through January 15, 2013, with monthly rental payments of \$ 500 per month.

On January 30, 2012 a shareholder loaned the Company \$75,000 for working capital needs. The loan is non-interest bearing, without collateral and due upon demand.

On February 14, 2012 a director loaned the Company \$200,000 for working capital needs. The loan bears interest at 6% per year payable quarterly. The loan is payable on demand by lender, with a mandatory payment in full upon the closing of the first capital raise (e.g., bank loans or sales of common stock or preferred stock) by Company. In addition, the loan terms grant the lender 100,000 warrants to purchase shares of common stock of Acquired Sales Corp., exercisable at \$2.00 per share at any time through the fifth anniversary of the loan.

On March 15, 2012 a director loaned the Company \$25,000 for working capital needs. The loan bears interest at 6% per year payable quarterly. The loan is payable on demand by lender, with a mandatory payment in full upon the closing of the first capital raise (e.g., bank loans or sales of common stock or preferred stock) by Company. In addition, the loan terms grant the lender 12,500 warrants to purchase shares of common stock of Acquired Sales Corp., exercisable at \$2.00 per share at any time through the fifth anniversary of the loan.

On March 28, 2012 an entity affiliated with an officer of the Company loaned the Company \$100,000 for working capital needs. The loan bears interest at 6% per year payable quarterly. The loan is payable on demand by lender, with a mandatory payment in full upon the closing of the first capital raise (e.g., bank loans or sales of common stock or preferred stock) by Company. In addition, the loan terms grant the lender 50,000 warrants to purchase shares of common stock of Acquired Sales Corp., exercisable at \$2.00 per share at any time through the fifth anniversary of the loan.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, Mr. Gerard M. Jacobs, evaluated the effectiveness of our disclosure controls and procedures. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports, such as this report, that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, Mr. Jacobs concluded that because of the material weakness in internal control over financial reporting described below, our disclosure controls and procedures were not effective as of December 31, 2011.

(b) Management’s annual report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. “Internal Control Over Financial Reporting” is defined in Exchange Act Rules 13a -15(f) and 15d - 5(f) as a process designed by, or under the supervision of, an issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by an issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. It includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of an issuer;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material adverse effect on the financial statements.

During December 2011, management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2011 based on the framework set forth in the report entitled Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, management concluded that our internal control over financial reporting as of December 31, 2011 was not effective. Management identified the following material weaknesses as of December 31, 2011:

- There existed a lack of segregation of duties in regard to the Company's financial reporting, procedures for depositing of funds, procedures for cash disbursements, procedures for checkbook entries, period close procedures, and procedures for financial statement preparation.

Management has determined that the Company should seek to enhance its internal controls over financial reporting by maintaining the following steps first commenced in 2010:

- During November 2010, the Company increased its Board of Directors to seven members, and added as an additional independent member Mr. Vincent J. Mesolella. Mr. Mesolella is the Chairman of the Narragansett Bay Commission, Providence, Rhode Island. Mr. Mesolella is also the Chief Executive Officer of REI, Inc., a diversified real estate development company. Mr. Mesolella has previously served as the Chairman of the Audit Committee of the Board of Directors of a publicly traded company.
- Beginning in March 2010, the Company had begun emailing or mailing to Mr. Mesolella a copy of each monthly statement from its bank summarizing all activity in the Company's checking account, for review and questioning as appropriate. The purpose of Mr. Mesolella's involvement is to provide monitoring, oversight and assistance to Mr. Jacobs, our principal financial and executive officer in the preparation and reporting of the Company's financial statements.

Our management is not aware that the material weaknesses in our internal control over financial reporting causes them to believe that any material inaccuracies or errors existed in our financial statement as of December 31, 2011. The reportable conditions and other areas of our internal control over financial reporting identified by us as needing improvement have not resulted in a material restatement of our financial statements. Nor are we aware of any instance where such reportable conditions or other identified areas of weakness have resulted in a material misstatement of omission in any report we have filed with or submitted to the Commission.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting.

Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

(c) Changes in internal control over financial reporting

There were no changes in our internal controls over financial reporting during the fiscal year ended December 31, 2011, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The Board of Directors And Committees of the Board

The following table sets forth certain information regarding our current Directors and Executive Officers as of December 31, 2011. Each director holds office from election until the next annual meeting of stockholders or until their successors is duly elected and qualified.

Name	Age	Position
Gerard M. Jacobs	56	Co-Chairman of the Board, chief executive officer, chief development officer, secretary, and treasurer
Daniel F. Terry, Jr.	56	President and chief operating officer
Matthew Ghourdjian	56	Co-Chairman of the board and chief technology officer
James S. Jacobs, MD	58	Director
Michael D. McCaffrey	66	Director
Richard E. Morrissy	57	Director
Vincent J. Mesolella	62	Director
Roger S. Greene	56	Director

Joshua A.	56	Director
Bloom, M.D.		

Our Directors serve in such capacity until the next annual meeting of our shareholders and until their successors have been elected and qualified. Our officers serve at the discretion of our Board of Directors, until their death, or until they resign or have been removed from office.

Gerard M. Jacobs, age 56, is co-chairman of our board of directors, chief executive officer, chief development officer, secretary, and treasurer. Mr. Jacobs has been a private investor since 2006. In 2001, Gerard M. Jacobs took control of CGI Holding Corporation, and served as its CEO and member of its board of directors until 2006. Under Gerard M. Jacobs' guidance, CGI Holding Corporation changed its name to Think Partnership Inc., made 15 acquisitions primarily of businesses involved in online marketing and advertising, and succeeded in having its common stock listed on the American Stock Exchange. The company is now known as Inuvo Inc. (NYSE:AMEX: INUV). Previously, in 1995, Mr. Jacobs took control of General Parametrics Corporation, and served as its CEO and member of its board of directors until 1999. Under Mr. Jacobs' guidance, General Parametrics changed its name to Metal Management Inc., made 37 acquisitions primarily of businesses involved in scrap metal recycling, and succeeded in building one of the largest scrap metal recycling companies in the world. The company is now part of Sims Metal Management Ltd. (NYSE: SMS). Mr. Jacobs is currently a director of Patient Home Monitoring Corp. (TSXV: PHM). We believe that Gerard M. Jacobs' experience serving as the CEO of three publicly traded companies and as a director of two other publicly traded companies, his work as an investment banker and as an attorney, and his intelligence and educational background, qualifies him to serve as a director of the Corporation.

Gerard M. Jacobs received a law degree from the University of Chicago Law School, which he attended as a Weymouth Kirkland Law Scholar, in 1978; and an A.B from Harvard College, in 1976, where he was elected to Phi Beta Kappa. Gerard M. Jacobs' brother James S. Jacobs, M.D. is also a member of our board of directors.

Matthew Ghourdjian, co-chairman of the board of directors and Chief Technology Officer, and wholly owned subsidiary Cogility's Chief Technology Officer, age 56, is the founder and former chief executive officer of Cogility Software. Mr. Ghourdjian has 33 years of experience in the technology industry. Mr. Ghourdjian was a founder of CoderCard, Digital Convergence, Ceira Technologies Inc., and Cogility. Matt is a former partner at KPMG Consulting and Arthur Andersen.

Daniel F. Terry, Jr. President and Chief Operating Officer, and wholly owned subsidiary Cogility's Chief Executive Officer, age 56, is an entrepreneur who has been involved with marketing and operations in startups as well as with Fortune 500 companies. Mr. Terry was a founder and former Chief Executive Officer of Mission1st Group, Inc., a company that provides engineering, project design and implementation of mission-critical telecommunications systems worldwide. Mr. Terry has held executive positions in several technology firms including NetFRAME, Micron, ConnectedSupport.com, and PCR, as well as having been a partner in the Hong Kong consultancy CentrePoint Ltd. Mr. Terry is involved with the Fisher House Foundation in support of U.S. wounded and their families and is the founder of the Call-Force Project, to support employment of disabled veterans of the Iraq and Afghanistan conflicts. Mr. Terry is on the Board of Directors of the Metropolitan Opera, New York, and is a member of AFCEA and AUSA. Mr. Terry is a resident of Nevada.

Joshua A. Bloom, M.D., age 56, has been a member of our board of directors since July 2007. He has been a practicing physician in Kenosha Wisconsin since completion of his training in 1988. He is board Certified in Internal Medicine, Pulmonary Diseases and in Critical Care Medicine. He has been employed by United Hospital System (formerly known as Kenosha Hospital and Medical Center) in the Clinical Practice Division from 1995 to present. He had been in private practice at the same address from 1988 to 1995. Dr. Bloom has served on the board of directors of Kenosha Health Services Corporation since 1993 and the board of Hospice Alliance, Inc since 1994 and Medical Director there since 1998. He has also served on the board of the Beth Israel Sinai Congregation since 1998 where he served as the President from 2004 until earlier this year. We believe that Joshua A. Bloom, M.D.'s experience serving as a director of the Corporation since 2007, his intelligence and educational background, and his familiarity with the medical field which has in the past and is currently providing candidates for potential acquisitions by the Corporation, qualifies him to serve as a director of the Corporation.

Dr. Bloom received a medical degree from the University of Illinois in 1982 and completed his residency in internal medicine in 1985 and fellowship in Respiratory & Critical Care Medicine in 1988; both at the University of Illinois. He received an MS in Organic Chemistry from the University of Chicago in 1978 and a BS in Chemistry from Yale College in 1977.

Roger S. Greene, age 56, has been a member of our board of directors since July 2007. He is the Managing Director and co-founder of Stanmore Capital Partners, LLC, a merchant banking firm that focuses upon the acquisition of small cash flow positive private companies, primarily in the health care services business. He is also owner and CEO of Marquette Advisors, Inc., a firm that provides consulting in the same areas. Projects have included a roll up of sleep diagnostic centers, acquisitions of companies in the blood plasma collection business and specialty medical education field. Mr. Greene is currently a director of Patient Home Monitoring Corp. (TSXV: PHM). Previously, he has worked with Brazos Fund and Lone Star Fund as general counsel. For Lone Star, Mr. Greene was responsible for negotiation and structuring of asset acquisitions from foreign entities. Prior to that time, he also worked on resolution and management of the assets of American Savings and Loan Association after the acquisition of American Savings Bank by the Robert M. Bass Group. Mr. Greene has also acted as a principal in real estate and operating company acquisitions. Mr. Greene resides in California. We believe that Roger S. Greene's experience serving as a director of two publicly traded companies, his work in mergers and acquisitions as an investment banker, his work as an attorney, his intelligence and educational background, and his familiarity with the medical field which has in the past and is currently providing candidates for potential acquisitions by the Corporation, qualifies him to serve as a director of the Corporation.

James S. Jacobs, M.D., age 58, has been a member of our board of directors since July 2007. He is a Physician in the Department of Radiation Oncology, at St. Joseph Hospital in Denver, Colorado. He was previously the Resident Physician in Radiation Oncology at Rush Medical Center in Chicago, Illinois. We believe that James S. Jacobs, M.D.'s experience serving as a director of the Corporation since 2007, his intelligence and educational background, and his familiarity with the medical field which has in the past and is currently providing candidates for potential acquisitions by the Corporation, qualifies him to serve as a director of the Corporation.

Dr. Jacobs did a residency in Radiation Oncology at Rush Medical Center in Chicago, Illinois and an internal medicine internship and residency at the University of Colorado Medical Center in Denver, Colorado. Dr. Jacobs received a BA in Neuroscience from Amherst College in Amherst, Massachusetts in 1976.

Michael D. McCaffrey, age 66, has been a member of our board of directors since July 2007. He is an attorney practicing in Irvine, California and specializing in commercial and business litigation. Mr. McCaffrey has tried more than 100 jury and non-jury trials, representing numerous large companies, institutional lenders, real estate developers, contractors and various public and private corporations, partnerships and sole proprietorships. He has had sole or primary responsibility for defense and prosecution of significant matters including real property secured transactions; real estate syndication/fraud; partnership disputes/accounting/dissolution actions; corporate control; insurance (policyholders' interests and insurers' interests); employment litigation; prosecution, defense and expert witness on professional liability claims involving attorneys and accountants; construction, including prosecution and defense of major defect cases; and various business tort cases. We believe that Michael D. McCaffrey's experience serving as a litigator and advisor to corporations, and his intelligence and educational background, qualifies him to serve as a director of the Corporation.

Mr. McCaffrey received his Juris Doctor in 1974 from the University of Denver College of Law where he was a member of the University of Denver Law Review (qualified by class rank, top 5%) and received a B.S. in Engineering from UCLA in 1968.

Richard E. Morrissy, age 57, has been a member of our board of directors since July 2007. He is the Senior Research Specialist and project coordinator in the Pharmaceutical Sciences, School of Pharmacy, University of Illinois at Chicago. Mr. Morrissy is a project coordinator for the School of Pharmacy. His duties include serving as project coordinator on four clinical trial research projects funded by the National Institutes of Health's National Cancer Institute. The School of Pharmacy projects have involved multiple research projects utilizing Lycopene in restoring DNA damage in men's prostates. The project at UIC's internationally acclaimed Occupational Therapy School involved the setup and running of focus groups with impaired individuals to create a movement and activity computer survey for the World Health Organization. During his tenure, Mr. Morrissy has managed clinical research trials including the submission of institutional review board documents and grant proposals, recruitment of subjects and data management and storage. He has also designed and led focus groups, designed and critiqued research surveys, edited manuscripts and scientific journals. We believe that Richard E. Morrissy's experience serving as a director of the Corporation since 2007, his intelligence and educational background, and his familiarity with the medical field which has in the past and is currently providing candidates for potential acquisitions by the Corporation, qualifies him to serve as a director of the Corporation. He received a B.A. in History from Western Illinois University in 1976.

Vincent J. Mesolella, age 62, has been a member of our board of directors since October 2010. He has served for the last fifteen years as the Chairman of the Narragansett Bay Commission, Providence, Rhode Island, one of the largest wastewater treatment utilities in the U.S. Mr. Mesolella also served for over twenty years as a member of the Rhode Island House of Representatives, including serving as the Majority Whip. Mr. Mesolella is the founder and Chief Executive Officer of REI, Inc., a diversified real estate investment firm. Mr. Mesolella has served on the board of directors of Think Partnership Inc., an American Stock Exchange company. Mr. Mesolella has raised a great deal of money for charities including the Make-A-Wish Foundation. Mr. Mesolella resides in Rhode Island. We believe that Vincent J. Mesolella's experience serving as a director of two publicly traded companies including service as Chairman of the Audit Committee of both, his work as a developer and business owner, his experience as an elected public official, his Chairmanship of a major wastewater treatment organization that has been nationally recognized for its excellence, his intelligence and educational background, and his familiarity with the real estate industry which has in the past and is currently providing candidates for potential acquisitions by the Corporation, qualifies him to serve as a director of the Corporation.

There are no agreements or understandings for any of our executive officers or director to resign at the request of another person and no officer or director is acting on behalf of nor will any of them act at the direction of any other person. Directors are elected until their successors are duly elected and qualified.

Family Relationships

Gerard M. Jacobs and James S. Jacobs, MD are brothers. There is no other family relationship among any of our officers or directors.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers has been convicted in a criminal proceeding, excluding traffic violations or similar misdemeanors, or has been a party to any judicial or administrative proceeding during the past ten years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws, except for matters that were dismissed without sanction or settlement. Except as set forth in our discussion below in Item 13, "Certain Relationships and Related Transactions, and Director Independence," none of our directors, director nominees or executive officers has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Board Composition and Committees

Our board of directors is currently composed of 8 members: Messrs. G. Jacobs, Bloom, Greene, J. Jacobs, McCaffrey, Morrissy, Mesolella and Ghourdjian. Our board of directors has determined that Messrs. Bloom, Greene, McCaffrey, Morrissy and Mesolella are independent directors at this time, under the rules of the American Stock Exchange Company Guide, or the AMEX Company Guide, because they do not currently own a significant percentage our shares, are not currently employed by the Company, have not been actively involved in the management of the Company and do not fall into any of the enumerated categories of people who cannot be considered independent directors under the AMEX Company Guide.

Audit Committee and Audit Committee Financial Expert

We have an audit committee consisting of Joshua A. Bloom, Roger S. Greene, Michael D. McCaffrey, Vincent J. Mesolella and Richard E. Morrissy as members. We have not adopted an Audit Committee charter. Vincent J. Mesolella serves as our audit committee chairman and financial expert. Our audit committee performs the following functions including: (1) selection and oversight of our independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; and (3) engaging outside advisors. Our Board of Directors has determined that each of its members is able to read and understand fundamental financial statements and has substantial business experience that results in that member's financial sophistication. Accordingly, the Board of Directors believes that each of its members has the sufficient knowledge and experience necessary to fulfill the duties and obligations that an audit committee member should have for a business such as the Company.

Board Meetings; Nominating Committee

Due to the current size and scope of our operations and size and geographic diversity of our Board of Directors, much of the Board's decision making is made through telephone calls and intermittent informal meetings; when formalization is necessary, the Board conducts formal meetings or acts by written consent. In the year ended December 31, 2011, we held only telephonic Board Meetings and there were no on ground Board Meetings attended by all directors.

We have a nominating committee consisting of Joshua A. Bloom, Roger S. Greene, Michael D. McCaffrey, Vincent J. Mesolella and Richard E. Morrissy as members. Mr. McCaffrey is the nominating committee Chairman.

Code of Ethics

We currently have not adopted a code of ethics due to our limited size and operations. Due to the increased operations of our Company resulting from the Cogility and DSTG acquisitions, we have proposed a Code of Business Conduct and Ethics (the "Code"), attached as Exhibit 99.1 to this Report. We expect to adopt the Code in the coming weeks. The purpose of the Code is to assist the Company and its employees, officers and directors with the Company's goals of conducting its business and affairs in accordance with applicable laws, rules and regulations and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. The Company expects that any consultants or other service providers it retains will adhere to the Code.

Section 16(a) Beneficial Ownership Compliance.

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors and persons who own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our common stock and other equity securities, on Forms 3, 4 and 5 respectively. Executive officers, directors and greater than 10% shareholders are required by the Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) reports they file. Such persons are further required by SEC regulation to furnish us with copies of all Section 16(a) forms (including Forms 3, 4 and 5) that they file. Based solely on our review of the copies of such forms received by us with respect to fiscal year 2011, or written representations from certain reporting persons, we believe all of our directors, executive officers and 10% holders have met all applicable filing requirements, except as described in this paragraph:

The following persons are holders of 10% of our common stock and have not filed a Form 3: Deborah Sue Ghourdjian Separate Property Trust and Matthew Ghourdjian. The following persons are directors of the Company who are not known to have filed Form 3s or Form 4s: Matthew Ghourdjian and Vincent Mesolella. The following persons are directors of the Company and hold warrants to purchase shares of our common stock and have not filed Form 3s or Form 4s, as applicable: Matthew Ghourdjian and Vincent Mesolella.

ITEM 11. EXECUTIVE COMPENSATION

As of December 31, 2011, we did not experience any cash flow event as a result of any payment to an executive. We have not provided retirement benefits or severance or change of control benefits to our named executive officer, Gerard M. Jacobs. Unexercised options or warrants held by our executive officers at the year ended 2011 are set out in the following table. Other than the options issuance described herein, no equity awards were made during the year ended December 31, 2011.

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Bonus (\$) (d)	Stock Awards (\$) (e)	Option Awards (\$) (f)	NonEquity Incentive Plan Compensation (\$) (g)	Nonqualified Deferred Compensation Earnings (\$) (h)	All Other Compensation (\$) (i)	Total (\$) (j)
Gerard M. Jacobs, CEO(1)	2011	\$ -	\$ -	\$ -	645,934	\$ -	\$ -	\$ -	\$ 920,719
	2010	\$ -	\$ -	\$ -	(2)	\$ -	\$ -	\$ -	\$ 645,934
Matthew Ghourdjian, CTO(3)(4)	2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2010	112,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,500
Daniel F. Terry, Jr., COO(5)	2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- (1) Mr. Jacobs holds options to purchase 100,000 shares of our common stock at a purchase price of \$0.001 per share expiring November 4, 2020, plus options to purchase 471,698 shares of our common stock at a purchase price of \$2.00 per share expiring November 4, 2020, plus options to purchase 605,000 shares of our common stock at a purchase price of \$2.00 per share expiring on September 29, 2021.
- (2) The weighted-average grant-date fair value of options granted during the three months ended December 31, 2010 was \$0.0636 per share. The Company recognizes compensation expense for stock-based awards expected to vest on a straight-line basis over the requisite service period of the award based on their grant date fair value. The Company estimates the fair value of stock options using a Black-Scholes option pricing model which requires management to make estimates for certain assumptions regarding risk-free interest rate, expected life of options, expected volatility of stock and expected dividend yield of stock.
- (3) Mr. Ghourdjian served as the CEO of Cogility Software until September 2011 when he became co-chairman of Acquired Sales' board of directors and chief technology officer. As of the date of this report, Mr. Ghourdjian has not been paid a salary by Acquired Sales., but is expected to be paid a salary in the future.
- (4) The salary amounts were paid by Cogility and prior to the acquisition of Cogility by Acquired Sales.
- (5) Prior to effectuation of the Merger, Mr. Terry has not previously served as an officer or director of Cogility Software or Acquired Sales Corp. In connection with the Merger, Mr. Terry became chief executive officer of Cogility and president and chief operating officer of Acquired Sales.

Compensation of Directors

The table below sets forth the compensation of our directors for the fiscal year ended December 31, 2011.

Name	Fees earned or paid in cash		Stock awards	Option awards	Non-equity incentive compensation	Nonqualified deferred earnings	All other compensation	Total
	(1)	(2)						
Gerard M. Jacobs(4)	-	-	-	-	-	-	-	-
Joshua A. Bloom	-	-	\$3,912	-	-	-	-	\$3,912
Roger S. Greene	-	-	\$31,965	-	-	-	-	\$31,965
Michael McCaffrey	-	-	\$3,912	-	-	-	-	\$3,912
Vincent J. Mesolella	-	-	\$31,965	-	-	-	-	\$31,965
Richard E. Morrissy	-	-	\$3,912	-	-	-	-	\$3,912
Matthew Ghourdjian	-	-	-	-	-	-	-	-
James S. Jacobs	-	-	-	-	-	-	-	-

- (1) These options entitle the holder to purchase shares of our common stock at a purchase price of \$2.00 per share (previously \$0.10 prior to the 1-for-20 reverse split). These options vested upon closing of the Cogility acquisition

and expire on September 29, 2021.

- (2) The weighted-average grant-date fair value of options granted during the three months ended December 31, 2010 was \$0.0636 per share. The Company recognizes compensation expense for stock-based awards expected to vest on a straight-line basis over the requisite service period of the award based on their grant date fair value. The Company estimates the fair value of stock options using a Black-Scholes option pricing model which requires management to make estimates for certain assumptions regarding risk-free interest rate, expected life of options, expected volatility of stock and expected dividend yield of stock.
- (3) The current market price of the underlying common stock shares as of the date of this filing is approximately \$2.00 per common share.
- (4) Mr. Jacobs' option compensation described in the preceding table is deemed to be executive compensation.

Compensation Discussion and Analysis

The Company does not have any paid employees and has not yet entered into long term executive or non-executive employment agreements, so as to limit the Company's exposure and liability. As indicated elsewhere in this Report, the Company regularly engages outside consultants, accountants and other professional service providers for purposes of providing services to the Company. The Company endeavors, where able, to issue options in lieu of cash compensation, so as to preserve capital where needed and limit cash risk exposure.

Historically, funding for the Company was sourced from management affiliates which have loaned \$400,000 during the past three months. The Corporation limits cash compensation to outside or internal directors and does not have a cash compensation policy. The Corporation believes that, given the extensive experience of Mr. Jacobs and the rest of the board of directors, and the current opportunity cost factor for each of them, as combined with the fact that each of them has continued to provide services without cash compensation, that the amount of compensation provided in the form of options, which must be purchased for cash, is fair and reasonable for the Corporation.

The Company endeavors to enter into performance based compensation consulting packages with members of the Company's board of directors. Performance based compensation tends to be conditioned on achieving milestones such as achieving certain minimum net revenue streams from sources introduced by the director, securing contracts or other specific activities or items for which a particular board member may have skills.

Compensation Committee

Our directors and officers do not receive remuneration from us unless approved by the Board of Directors, but we may enter into employment agreements with Gerard M. Jacobs, Matthew Ghourdjian and Daniel F. Terry, Jr. in the near future. No such payment shall preclude any director from serving us in any other capacity and receiving compensation in connection with that service. Notwithstanding the foregoing, in the year ended December 31, 2011, no remuneration was paid any of our directors for services as director. We have a compensation committee consisting of Joshua A. Bloom, Roger S. Greene, Michael D. McCaffrey, Vincent J. Mesolella and Richard E. Morrissy as members. Roger Greene as serves as the committee's chairman.

Aggregate Option Exercise of Last Fiscal year and Fiscal Year-End Option Values

No shares of common stock were acquired upon the exercise of options during the fiscal year ended December 31, 2011. The table below sets forth unexercised options, stock that has not yet vested and equity incentive plan awards for each named executive officer outstanding as of December 31, 2011. The post 1-for-20 reverse split 605,000 options are exercisable at \$2.00 per share.

Outstanding Equity Awards At Fiscal Year End
(see description of columns (a) through (j) below)

Option Awards

Stock Awards

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Gerard M. Jacobs	605,000	-	-	\$2.00	9/29/21	0	\$769,560	-	-
CEO	100,000			\$0.001	11/4/20	0	\$317,900		
	471,698			\$2.00	11/4/20	0	\$556,605		

Description of Columns (a) through (j):

- (a) The name of the named executive officer (column (a));
- (b) On an award-by-award basis, the number of securities underlying unexercised options, including awards that have been transferred other than for value, that are exercisable and that are not reported in column (d) (column (b));
- (c) On an award-by-award basis, the number of securities underlying unexercised options, including awards that have been transferred other than for value, that are unexercisable and that are not reported in column (d) (column (c));
- (d) On an award-by-award basis, the total number of shares underlying unexercised options awarded under any equity incentive plan that have not been earned (column (d));
- (e) For each instrument reported in columns (b), (c) and (d), as applicable, the exercise or base price (column (e));
- (f) For each instrument reported in columns (b), (c) and (d), as applicable, the expiration date (column (f));
- (g) The total number of shares of stock that have not vested and that are not reported in column (i) (column (g));
- (h) The aggregate market value of shares of stock that have not vested and that are not reported in column (j) (column (h));
- (i) The total number of shares of stock, units or other rights awarded under any equity incentive plan that have not vested and that have not been earned, and, if applicable the number of shares underlying any such unit or right (column (i)); and
- (j) The aggregate market or payout value of shares of stock, units or other rights awarded under any equity incentive plan that have not vested and that have not been earned (column (j)).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of common stock of the Company by (i) each person who, to the Company's knowledge, owns more than 5% of its Common Stock, (ii) each of the Company's named executive officers and directors, and (iii) all of the Company's named executive officers and directors as a group. Shares of the Company's Common Stock subject to options, warrants, or other rights currently exercisable, or exercisable within 60 days of the date hereof, are deemed to be beneficially owned and outstanding for computing the share ownership and percentage of the person holding such options, warrants or other rights, but are not deemed outstanding for computing the percentage of any other person. As of the date hereof, the Company has 2,702,896 shares of Common Stock issued and outstanding.

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Name and Address	Amount and Nature of Beneficial Ownership	Percent of Voting Securities
Gerard M. Jacobs (1)	2,403,376	88.9%
Matthew Ghourdjian (2)	785,136	29.0%
Joshua A. Bloom, M.D. (3)	5,000	0.2%
Roberti Jacobs Family Trust (4)	390,882	14.5%
Roger S. Greene (5)	155,708	5.8%
Michael D. McCaffrey (6)	5,000	0.2%
Richard E. Morrissy (7)	5,000	0.2%
Vincent J. Mesolessa (8)	55,000	2.0%
Joseph S. Keller (9)	150,000	5.6%
Lincolnshire Associates II, Ltd (10)	142,453	5.3%
Deborah Sue Ghourdjian Separate Property Trust (11)	690,796	25.6%
James S. Jacobs (12)	100,000	3.7%
Total Officers and Directors as group (7 persons)	2,823,424(13)	104.5%

- (1) The address for Mr. Jacobs is 31 N. Suffolk Lane, Lake Forest, Illinois 60045. Mr. Jacobs, our co-chairman, chief executive officer, chief development officer, secretary, and treasurer has voting control over 1,712,580 shares, consisting of: (a) 165,882 Company shares owned by the Roberti Jacobs Family Trust, over which Mr. Jacobs has voting control via a 2007 shareholders agreement; (b) 145,000 Company shares owned by unrelated shareholders of the Company, over which Mr. Jacobs has voting control via a 2007 shareholders agreement; (c) 605,000 options at \$2.00 per share, the vesting of which occurred upon the closing of the merger with Cogility; (d) 471,698 options at \$2.00 per share and 100,000 options exercisable at \$0.001 per share (originating from Cogility); and (e) 225,000 warrants at \$2.00 per share, owned by the Roberti Jacobs Family Trust, over which Mr. Jacobs has voting control via a 2007 shareholders agreement. The Deborah Sue Ghourdjian Separate Property Trust has signed a shareholder agreement that commits it to vote its shares consistent with the vote of Gerard M. Jacobs and Matthew Ghourdjian. As such, for the purposes of this disclosure, 690,796 shares held by the Trust are deemed beneficially owned by Gerard M. Jacobs for the purposes of voting.
- (2) Prior to the Merger, Mr. Ghourdjian owned 500,000 shares of Cogility common stock which was acquired in the Merger in exchange for 94,340 common shares of Acquired Sales common stock. The Deborah Sue Ghourdjian Separate Property Trust held 6,825,314 shares in Cogility, which was acquired in the Merger in exchange for 1,287,796 shares of Acquired Sales common stock of which The Deborah Sue Ghourdjian Separate Property Trust subsequently sold 597,000 of those shares of Acquired Sales common stock to Daniel F. Terry, Jr. Mr. Ghourdjian is a beneficiary of the Deborah Sue Ghourdjian Separate Property Trust in the event of Ms. Ghourdjian's death, but has no dispositive power over the Trust's shares. The address for Mr. Ghourdjian is 31 N. Suffolk Lane, Lake Forest, Illinois 60045. The Deborah Sue Ghourdjian Separate Property Trust has signed a shareholder agreement that commits it to vote its shares consistent with the vote of Gerard M. Jacobs and Matthew Ghourdjian. For the purposes of this disclosure, 690,796 shares held by the Deborah Sue Ghourdjian Separate Property Trust are deemed beneficially owned by Matthew Ghourdjian for the purposes of voting.
- (3) The address for Dr. Bloom is 31 N. Suffolk Lane, Lake Forest, Illinois 60045. Dr. Bloom does not own any shares of stock. However, he holds options to purchase 5,000 shares of our common stock.
- (4) The address for the Roberti Jacobs Family Trust is 31 N. Suffolk Lane, Lake Forest, Illinois 60045. The Roberti Jacobs Family Trust irrevocably conveyed all of its voting power to Gerard M. Jacobs pursuant to the 2007 shareholder agreement described above. Mr. Jacobs is one of the grantors of the trust corpus, Mr. Jacobs' mother

in law Joan B. Roberti is the trustee, and Mr. Jacobs' children are the beneficiaries. The trust is irrevocable. The Trust's 390,882 shares consist of (a) 165,882 shares owned, and (b) 225,000 warrants owned at \$2.00 per share.

- (5) The address for Mr. Greene is 6 Joliet Drive, Coto de Caza, California 92679. Mr. Greene owns 113,208 shares of stock. In addition, he holds options and warrants to purchase a total of 155,708 shares of our common stock, consisting of (a) 5,000 options at \$2.00 per share, (b) 25,000 options exercisable at \$0.001 per share and (c) 12,500 warrants at \$2.00 per share.
- (6) The address for Mr. McCaffrey is 31 N. Suffolk Lane, Lake Forest, Illinois 60045. Mr. McCaffrey does not own any shares of stock. However, he holds options to purchase 5,000 shares of our common stock.
- (7) The address for Mr. Morrissy is 31 N. Suffolk Lane, Lake Forest, Illinois 60045. Mr. Morrissy does not own any shares of stock. However, he holds options to purchase 5,000 shares of our common stock.
- (8) The address for Mr. Mesoletta is 27 Paddock Drive, Lincoln, Road Island 02865. Mr. Mesoletta does not own any shares of stock. However, he holds options and warrants to purchase a total of 55,000 shares of our common stock, consisting of (a) 5,000 options at \$2.00 per share (b) 25,000 options exercisable at \$0.001 per share and (c) 25,000 warrants at \$2.00 per share.
- (9) The address for Mr. Keller is 25991 W. Herman Ave., Antioch, IL 60002. Mr. Keller does not own any shares of stock. However, he holds warrants to purchase a total of 150,000 common stock shares, consisting of (a) 125,000 warrants at \$2.00 per share, and (b) one of his affiliates, Glendenning Capital, Inc., has 25,000 warrants at \$2.00 per share.
- (10) The address for Lincolnshire Associates II, Ltd is 555 Skokie Blvd, Suite 555, Northbrook, IL 60062.
- (11) The address for the Deborah Sue Ghourdjian Separate Property Trust is 31 N. Suffolk Lane, Lake Forest, Illinois 60045. The Deborah Sue Ghourdjian Separate Property Trust has signed a shareholder agreement that commits it to vote its shares consistent with the vote of Gerard M. Jacobs and Matthew Ghourdjian.
- (12) The address for Dr. Jacobs is 31 N. Suffolk Lane, Lake Forest, Illinois 60045. Dr. Jacobs does not own any shares of stock. However, he holds 100,000 warrants at a \$2.00 per share exercise price.
- (13) Due to the combination of proxies and a shareholder agreement, all of the shares of the Roberti Jacobs Family Trust, Gerard M. Jacobs, Matthew Ghourdjian, the Deborah Sue Ghourdjian Separate Property Trust, collectively total 2,497,716 shares (which total includes unexercised options and warrants which may be exercised at any time in the discretion of the holder) which may be voted together (without any double counting). The other directors hold a total of 325,708 shares which includes unexercised options and warrants which may be exercised at any time in the discretion of the holder.

COMPENSATION PLANS

In connection with the letter of intent with Cogility, during the three months ended December 31, 2010 the Company issued to its director and sole officer and five of its non-officer directors, options to purchase an aggregate of 630,000 shares of its common stock at an exercise price of \$2.00 per share (previously 12,600,000 shares at a \$0.10 per share exercise price prior to the 1-for-20 reverse stock split). The options vested upon the acquisition of Cogility and expire on September 29, 2021. The consideration paid for the options is deemed to be a compensation expense. The market value of the options based on the current stock price is \$0 due to the fact that the exercise price is \$2.00 per share and current market price of the Company's common stock is also \$2.00. There was no income tax benefit recognized by Acquired Sales in connection with the granting (or exercise) of the options. The options may trigger taxable income to the option holders both as a result of issuance and upon exercise.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,176,698 (1)	\$1.20	546,227 (2)(5)
Equity compensation plans not approved by security holders	-	-	-
	1,176,698		
Total	(3)(4)	\$1.20	546,227
	-	-	

- In November 2010, Acquired Sales granted these stock options to the members of management and directors that participated in structuring the financing and the merger with Cogility. Those stock options were for the purchase of 12,600,000 pre-split common shares at \$0.10 per share, or 630,000 post-split common shares at \$2.00 per share. The options vested upon the effectuation of the merger, which occurred on September 29, 2011. The grant-date fair value of these stock options of \$801,762 less \$308,787 already included in Acquired Sales' operations is recognized as compensation expense.
- Prior to the merger, Cogility had stock options outstanding that permit the holders thereof to purchase 5,725,000 Cogility common shares at prices ranging from \$0.001 to \$1.40 per share. In the merger transaction, the Cogility option holders exchanged these stock options for 1,080,189 Acquired Sales stock options exercisable at prices ranging from \$0.001 to \$5.00 per share. The exchange of these stock options is considered to be part of the recapitalization of Cogility and is not a modification of the Cogility stock options. There are 3,295,000 of these Cogility stock options that are exchangeable for 621,698 Acquired Sales stock options that vested during 2011 upon Acquired Sales obtaining at least \$500,000 of financing and the remaining Cogility stock options vested upon occurrence of the merger with the Acquired Sales subsidiary.
- Gerard M. Jacobs is the chief executive officer of the Company. He has received 605,000 post 1-for-20 reverse split options.
- The current directors who are not executive officers have collectively received 25,000 post 1-for-20 reverse split options.
- Of the 1,080,126 Cogility options, Gerard M. Jacobs holds options that were exchanged for 571,698 Acquired Sales in connection with the Cogility acquisition. This increased the number of post-reverse split Acquired Sales options held by Mr. Jacobs to 1,176,698. Roger S. Greene and Vincent J. Mesolella each hold Cogility options that were exchanged for 25,000 Acquired Sales options post Cogility acquisition. This increased the number of post-reverse split Acquired Sales options held by each of Mr. Greene and Mr. Mesolella to 30,000 from 5,000 previously held.

Option Plan

The letter of intent date November 4, 2010 and stockholder resolution dated November 11, 2010 authorized Acquired Sales to adopt a stock option plan or plans contemplating, among other things, the issuance of the options to purchase Acquired Sales Stock. Since November 2010, Acquired Sales previously issued 630,000 options (post reverse split) with an exercise price of \$2.00 per share to members of Acquired Sales board and executive team, and issued 1,080,126 options in connection with, and exchange for, outstanding Cogility options in connection with the Merger. In addition, Acquired Sales may issue 1,500,000 options exercisable at \$5.00 per share as compensation to employees, consultants, executives, and/or directors of Cogility. Acquired Sales also issued 25,000 options with an exercise price of \$0.001 per share, and 50,000 options with an exercise price of \$2.00 per share, to a consultant of the Company. Acquired Sales also issued 300,000 options exercisable at \$3.18 per share, and 100,000 options exercisable at \$8.00 per share to Minh N. Le in connection with the acquisition of DSTG. However, Acquired Sales has not adopted a formal option or equity compensation plan as of the date of this filing.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following describes all transactions executed or performed in 2010 and 2011 and currently proposed transactions in which we are a participant and the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest.

In 2011, the Company issued promissory notes totaling \$920,000 accruing interest at a rate of 3% per year in a private placement, \$400,000 of which notes were issued to related parties. The Company's private placement offering documents said that investors would have to put up their investment money in the form of cash, excepting only that (a) Michael Ottele would be permitted to exchange the \$20,000 loan which he made to Cortez Systems on December 1, 2010 for a \$20,000 investment in the private placement, and (b) The Roberti Jacobs Family Trust, an affiliate of Gerard M. Jacobs, our chief executive officer and a director, would be permitted to exchange its \$200,000 note from Cogility dated December 13, 2010 for a \$200,000 investment in the private placement.

Here is a summary of the Company's private placement, subsequent to December 31, 2010, and the re-loaning of a portion of the proceeds of the Company's private placement to Cogility:

(1) On January 31, 2011:

(a) the Roberti Jacobs Family Trust invested \$225,000 in the private placement: \$25,000 in the form of cash, plus \$200,000 in the form of an assignment of its \$200,000 note from Cogility dated December 13, 2010; this \$225,000 investment was evidenced by a Company 3% Secured Promissory Note dated January 31, 2011, plus the Company Warrant No. 1 to purchase 2,250,000 shares of the Company common stock at \$0.10 per share (subject to the 1-for-20 reverse split which decreases the number of shares to 112,500 and increases the exercise price to \$2.00);

(b) Roger S. Greene, one of our directors, invested \$25,000 in the private placement: \$25,000 in the form of cash; this \$25,000 investment was evidenced by a Company 3% Secured Promissory Note dated January 31, 2011, plus the Company Warrant No. 2 to purchase 250,000 shares of the Company common stock at \$0.10 per share (subject to the 1-for-20 reverse split which decreases the number of shares to 12,500 and increases the exercise price to \$2.00); and

(c) the Company loaned Cogility \$50,000 in cash, and received from Cogility its Secured Promissory Note No. 1 payable to the Company in the principal amount of \$250,000, covering the \$50,000 loaned in cash plus the \$200,000 note from Cogility dated December 13, 2010 that had been assigned to the Company by the Roberti Jacobs Family Trust;

(2) On February 11, 2011:

(a) Vincent J. Mesolella, one of our directors, invested \$25,000 in the private placement: \$25,000 in the form of cash; this \$25,000 investment was evidenced by a Company 3% Secured Promissory Note dated February 11, 2011, plus the Company Warrant No. 3 to purchase 250,000 shares of the Company common stock at \$0.10 per share (subject to the 1-for-20 reverse split which decreases the number of shares to 12,500 and increases the exercise price to \$2.00); and

(b) the Company loaned Cogility \$25,000 in cash, and received from Cogility its Secured Promissory Note No. 2 payable to the Company in the principal amount of \$25,000, covering the \$25,000 loaned in cash;

(3) On February 15, 2011:

(a) the Roberti Jacobs Family Trust invested \$50,000 in the private placement: \$50,000 in the form of cash; this \$50,000 investment was evidenced by a Company 3% Secured Promissory Note dated February 11, 2011, plus the Company Warrant No. 4 to purchase 500,000 shares of the Company common stock at \$0.10 per share (subject to the 1-for-20 reverse split which decreases the number of shares to 25,000 and increases the exercise price to \$2.00); and

(b) the Company loaned Cogility \$50,000 in cash, and received from Cogility its Secured Promissory Note No. 3 payable to the Company in the principal amount of \$50,000, covering the \$50,000 loaned in cash;

(4) On February 28, 2011:

(a) the Roberti Jacobs Family Trust invested \$75,000 in the private placement: \$75,000 in the form of cash; this \$75,000 investment was evidenced by a Company 3% Secured Promissory Note dated February 28, 2011, plus the Company Warrant No. 5 to purchase 750,000 shares of the Company common stock at \$0.10 per share (subject to the 1-for-20 reverse split which decreases the number of shares to 37,500 and increases the exercise price to \$2.00); and

(b) the Company loaned Cogility \$75,000 in cash, and received from Cogility its Secured Promissory Note No. 4 payable to the Company in the principal amount of \$75,000, covering the \$75,000 loaned in cash;

(5) On March 1, 2011:

(a) Nicholas M. Keller III invested \$50,000 in the private placement: \$50,000 in the form of cash; this \$50,000 investment was evidenced by a Company 3% Secured Promissory Note dated March 1, 2011, plus the Company Warrant No. 6 to purchase 500,000 shares of the Company common stock at \$0.10 per share (subject to the 1-for-20 reverse split which decreases the number of shares to 25,000 and increases the exercise price to \$2.00); and

(b) the Company loaned Cogility \$50,000 in cash, and received from Cogility its Secured Promissory Note No. 5 payable to the Company in the principal amount of \$50,000, covering the \$50,000 loaned in cash;

(6) On March 11, 2011:

(a) Joseph S. Keller invested \$250,000 in the private placement: \$250,000 in the form of cash; this \$250,000 investment was evidenced by a Company 3% Secured Promissory Note dated March 11, 2011, plus the Company Warrant No. 7 to purchase 2,500,000 shares of the Company common stock at \$0.10 per share (subject to the 1-for-20 reverse split which decreases the number of shares to 125,000 and increases the exercise price to \$2.00);

(b) Michael Ottele invested \$20,000 in the private placement: \$20,000 in the form of an assignment of the \$20,000 loan which he made to Cortez Systems on December 1, 2010; this \$20,000 investment was evidenced by a Company 3% Secured Promissory Note dated March 11, 2011, plus the Company Warrant No. 8 to purchase 200,000 shares of the Company common stock at \$0.10 per share (subject to the 1-for-20 reverse split which decreases the number of shares to 10,000 and increases the exercise price to \$2.00); and

(c) the Company loaned Cogility \$200,000 in cash, and received from Cogility its Secured Promissory Note No. 7 payable to the Company in the principal amount of \$220,000, covering the \$200,000 loaned in cash plus the \$20,000 loan to Cortez Systems that had been assigned to the Company by Michael Ottele (to balance the transaction, Cogility received \$20,000 in notes from Cortez Systems); and

(7) On March 15, 2011:

(a) John and Susan Heider invested \$150,000 in the private placement: \$150,000 in the form of cash; this \$150,000 investment was evidenced by a Company 3% Secured Promissory Note dated March 15, 2011, plus the Company Warrant No. 9 to purchase 1,500,000 shares of the Company common stock at \$0.10 per share (subject to the 1-for-20 reverse split which decreases the number of shares to 75,000 and increases the exercise price to \$2.00);

(b) Glendenning Capital, Inc. invested \$50,000 in the private placement: \$50,000 in the form of cash; this \$50,000 investment was evidenced by a Company 3% Secured Promissory Note dated March 15, 2011, plus the Company Warrant No. 10 to purchase 500,000 shares of the Company common stock at \$0.10 per share (subject to the 1-for-20 reverse split which decreases the number of shares to 25,000 and increases the exercise price to \$2.00); and

(c) the Company loaned Cogility \$150,000 in cash, and received from Cogility its Secured Promissory Note No. 7 payable to the Company in the principal amount of \$150,000, covering the \$150,000 loaned in cash.

Other Transactions

On January 30, 2012 a Daniel Terry, our COO, loaned the Company \$75,000 for working capital needs. The loan is non-interest bearing, without collateral and due upon demand.

On February 14, 2012 James S. Jacobs, MD, a member of our board of directors, loaned the Company \$200,000 for working capital needs. The loan bears interest at 6% per year payable quarterly. The loan is payable on demand by lender, with a mandatory payment in full upon the closing of the first capital raise (e.g., bank loans or sales of common stock or preferred stock) by Company. In addition, the loan terms grant the lender 100,000 warrants to purchase shares of common stock of Acquired Sales Corp., exercisable at \$2.00 per share at any time through the fifth anniversary of the loan.

On March 15, 2012, Vincent J. Mesoella, a member of our board of directors, loaned the Company \$25,000 for working capital needs. The loan bears interest at 6% per year payable quarterly. The loan is payable on demand by lender, with a mandatory payment in full upon the closing of the first capital raise (e.g., bank loans or sales of common stock or preferred stock) by Company. In addition, the loan terms grant the lender 12,500 warrants to purchase shares of common stock of Acquired Sales Corp., exercisable at \$2.00 per share at any time through the fifth anniversary of the loan.

On March 28, 2012, The Roberti Jacobs Family Trust, an entity affiliated with our chief executive officer, loaned the Company \$100,000 for working capital needs. The loan bears interest at 6% per year payable quarterly. The loan is payable on demand by lender, with a mandatory payment in full upon the closing of the first capital raise (e.g., bank loans or sales of common stock or preferred stock) by Company. In addition, the loan terms grant the lender 50,000 warrants to purchase shares of common stock of Acquired Sales Corp., exercisable at \$2.00 per share at any time through the fifth anniversary of the loan.

On September 13, 2011, the Company issued a demand promissory note to Miss Mimi Corporation, an affiliate of our chief executive officer, in the amount of \$4,000. This note bears interest at 10% per annum and is unsecured.

The Roberti Jacobs Family Trust loaned \$200,000 to Cogility on December 13, 2010, evidenced by a Cogility note payable to the Roberti Jacobs Family Trust dated December 13, 2010.

Michael Ottele loaned \$20,000 to Cortez Systems on December 1, 2010. No note was ever prepared.

In the November 4, 2010, Agreement which contains the letter of intent for the Company to acquire Cogility, the following options were granted to related parties: (1) The Company issued 12,100,000 options at \$0.10 per share of the Company's common stock to Gerard M. Jacobs, our Chief Executive Officer and a director, with vesting contingent upon the closing of the Company's acquisition of Cogility (subject to the 1-for-20 reverse split which decreases the number of shares to 605,000 and increases the exercise price to \$2.00 per share); (2) The Company issued 100,000 options at \$0.10 per share of the Company's common stock to each of five of our directors (subject to the 1-for-20 reverse split which decreases the number of shares to 5,000 and increases the exercise price to \$2.00 per share): Joshua A. Bloom, Roger S. Greene, Michael D. McCaffrey, Vincent J. Mesoella and Richard E. Morrissy, with vesting contingent upon the closing of the Company's acquisition of Cogility; (3) Cogility issued 2,500,000 options at \$0.377 per share of Cogility's common stock, and 530,000 options at \$0.001 per share of Cogility's common stock, to Gerard M. Jacobs, with vesting contingent upon the closing of a \$500,000 private placement by the Company and/or Cogility, which closing occurred in March, 2011; and (4) Cogility issued 132,500 options at \$0.001 per share of Cogility's common stock to each of Roger S. Greene and Vincent J. Mesoella, with vesting contingent upon the closing of a \$500,000 private placement by the Company and/or Cogility, which closing occurred

in March, 2011.

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The November 4, 2010, Agreement which contains the letter of intent for the Company to acquire Cogility also provides that, contingent upon the closing of the Company's acquisition of Cogility, the Company will issue an aggregate of 1,500,000 options at \$5.00 per post-reverse split share of the Company's common stock to directors, officers, employees and consultants of Cogility, which may include one or more of the Company's directors or officers.

On October 12, 2010, the Company issued a demand promissory note to The Roberti Jacobs Family Trust in the amount of \$20,000. This note bears interest at 10% per annum and is unsecured. The unpaid principal amount of this note is now \$15,000.

During April 2010, the Company issued a demand promissory note to Miss Mimi Corporation, an affiliate of our chief executive officer, in the amount of \$4,000. This note bears interest at 10% per annum and is unsecured. This note has been repaid in full.

During January 2009 and November 2009, we issued demand promissory notes to CEO and Director Gerard M. Jacobs' spouse in the amount of \$10,000 each. The notes bear interest at 10% per annum and are unsecured. These notes have been repaid in full.

During December 2006, we borrowed \$100,000 pursuant to an unsecured promissory note due on demand and bearing interest at 10% per annum, from the Roberti Jacobs Family Trust, an entity related to Mr. Jacobs. During the same month, we repaid \$95,000 of the principal due under the note. During July 2007, we sold 1,166,497 shares of our common stock at \$0.086 per share, which was equal to the market value at that date, to the lender. The lender paid \$95,000 of the purchase price of these shares in cash; the other shares were issued in full satisfaction of the remaining \$5,000 principal due under the note, and the lender waived the \$42 of interest that had accrued on this debt.

PART IV

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Hansen, Barnett & Maxwell, P.C. have served as our auditors since 2007. Representatives of Hansen, Barnett & Maxwell, P.C. are expected to be present at our next Annual Meeting of Shareholders with the opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions from shareholders.

The following table presents fees for all professional services provided by Hansen, Barnett & Maxwell, P.C. for the audit of our consolidated financial statements for the years ended December 31, 2010 and December 31, 2011, and fees billed for other services rendered by Hansen, Barnett & Maxwell, P.C. during those periods.

Audit Fees. Fees for audit services totaled \$126,914 in 2011 and \$88,882 in 2010, including fees associated with the annual audit, the review of our quarterly reports on Form 10-Q, comfort letters, consents, assistance with and review of documents to be filed with the SEC and Section 404 consultation services.

Tax Fees. Fees for tax services, including tax compliance, tax advice and tax planning totaled \$2,500 in 2011 and \$875 in 2010.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Financial Statements and Schedules

The financial statements are set forth under Item 8 of this Annual Report on Form 10-K. Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

Exhibit List

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 10-SB March 23, 2007

- 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 8-K August 2, 2007

- 5.01 Shareholder Agreement

Form 10Q May 18, 2009

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

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- 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 10-K August 20, 2010

- 10.7 \$4,000 Promissory Note – April 19, 2010

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Form 8-K	November 5, 2010
10.1	Letter of Intent Agreement Cogility Software dated November 4, 2010
99.1	Press Release
Form 10-K	December 17, 2010
10.8	\$20,000 Promissory Note – October 12, 2010
Form 10-Q	June 30, 2011
4.1	Form of Note 3%
4.2	Form of Warrant
10.10	Subscription Agreement
Schedule DEF 14-C Information Statement	August 9, 2011
10.11	The Johns Hopkins University Applied Physics Laboratory Firm Fixed Price-Time And Material Contract No. 961420, dated October 20, 2009 (filed as Exhibit (E)(i) thereto)
10.12	The Analysis Corporation Task Order Subcontract Agreement, dated January 4, 2010 (filed as Exhibit (E)(ii) thereto)
10.13	Defense & Security Technology Group, LLC, Program Budget & Asset Management Tool Proof of Concept Pilot, dated June 27, 2011 (filed as Exhibit (E)(iii) thereto)
10.14	Defense & Security Technology Group, LLC, Command Information Center – Data Integration Proof of Concept, dated June 27, 2011 (filed as Exhibit (E)(iv) thereto)
Form 8-K	September 29, 2011
10.15	Agreement and Plan of Merger
10.16	NAVAIR PMA 265 contract, in regard to a Program Budget & Asset Management Tool Proof of Concept Pilot, dated July 15, 2011
10.17	NAVAIR 4.2 Cost Performance contract, in regard to Command Information Center - Data Integration (CIC-DI) Proof of Concept, dated July 15, 2011
10.18	Sotera Defense Solutions, Inc. subcontract number SOTERA-SA-FY11-040, dated June 20, 2011
10.19	\$4,000 Promissory Note – September 13, 2011
10.20	CACI Prime Contract No.: W15P7T-06-D-E402 Prime Delivery Order No.: 0060, dated August 24, 2011
10.21	\$4,000 Promissory Note – September 13, 2011
14.1	[Proposed] Code of Business Conduct and Ethics

This Form 10-K March 30, 2012

- 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

Reports on Form 8-K

Acquisition of Cogility

On October 4, 2011, we filed an 8-K pursuant to Item 1.01: Entry into a Material Definitive Agreement, Item 2.01: Completion of Acquisition or Disposition of Assets, Item 3.02: Unregistered Sales of Equity Securities, Item 5.02: Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers, Item 5.06: Change in Shell Company Status relating to our acquisition of Cogility Software Corp. As consideration for the merger, the stockholders of Cogility received 2,175,564 shares of our common stock in exchange for the retirement of their 11,530,493 shares of Cogility common stock. In addition, the holders of Cogility options received options to purchase an aggregate of 1,080,126 shares of our common stock at exercise prices ranging from \$0.001 to \$5.00 per share. Finally, as part of the acquisition of Cogility, its directors, officers, employees and consultants may receive options to purchase an aggregate of 1,500,000 shares of Acquired Sales' common stock at an exercise price of \$5.00 per share.

Acquisition of DSTG

On February 10, 2012 we filed an 8-K pursuant to Item 1.01 Entry into a Material Definitive Agreement, Item 2.01 Completion of Acquisition or Disposition of Assets, and Item 3.02 Unregistered Sales of Equity Securities relating to our acquisition of Defense & Security Technology Group, Inc., a Virginia corporation ("DSTG"). As consideration for the Merger, all of the issued and outstanding shares of common stock of DSTG, which totaled 100 shares held by Minh N. Le (the "DSTG Shares") was converted into one hundred thousand (100,000) shares of the Company's common stock, par value \$0.001 per share (the "Common Shares"), 300,000 vested options at \$3.18 per share exercisable until the fifth anniversary of the Effective Date, and 100,000 vested options at \$8.00 per share exercisable until the last day of the 21st full calendar quarter following the Effective Date.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on March 29, 2012.

ACQUIRED SALES CORP.

By: /s/ Gerard M. Jacobs
Gerard M. Jacobs, Chief Executive Officer and Director
(Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated on March 29, 2012.

By: /s/ Gerard M. Jacobs
Gerard M. Jacobs, Chief Executive Officer and Director
(Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer)

/s/ Matthew Ghourdjian
Matthew Ghourdjian
Director

/s/ Joshua A. Bloom, M.D.
Joshua A. Bloom, M.D.
Director

/s/ Roger S. Greene
Roger S. Greene
Director

/s/ James S. Jacobs, MD
James S. Jacobs, MD
Director

/s/ Michael D. McCaffrey
Michael D. McCaffrey
Director

/s/ Richard E. Morrissy
Richard E. Morrissy
Director

/s/ Vincent J. Mesolella
Vincent J. Mesolella
Director

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