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cutive Officer and Director (Principal Executive Officer) June 24, 2008

/s/ THOMAS LIM

Thomas Lim

Chief Financial Officer (Principal Financial and Accounting Officer) June 24, 2008

/s/ RICHARD W. KOE

Richard W. Koe

Director June 24, 2008

/s/ GERALD F. CHEW

Gerald F. Chew

Director June 24, 2008

/s/ DOUGLAS G. MARSHALL

Douglas G. Marshall

Director June 24, 2008

/s/ PHILIP D. BARRETT

Philip D. Barrett

Director June 24, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

TigerLogic Corporation:

We have audited the accompanying consolidated balance sheets of TigerLogic Corporation (formerly, Raining Data Corporation) and subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of operations, cash flows, and stockholders equity and comprehensive loss for each of the years in the three-year period ended March 31, 2008. These consolidated financial statements are the responsibility of TigerLogic Corporation s management. Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of TigerLogic Corporation and subsidiaries as of March 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the Company changed its method of accounting for uncertainties in income taxes and share-based compensation in fiscal 2008 and 2007, respectively. As discussed in note 3 to the consolidated financial statements, the Company changed its method of quantifying errors in fiscal 2007.

/s/ KPMG LLP

Costa Mesa, California
June 24, 2008

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 2008	March 31, 2007
	(In thousands, except per share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 14,065	$ 11,654
Trade accounts receivable, less allowance for doubtful accounts of $271 in 2008 and $200 in 2007	1,845	1,609
Other current assets	439	461
Total current assets	16,349	13,724
Property, furniture and equipment-net	1,053	949
Goodwill	26,388	26,751
Deferred tax assets	460	
Other assets	142	112
Total assets	$ 44,392	$ 41,536
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 424	$ 130
Accrued liabilities	2,659	2,536
Deferred revenue	5,257	4,801
Total current liabilities	8,340	7,467
Long-term debt-net of discount	977	24,150
Total liabilities	9,317	31,617
Commitments and contingencies		
Subsequent events		
Stockholders equity		
Series A convertible preferred stock: $1.00 par value; 5,000,000 shares authorized; none issued or outstanding at March 31, 2008 and 2007		
Common stock: $0.10 par value; 100,000,000 shares authorized; 26,252,319 and 21,184,402 issued and outstanding as of March 31, 2008 and 2007, respectively	2,625	2,118
Additional paid-in-capital	126,610	101,385
Accumulated other comprehensive income	1,367	1,612
Accumulated deficit	(95,527)	(95,196)
Total stockholders equity	35,075	9,919
Total liabilities and stockholders equity	$ 44,392	$ 41,536

See accompanying notes to the consolidated financial statements.

TIGERLOGIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended March 31, 2008, 2007 and 2006

	2008	2007	2006
	(In thousands, except per share data)		
Net revenues			
Licenses	$ 7,974	$ 6,859	$ 8,404
Services	11,798	11,885	11,890
Total net revenues	19,772	18,744	20,294
Operating expenses			
Cost of license revenues	28	99	207
Cost of service revenues	1,824	2,117	2,274
Selling and marketing	5,772	5,466	5,219
Research and development	7,820	9,295	9,638
General and administrative	4,851	3,866	3,477
Total operating expenses	20,295	20,843	20,815
Operating loss	(523)	(2,099)	(521)
Other income (expense)			
Interest expense-net	(205)	(837)	(952)
Other income (expense)-net	350	72	(75)
Total other income (expense)	145	(765)	(1,027)
Loss before income taxes	(378)	(2,864)	(1,548)
Income tax provision (benefit)	(47)	94	76
Net loss	$ (331)	$ (2,958)	$ (1,624)
Basic and diluted net loss per share	$ (0.01)	$ (0.14)	$ (0.08)
Shares used in computing basic and diluted net loss per share	23,647	20,986	20,203

See accompanying notes to the consolidated financial statements.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2008, 2007 and 2006

	2008	2007	2006
		(In thousands)	
Cash flows from operating activities:			
Net loss	$ (331)	$ (2,958)	$ (1,624)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization of long-lived assets	282	318	276
Provision for bad debt	90	1	
Note discount amortization	98	83	83
Stock-based compensation expense	1,219	911	10
Deferred income tax (benefit) expense	(47)	94	76
Foreign currency exchange (gain) loss	(299)	(18)	77
Change in assets and liabilities:			
Trade accounts receivable	(179)	375	(110)
Other current and non-current assets	(21)	(68)	133
Accounts payable	251	(279)	(134)
Accrued liabilities	488	1,145	1,482
Deferred revenue	300	98	(355)
Net cash provided by (used in) operating activities	1,851	(298)	(86)
Cash flows used in investing activities-purchase of property, furniture and equipment	(171)	(87)	(483)
Cash flows from financing activities:			
Proceeds from exercise of stock options and warrants	537	1,007	730
Proceeds from issuance of common stock	118	179	133
Repayment of debt	(1)		
Net cash provided by financing activities	654	1,186	863
Effect of exchange rate changes on cash	77	64	(130)
Net increase in cash and cash equivalents	2,411	865	164
Cash and equivalents at beginning of period	11,654	10,789	10,625
Cash and cash equivalents at end of period	$ 14,065	$ 11,654	$ 10,789
Non-cash financing activities:			
Accrued interest added to debt	$ 588	$ 1,161	$ 1,105
Conversion of preferred stock to common stock	$	$	$ 300
Conversion of debt to common stock	$ 23,858	$	$

See accompanying notes to the consolidated financial statements.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE LOSS

For the Years Ended March 31, 2008, 2007 and 2006

(in thousands, except share amounts)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Deferred Stock-Based Compensation	Accumulated Other Comprehensive Income	Accumulated Deficit	Stockholders Equity	Comprehensive Loss
	Shares	Amount	Shares	Amount						
Balances March 31, 2005	300,000	$ 300	19,747,798	$ 1,975	$ 98,267	$ (10)	$ 1,394	$ (90,919)	$ 11,007	
Stock option and purchase plan issuances			396,678	39	824				863	
Stock-based compensation						10			10	
Preferred shares converted	(300,000)	(300)	500,100	50	250					
Net loss								(1,624)	(1,624)	$ (1,624)
Foreign currency translation adjustments							(160)		(160)	(160)
Comprehensive loss										$ (1,784)
Balances March 31, 2006			20,644,576	2,064	99,341		1,234	(92,543)	10,096	
Stock option and purchase plan issuances			539,826	54	1,133				1,187	
SAB 108 cumulative effect adjustment								305	305	
Stock-based compensation					911				911	
Net loss								(2,958)	(2,958)	$ (2,958)
Foreign currency translation adjustments							378		378	378
Comprehensive loss										$ (2,580)
Balances March 31, 2007			21,184,402	2,118	101,385		1,612	(95,196)	9,919	
Stock option and purchase plan issuances			288,317	29	626				655	
Stock-based compensation					1,219				1,219	
Conversion of debt to common stock			4,779,600	478	23,380				23,858	
Net loss								(331)	(331)	$ (331)
Foreign currency translation adjustments							(245)		(245)	(245)
Comprehensive loss										$ (576)
Balances March 31, 2008		$	26,252,319	$ 2,625	$ 126,610	$	$ 1,367	$ (95,527)	$ 35,075	

See accompanying notes to the consolidated financial statements.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

TigerLogic Corporation (the Company) was incorporated as Blyth Holdings, Inc. under the laws of the State of Delaware in August 1987 pursuant to a reorganization of predecessor companies originally incorporated under the laws of England in 1983. The initial public offering of the Company s stock took place in October 1987. In September 1997, the Company changed its name to Omnis Technology Corporation. In December 2000, the Company acquired PickAx. The principal asset of PickAx was the capital stock of Pick Systems. Pick Systems was incorporated in California in November 1982. PickAx acquired Pick Systems from the estate of Richard Pick, the founder of Pick Systems, in March 2000. At the same time, the Company changed its name to Raining Data Corporation. On April 17, 2008, the Company changed its name to TigerLogic Corporation.

The Company s principal business is the design, development, sale, and support of three software product lines: 1) XML data management servers (XDMS), 2) Multidimensional Database Management Systems (MDMS), and 3) Rapid Application Development (RAD) software tools. The Company s products are sold to in-house corporate development teams, commercial application developers, system integrators, independent software vendors, value added resellers and independent consultants. In addition to computer software products, the Company provides continuing maintenance and customer support and, to a lesser extent, professional services and training.

2. Summary of Significant Accounting Policies

Significant accounting policies applied in the preparation of the accompanying consolidated financial statements of the Company follow:

Principles of Consolidation The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Revenue Recognition The Company recognizes revenue using the residual method pursuant to the requirements of Statement of Position No. 97-2, Software Revenue Recognition (SOP 97-2), as amended. Under the residual method, revenue is recognized in a multiple element arrangement when company-specific objective evidence of fair value exists for all of the undelivered elements in the arrangement, but does not exist for one or more of the delivered elements in the arrangement. At the outset of the arrangement with the customer, the Company defers revenue for the fair value of its undelivered elements based on company-specific objective evidence of the amount such items are sold to its customers by themselves and recognizes revenue for the remainder of the arrangement fee attributable to the elements initially delivered in the arrangement (e.g., software license) when the basic criteria in SOP 97-2 have been met.

Under SOP 97-2, revenue attributable to an element in a customer arrangement is recognized when persuasive evidence of an arrangement exists and delivery has occurred, provided the fee is fixed or determinable, collectibility is probable and the arrangement does not require significant customization of the software. If at the outset of the customer arrangement, the Company determines that the arrangement fee is not fixed or determinable, it defers the revenue and recognizes the revenue when the arrangement fee becomes due and payable.

Professional services, maintenance and other revenue relate primarily to consulting services, maintenance and training. Maintenance revenue is initially deferred and then recognized ratably over the term of the maintenance contract, typically 12 months. Consulting and training revenue is recognized as the services are performed and is usually calculated on a time and materials basis. Such services primarily consist of

TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

implementation services related to the installation of its products and do not include significant customization to or development of the underlying software code. The Company does not have price protection programs, conditional acceptance agreements or warranty programs, and sales of its products are made without right of return.

When applicable, the Company records revenue on certain products, such as the Pick Data Provider for .Net product, on a net amount retained basis in accordance with Emerging Issues Task Force Issue No. 99-19, *Reporting Revenue Gross as a Principal verses Net as an Agent.*

Cost of License and Service Revenue Cost of license revenue is comprised of direct costs associated with software license sales including software packaging, documentation, physical media costs and royalties. Cost of service revenue includes consulting, technical support, and training, all of which consist primarily of personnel related costs. Other costs specifically identifiable to the revenue source have been classified accordingly.

Cash and cash equivalents Investment securities with a maturity of ninety days or less at the time of purchase are considered cash equivalents.

Trade Accounts Receivable Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The allowance for doubtful accounts is the Company s best estimate of the amount of probable credit losses in the Company s existing accounts receivable. The Company determines the allowance based on historical write-off experience. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 60 days and over a specified amount are reviewed individually for collectibility. All other balances are reviewed on a pooled basis.

Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

Property, Furniture and Equipment Property, furniture, and equipment are stated at historical cost. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, which range from two to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets.

Capitalized Software Development Costs Costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized until the software is available for general release to customers. The Company does not currently have any internal software development costs capitalized because management believes software is available for general release concurrently with the establishment of technological feasibility.

Income Taxes Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance to an amount whose realization is more likely than not. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effective April 1, 2007, the Company adopted FIN 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109,* (FIN 48) which provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. Developments-such as case law, changes in tax law, new rulings or regulations issued by taxing authorities, and interactions with the taxing authorities-could affect whether a position should be recognized or the amount that should be reported.

Interest and penalties would accrue if the uncertain tax position were not sustained. Interest would start to accrue in the period in which it would begin accruing under the relevant tax law, and the amount of interest expense to be recognized would be computed by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken in a tax return. Penalties would accrue in the first period in which the position was taken (or is expected to be taken) on a tax return that would give rise to the penalty. Interest and penalties are classified as income tax expense. Unrecognized tax benefits and the related interest and penalty exposure would result in a recognition of a liability. This liability is separate from the deferred tax component on the balance sheet and would be classified as long-term unless payment is expected within the next twelve months. See note 10 for a description of the impact of this adoption on our consolidated financial position and results of operations.

Fair Value of Financial Instruments The Company s consolidated balance sheet includes the following financial instruments: cash, accounts receivable, accounts payable, accrued liabilities and notes payable. The Company considers the carrying amount of working capital items to approximate fair value for these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization. The Company considers the carrying value of its notes payable to approximate fair market value based upon the Company s assessment of the interest rate it believes it would be offered on similar debt as compared to the current rate.

Stock-Based Compensation Prior to April 1, 2006, the Company s stock-based compensation plans were accounted for in accordance with Accounting Principles Board Opinion No. 25 (APB No. 25), *Accounting for Stock Issued to Employees,* by applying the intrinsic value method to account for fixed stock-based awards. Under this method, deferred stock-based compensation is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. Deferred stock-based compensation is then amortized using the straight-line method over the vesting term of the underlying option. Additionally, the ESPP qualified as a non-compensatory plan under APB 25; therefore, no compensation cost was recorded in relation to the discount offered to employees for purchases made under the ESPP. The Company disclosed pro forma net income (loss) and earnings (loss) per share as if compensation for its stock options were determined based on the estimated fair value at the grant date in accordance with Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*.

Effective April 1, 2006, the Company adopted the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payment*, (SFAS No. 123(R)) which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation.* SFAS No. 123(R) supersedes APB No. 25, and amends SFAS No. 95, *Statement of Cash Flows.* SFAS No. 123(R) generally requires share-based payments, including grants of stock options and other equity awards, to be recognized in the consolidated financial statements based on their fair values. In addition, SFAS No. 123(R) requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow, rather than as an operating cash flow as prescribed under previous accounting rules. In its adoption, the Company elected to use the modified prospective method, under which compensation expense is recognized for all share-based awards granted after March 31, 2006 and for all awards granted prior to

TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

April 1, 2006, that were unvested on the date of adoption, as adjusted for estimated forfeitures. Accordingly, prior period amounts have not been restated.

Additionally, under SFAS No. 123(R), the Company s ESPP is considered a compensatory plan and requires recognition of compensation expense for purchases of common stock made under the ESPP. The Company recognizes compensation expense for stock option and ESPP awards ratably over the vesting period and purchase period, respectively.

Net Loss Per Share Basic loss per share is computed using the net loss and the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the net loss and the weighted average number of common shares and dilutive potential common shares outstanding during the period when the potential common shares are not anti-dilutive. Potential dilutive common shares include, for some or all of the periods presented, outstanding stock options and warrants, convertible debt, and convertible preferred stock. There were 4,540,491, 4,228,637, and 4,190,691 outstanding options to purchase shares of the Company s common stock with exercise prices ranging from $0.75 to $17.00 per share as of March 31, 2008 and 2007, and $0.75 to $33.13 per share as of March 31, 2006, respectively. There were no shares of preferred stock outstanding at March 31, 2008, 2007 and 2006. There was convertible debt outstanding at March 31, 2008, 2007 and 2006, which is convertible into 195,439, 4,830,084, and 4,556,999 shares of common stock, respectively. The total of these items were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive.

Concentration of Credit Risk T*he* Company supports computer software systems worldwide in diversified industries, primarily through system integrators and value added resellers. On an ongoing basis, the Company performs credit evaluations of its customer s financial condition and generally requires no collateral. No single customer accounted for more than 10% of revenues during the fiscal years ended March 31, 2008, 2007 and 2006.

Foreign Currency Translation The local currency is used as the functional currency for purposes of translating the financial statements of the Company s foreign subsidiaries into the reporting currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income in stockholders equity. Gains and losses resulting from foreign currency transactions are included in operations.

The Company s revenues generated through its offices located outside of the United States of America were approximately 34% of total revenue for the fiscal year ended March 31, 2008, and 31% of total revenue for the each of the fiscal year ended March 31, 2007 and 2006.

Comprehensive Loss Comprehensive loss encompasses all changes in equity other than those with stockholders and consists of net loss and foreign currency translation adjustments. The Company does not provide for U.S. income taxes on foreign currency translation adjustments because it does not provide for such taxes on undistributed earnings of foreign subsidiaries, except for our French subsidiary.

Use of Estimates The preparation of the 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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications Certain reclassifications have been made to prior period amounts to conform with the current period presentation.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impairment of Goodwill and Other Long-Lived Assets In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

Goodwill and intangible assets that have indefinite useful lives are tested annually for impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset s fair value. For goodwill, the impairment determination is made at the reporting unit level and consists of two steps. First, the Company determines the fair value of a reporting unit and compares it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit s goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with the Financial Accounting Standards Board (FASB) Statement No. 141, *Business Combinations*. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

Recently Issued Accounting Standards

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141(R), *Business Combinations*. SFAS No. 141(R) requires an acquirer to recognize the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. Management of the Company cannot determine at this time what effect the adoption of SFAS No. 141(R) will have on its future consolidated results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51.* SFAS No. 160 establishes new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 requires the recognition of a noncontrolling interest as equity in the consolidated financial statements and separate from the parent s equity. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. Management of the Company does not expect this statement to have a material impact on its future consolidated results of operations and financial condition.

In February 2007, the FASB issued SFAS No. 159, *Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115.* SFAS No. 159 permits entities to choose to measure certain eligible financial instruments at fair value at specified election dates. At each subsequent reporting date, a business entity shall report unrealized gains and losses in earnings on items for which the fair

TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

value option has been elected. The fair value option may be applied instrument by instrument. This option is irrevocable and must be applied only to entire instruments and not to portions of instruments. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. Management of the Company does not expect this statement to have a material impact on its future consolidated results of operations and financial condition.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. It also applies under other accounting pronouncements that require or permit fair value measurement as a relevant attribute. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and all interim periods within that fiscal year. For nonfinancial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis, there is a one year deferral of the effective date. Management of the Company is evaluating the impact of this pronouncement on the Company s consolidated results of operations and financial condition.

3. Staff Accounting Bulletin No. 108

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 (SAB 108), *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements,* which is effective for the first fiscal year ending after November 15, 2006. SAB 108 provides guidance on the consideration of the effects of prior period misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 requires an entity to evaluate the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on current year financial statements. If a misstatement is material to the current year financial statements, the prior year financial statements should also be corrected, even though such revision was, and continues to be, immaterial to the prior year financial statements. Correcting prior year financial statements for immaterial errors would not require previously filed reports to be amended. Such corrections could be made in the current period filings. There are two methods of quantifying the effects of financial statement misstatements: the rollover and iron curtain methods. Under the rollover method, the focus is primarily on the impact of a misstatement on the income statement, including the reversing effect of prior year misstatements. As a result, this method can lead to the accumulation of misstatements in the balance sheet that may be immaterial to the balance sheet. Under the iron curtain method, the focus is primarily on the effect of correcting for the accumulated misstatements as of the balance sheet date with less emphasis on the reversing effects of prior year errors on the income statement. The SEC staff established an approach that requires quantification of financial statement misstatements based on both the rollover and the iron curtain methods. This approach is referred to as the dual approach . We adopted SAB 108 as of March 31, 2007 and adjusted beginning retained earnings for fiscal year 2007 in the accompanying consolidated financial statements for the item described below.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The table below details the prior period misstatements as well as their cumulative effect on beginning retained earnings at March 31, 2007:

	Effect on Retained Earnings
Professional fee accrual	$ (464,000)
Deferred revenue	25,000
Vacation accrual	42,000
Foreign currency loss	69,000
Pension accrual	10,000
Tax accrual	13,000
	$ (305,000)

Professional fee accrual: in prior years, as a policy, we accrued certain professional fees in the fiscal year they corresponded to, not as the services were provided. In the current year, the methodology has been changed to accrue these fees as the services are provided.

Deferred revenue: the deferred license revenue was under accrued at April 1,2006 due to a bookkeeping error that occurred in fiscal year 2001.

Vacation accrual: the vacation accrual was under accrued at April 1, 2006 due to bookkeeping errors which occurred in fiscal years 2005 and 2006.

Foreign currency loss: the intercompany foreign currency transaction gains and losses were not properly computed in prior years due to bookkeeping errors, which resulted in an incorrect other comprehensive income balance at April 1, 2006.

Pension accrual: the pension liability was under accrued at April 1, 2006 due a computational error that occurred in fiscal year 2006.

Tax liability: the state tax accrual was under accrued at April 1, 2006 due to a computational error that occurred in fiscal year 2006.

4. Property, Furniture and Equipment

Property, furniture and equipment at March 31 consisted of (in thousands):

	2008	2007
Land and buildings	$ 855	$ 841
Office equipment, furniture and fixtures	5,615	5,121
Total	6,470	5,962
Accumulated depreciation and amortization	(5,417)	(5,013)
Property, furniture and equipment, net	$ 1,053	$ 949

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Goodwill

The following table presents details of the Company s goodwill (in thousands):

Balance at March 31, 2006	$ 26,845
Impact of preacquisition tax assets	(94)
Balance at March 31, 2007	$ 26,751
Impact of preacquisition tax assets	(363)
Balance at March 31, 2008	$ 26,388

The changes in goodwill for the periods presented are a result of utilizing net operating loss carryforwards acquired in business combinations of approximately $71,000 and $94,000 in fiscal years 2008 and 2007, respectively. In addition, during fiscal year 2008, the Company released a portion of the valuation allowance previously recorded against the deferred tax assets which resulted in a reduction in goodwill of approximately $292,000. See note 10 for further discussion on the release of the valuation balance.

6. Debt

Long-Term Debt

Long-term debt of the Company as of March 31 consisted of (in thousands):

	2008	2007
Subordinated convertible notes payable	$ 965	$ 23,946
Plus accrued interest	12	295
Less unamortized discount		(91)
Total notes payable	$ 977	$ 24,150

In January 2003, the Company entered into a Note Exchange Agreement (the Exchange Agreement) with Astoria to replace the existing Secured Promissory Note, as amended, with a Convertible Subordinated Note. Under the terms of the Exchange Agreement, the Secured Promissory Note was exchanged and replaced with a Convertible Subordinated Note having a principal amount of $22.1 million, which principal amount was equal to the outstanding principal and accrued interest payable on the Secured Promissory Note as of the date of the Exchange Agreement. In October 2005, Astoria assigned a portion of its Common Stock holdings totaling 870,536 shares and a portion of the Subordinated Convertible Note, totaling $1,751,832, to two of its limited partners. As such, the Company issued an Amended and Restated Note to Astoria for $20,749,581 and corresponding notes directly to the limited partners for $862,979 and $888,853, respectively. The Convertible Subordinated Notes are convertible into common stock at any time, at the option of the holder, at a price of $5.00 per share. The Convertible Subordinated Notes had a maturity date of May 30, 2008, extending the May 30, 2003 maturity date of the Secured Promissory Note. The interest rate of the Convertible Subordinated Notes is 5% per annum as compared to an interest rate of 10% per annum under the Secured Promissory Note. The interest is payable quarterly at the Company s option in cash or through increases to the outstanding principal of the Convertible Subordinated Notes.

On December 14, 2004, the Company entered into an Agreement Regarding Amended and Restated Common Stock Purchase Warrant and 5% Convertible Subordinated Note Due 2008 with Astoria whereby the

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company could redeem, in part, the Convertible Subordinated Note in advance of January 30, 2005. On December 14, 2004, Astoria exercised its warrant in the amount of $2,670,904. In lieu of a cash payment, the Company used the proceeds of the exercise to pay down a portion of the indebtedness to Astoria. The pay down consisted of $247,129 for accrued and unpaid interest, and $2,423,775 as a reduction of principal of the Convertible Subordinated Note. Unlike the Secured Promissory Note, the Convertible Subordinated Notes are not secured by the Company s assets.

On October 4, 2007, the Company received a conversion notice from Astoria and on October 5, 2007, the Company received a conversion notice from GFAM, each electing to convert its Convertible Subordinated Note in full. As a result, $22,917,000 of outstanding principal owed to Astoria under its Convertible Subordinate Note was converted into 4,583,400 shares of the Company s common stock, and $981,000 of outstanding principal owed to GFAM under its Convertible Subordinated Note was converted into 196,200 shares of the Company s common stock. Per the terms of the Convertible Subordinated Notes, the Company made a cash payment to Astoria and GFAM of approximately $13,181 and $1,264, respectively, for amounts outstanding under the Convertible Subordinated Notes that were not converted into shares of common stock. Following the conversion of such Convertible Subordinated Notes and the cash payment to Astoria and GFAM, the Convertible Subordinated Notes held by Astoria and GFAM were cancelled. After the conversion by Astoria and GFAM, only CAM s Convertible Subordinated Note remained outstanding. Subsequent to March 31,2008, the Convertible Subordinated Note held by CAM was converted in full into the Company s common stock. Refer to Note 7 for further discussion on the conversion.

Net interest expense is comprised of the following components (in thousands):

	Years Ended March 31,		
	2008	**2007**	**2006**
Interest expense	$ 700	$ 1,264	$ 1,208
Interest income	(495)	(427)	(256)
Net interest expense	$ 205	$ 837	$ 952

Line of Credit

The Company had a two year credit facility with Silicon Valley Bank which provides for borrowing of up to $1.5 million at an annual interest rate of Prime plus 1.0%, provided that the annual interest rate shall never be less than 5%. The credit facility was collateralized by the Company s assets and expired in February 2008. The Company has not renewed this credit facility and there were no borrowings outstanding at the time of expiration or during the terms of the facility.

7. Subsequent Event

The Company received a conversion notice from CAM on April 10, 2008 electing to convert its Convertible Subordinated Note in full. As a result, $977,000 of outstanding principal owed to CAM under its Convertible Subordinated Note was converted into 195,400 shares of the Company s common stock. Per the terms of the Convertible Subordinated Note, the Company made a cash payment to CAM of approximately $1,531 for the amount outstanding under the Convertible Subordinated Note that was not converted into shares of common stock. Following the conversion of such Convertible Subordinated Note and the cash payment to CAM, the Convertible Subordinated Notes held by CAM were cancelled and there are no remaining Convertible Subordinated Notes outstanding subsequent to April 10, 2008.

TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Stockholder s Equity

Series A Convertible Preferred Stock

The Company had 5,000,000 shares of Series A convertible preferred stock (Series A) authorized and no shares of Series A issued and outstanding at March 31, 2008 and 2007. On November 28, 2005 the shareholders voted to increase the authorized number of shares of preferred stock from 300,000 to 5,000,000 shares. Holders of Series A were entitled to that number of votes equal to the number of shares of common stock into which Series A is then convertible. Dividends were payable at the option of the Board of Directors at the rate of $0.125 per share per annum, in preference to all other stockholders. Series A ranks senior to the Company s common stock as to liquidation rights. Each share of Series A was convertible at the option of the holder into 1,667 shares of common stock. In effecting the conversion, any unpaid dividends on Series A shall be disregarded. No dividends were declared on the Series A prior to its conversion, which occurred in fiscal 2006.

Common Stock

The Company had 100,000,000 shares of common stock authorized and 26,252,319 and 21,184,402 shares of common stock issued and outstanding as of March 31, 2008 and 2007, respectively. On November 28, 2005 the shareholders voted to increase the authorized number of shares of common stock from 60,000,000 to 100,000,000 shares.

Stock Options

In April 1999, the Company adopted a new stock option plan (1999 Plan) that provides for the granting of stock options, restricted stock, and restricted stock units to directors, employees and consultants. In conjunction with the adoption of the 1999 Plan, the Company terminated all other plans, except as to options then issued and outstanding under such plans. The 1999 Plan authorizes grants of options to purchase up to an aggregate of 5,000,000 shares of authorized but unissued common stock. On November 28, 2005, the shareholders voted to increase the number of shares authorized for issuance under the Plan by 1,500,000 shares plus an annual increase on the last day of the Company s fiscal year equal to the lesser of (i) 3% of the Company s total outstanding shares on the last day of the Company s fiscal year, (ii) 2,000,000, or (iii) such lesser amount as determined in the sole and absolute discretion of the Board. Total annual increase at March 31, 2008 and March 31, 2007 under this provision was 787,569 shares and 635,532 shares, respectively. At March 31, 2008, total number of shares available for issuance under the 1999 Plan was 2,730,646 shares. Stock options are generally granted with an exercise price equal to the stock s fair market value at the date of grant. All options under the 1999 Plan have ten-year terms and generally vest ratably over a period of four years.

Employee Stock Purchase Plan

On December 12, 2001, the Board of Directors approved the Company s 2001 Employee Stock Purchase Plan (the ESPP) to provide employees of the Company with an opportunity to purchase common stock of the Company through accumulated payroll deductions. The maximum number of shares of common stock made available for sale under the ESPP is 1,000,000 shares. The offer periods of six months duration commence each February 15 and August 15. An employee may contribute between 1% and not exceeding 10% of their compensation not to exceed $21,250 per calendar year. Individual employee share purchases are limited to 1,500 shares per offer period. Employees are able to purchase the stock at an amount equal to 85% of the market value of a share of common stock on the enrollment date or on the exercise date, whichever is lower. Through March 31, 2008, 503,768 shares had been issued to employees under the ESPP. For the year ended March 31, 2008, 50,271 shares of common stock were issued under the ESPP. As of March 31, 2008, employee withholdings under the ESPP aggregated $22,299.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-Based Compensation

Effective April 1, 2006, the Company adopted SFAS No. 123(R) using the modified prospective method and began recognizing stock-based compensation based on an estimate of an award s fair value. The Company estimates the fair value of stock options granted and ESPP purchase rights using the Black-Scholes option-pricing model and a single option award approach. Under this approach, the compensation expense for awards that have a graded vesting schedule is recognized on a straight-line basis over the requisite service period.

The Company estimated the fair value of its stock options and ESPP purchase rights using the following assumptions:

	Year Ended March 31,			
	2008		2007	
	Stock options	ESPP purchase rights	Stock options	ESPP purchase rights
Expected term	5.6 Years	0.5 Years	6.2 Years	0.5 Years
Expected volatility	71%	73%	57%	80%
Risk-free interest rate	4.00%	2.07%	4.44%	5.15%
Dividend yield	0%	0%	0%	0%
Forfeiture rate	12%	0%	10%	0%

Expected Term The expected term represents the period the Company s stock-based awards are expected to be outstanding and was determined based on historical experience with similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior as influenced by changes to the terms of its stock-based awards.

Expected Volatility The computation of expected volatility is based on historical volatility.

Risk-Free Interest Rate The risk-free interest rate used in the Black-Scholes valuation method is based on the yield available on U.S. Treasury securities with an equivalent remaining term in effect at the time of grant.

Dividend Yield No dividends are expected to be paid.

Forfeiture Rate When estimating forfeitures, the Company considers voluntary termination behavior as well as analysis of actual option forfeitures.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Total stock-based compensation expense included in the audited consolidated statements of operations is as follows:

	Years Ended March 31, 2008	2007
Cost of revenue	$ 6	$
Operating expense:		
Selling and marketing	515	371
Research and development	346	253
General and administrative	352	287
Total stock-based compensation expense	1,219	911
Income tax benefit		
Net stock-based compensation expense	$ 1,219	$ 911

As of March 31, 2008, there was approximately $3.1 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the plans. That cost is expected to be recognized over a weighted-average period of 3.0 years.

Stock option activity was as follows for fiscal year 2008:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Options outstanding as of March 31, 2007	4,228,637	$ 2.80		
Granted	1,071,500	$ 3.85		
Exercised	(238,046)	$ 2.26		
Forfeited	(225,461)	$ 2.90		
Expired	(296,139)	$ 3.39		
Options outstanding as of March 31, 2008	4,540,491	$ 3.03	6.2	$ 13,646,986
Vested and expected to vest at March 31, 2008	4,276,996	$ 3.00	6.0	$ 13,026,137
Exercisable at March 31, 2008	2,817,399	$ 2.74	4.5	$ 9,362,651

The aggregate intrinsic value in the table above represents the difference between the exercise price of the underlying awards and the quoted price of our common stock for the options that were in-the-money at March 31, 2008. During the year ended March 31, 2008, the aggregate intrinsic value of options exercised under the 1999 Plan was $541,362 determined as of the date of option exercise. Weighted-average grant-date fair values of the options granted during the years ended March 31, 2008, 2007, 2006 were $2.51, $1.91, and $2.10, respectively.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pro-forma Disclosure under SFAS No. 123 for Fiscal 2006

The following table illustrates the effect on net loss and net loss per share as if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation during the year ended March 31,2006 (in thousands, except per share amounts):

	2006
Net loss:	
As reported	$ (1,624)
Add:	
Stock-based employee compensation expense included in net loss, net of tax	10
Less:	
Total stock-based employee compensation expense determined under fair value based methods for all awards, net of tax	(1,220)
Pro forma net loss	$ (2,834)
Basic and diluted loss per share	
As reported	$ (0.08)
Pro forma	$ (0.14)

The assumptions used for the above calculation of stock-based employee compensation expense were as follows:

	2006
Dividend yield	0%
Expected volatility	108%
Risk-free interest rate	4.27%
Estimated life	7 Years

Retirement Plans

The Company sponsors a 401(k) Savings and Retirement Plan (the Plan) for substantially all of its employees in the United States. Employees meeting the eligibility requirements may contribute specified percentages of their salaries. Under the Plan, which is qualified under Section 401(k) of the federal tax laws, the Company s Board of Directors, in its sole discretion, may make discretionary profit-sharing contributions at 50% of the employees contributions up to 4% of the employees total compensation, to the Plan. There were no discretionary annual contributions made to the Plan for the years ended March 31, 2008, 2007 and 2006.

The Company sponsors the Raining Data UK Limited Retirement Benefits Scheme (RDUKL Plan) for substantially all of its employees in the United Kingdom. The RDUKL Plan is a defined contribution plan that provides retirement benefits upon attaining normal retirement age, and incidental benefits in the case of death or termination of employment prior to retirement. Raining Data UK contributes an amount ranging from 3% to 8% of each participant s compensation to fund such benefits. In addition, participants are entitled to make voluntary contributions under the RDUKL Plan. The Company contributed approximately $83,000, $78,000 and $108,000 to the RDUKL Plan for the years ended March 31, 2008, 2007 and 2006, respectively.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Related Party Transactions

The Company entered into a staff resources agreement in September 2004 with SourceN Inc. to obtain technical professional services in India. The Executive Vice President of SourceN Inc. is the brother of our former CTO and Vice President of XML-Centric Applications and Platforms, Mr. Ramachandran. The Company subsequently terminated Mr. Ramachandran s employment in June 2007. Total payments made by the Company to SourceN were $0, $731,000, and $580,000 in fiscal years 2008, 2007, and 2006, respectively. The agreement with SourceN was terminated by the Company in April 2007.

10. Income Taxes

The income tax provision/(benefit) of approximately ($47,000), $94,000, and $76,000 for the years ended March 31, 2008, 2007, and 2006, respectively, were related to foreign jurisdictions. The foreign income before income taxes was approximately $602,000, $351,000 and $356,000 in fiscal year 2008, 2007 and 2006, respectively.

The deferred income tax benefit associated with the recognition of certain foreign net operating loss reduced goodwill in the amount of approximately $71,000, $94,000 and $76,000 for the years ended March 31, 2008, 2007 and 2006, respectively, because a portion of the net operating loss carryforwards were acquired as part of a business combination.

A reconciliation of the expected U.S. Federal tax expense attributable to income from continuing operations differed from the amounts computed by applying the U.S. Federal statutory tax rate to pretax loss from continuing operations as follows:

	2008	2007	2006
Expected U.S. Federal tax	(34.0)%	(34.0)%	(34.0)%
State taxes	(48.5)%	(12.0)%	8.6%
Foreign taxes	12.4%	(9.0)%	14.0%
Change in valuation allowance	(24.1)%	46.7%	15.6%
Research and experimentation credit	(72.2)%	(12.5)%	(36.5)%
Expiration of net operating losses	108.7%	17.9%	35.5%
Stock-based compensation expense	48.2%	6.8	
Other	(2.9)%	0.4%	1.7%
Actual effective tax rate	(12.4)%	3.3%	4.9%

Deferred income tax assets and liabilities are recorded for differences between the financial statement and tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Due to uncertainties surrounding the timing of realizing the benefits of the net operating loss carryforwards in the future, we have recognized a full valuation allowance against net deferred tax assets in domestic and foreign jurisdictions, except France. As a result of our analysis of all available evidence, both positive and negative as of the end of the fourth quarter of fiscal year 2008, including sustained profitability in France, improved financial condition at the parent-level, and completion of a world-wide transfer pricing study, it was considered more likely than not that a full valuation allowance for deferred tax assets in France was not required,

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

resulting in the release of the valuation allowance previous recorded against our net French deferred tax assets of approximately $460,000. Of this amount, approximately $168,000 was recorded as income tax benefit and approximately $292,000 was recorded as a reduction of goodwill. As of March 31, 2008, we believe it is more likely than not that the amount of the deferred tax assets recorded on our balance sheet as a result of the partial release of the valuation allowance will ultimately be recovered. As of March 31, 2008, a valuation allowance of approximately $23.5 million remained recorded against the deferred tax assets.

Significant components of the Company s net deferred tax assets are as follows at March 31, (in thousands):

	2008	2007
Deferred tax assets:		
Net operating loss carryforwards	$ 18,945	$ 22,059
Accruals and allowances recognized in different periods	249	507
Research and experimentation credit carryforward	4,409	3,948
Property and equipment	104	59
Stock-based compensation expense	386	129
Other	4	119
Total deferred assets	24,097	26,821
Less valuation allowance	(23,493)	(26,821)
Deferred tax liabilities:		
Currency translation adjustment	144	
Net deferred tax asset	$ 460	$

Due to uncertainties surrounding the timing of realizing the benefits of our net favorable tax attributes in the future tax returns, the Company has recorded a full valuation allowance against certain deferred tax assets at March 31, 2008, 2007 and 2006. The net change in the valuation allowance was an increase/(decrease) of approximately ($3.3 million) in 2008, $961,000 in 2007, and $266,000 in 2006. The decrease in the valuation allowance in 2008 was due primarily to the reduction in net operating losses expiring and the release of valuation allowance on certain foreign deferred tax assets. At March 31, 2008, the Company had net operating loss carryforwards of approximately $49.7 million for federal income tax purposes, $6.2 million for state tax purposes, and $6.2 million for foreign tax purposes expiring at various dates through 2027. During fiscal 2008, approximately $1.3 million of federal net operating losses and $2.6 million of state net operating losses expired. Any changes in ownership, as defined by Section 382 of the Internal Revenue Code, may limit the amount of net operating loss carryforwards that can be used in any one year. Additionally, a portion of those operating loss carryforwards were acquired or generated from stock-based compensation changes. Therefore, if realized, the benefit may reduce goodwill or increase equity.

TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effective April 1, 2007, the Company adopted FIN 48 and analyzed filing positions in the federal, state, and foreign jurisdictions where it is required to file income tax returns, as well as open tax years in these jurisdictions. As a result of adoption, no additional tax liability was recorded.

Unrecognized tax benefit as of April 1, 2007	$ 57,000
Gross increases-tax positions in prior period	117,000
Unrecognized tax benefit as of March 31, 2008	$ 174,000

Included in the balance of unrecognized tax benefits at March 31, 2008, are approximately $57,000 of tax benefits that, if recognized, would affect the effective tax rate. Also included in the balance of unrecognized tax benefits at March 31, 2008 are $117,000 of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes.

The Company recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the twelve months ended March 31, 2008, the Company did not recognize a significant amount in potential interest and penalties associated with uncertain tax positions. As of March 31, 2008, the Company has accrued approximately $18,000 in interest and penalties.

The Company files consolidated and separate income tax return in the U.S. federal jurisdiction and in certain state jurisdictions as well as foreign jurisdictions including France, Germany, and the United Kingdom. With limited exceptions, the Company is no longer subject to U.S. federal income tax examinations for fiscal years before 2004 and is no longer subject to state and local income tax examinations by tax authorities for fiscal years before 2003.

Neither the Company nor its subsidiaries is currently under examination by any taxing authorities.

The Company does not anticipate a significant increase in unrecognized tax positions within the coming year. In addition, the Company believes that it is reasonably possible that none of its currently remaining unrecognized tax positions may be recognized by the end of March 31, 2009 as a result of a lapse of the statute of limitations.

11. Commitments and Contingencies

Leases The Company leases office space and certain equipment under noncancelable operating lease agreements with terms expiring through 2010. Rent expense related to operating these leases is recognized ratably over the entire lease term. The Company is required to pay property taxes, insurance and normal maintenance costs.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Future minimum lease payments under noncancelable operating leases with initial or remaining lease terms in excess of one year as of March 31, 2008 are as follows (in thousands):

Years Ending March 31,	Operating Leases
2009	$ 929
2010	754
2011	467
2012	129
2013 and thereafter	16
Total minimum lease payments	$ 2,295

Rent expense of $1,221,000, $1,175,000 and $1,182,000 was recognized in 2008, 2007 and 2006, respectively.

Litigation

We are subject from time to time to litigation, claims and suits arising in the ordinary course of business. As of March 31, 2008, we have the following outstanding legal proceedings:

1. Raining Data v. Intrametrics. On or about January 19, 2007, the Company filed a complaint in Orange County Superior Court that sets forth allegations that Intrametrics threatens to and has misappropriated the Company s trade secrets. The Company s allegations in the complaint include that Intrametrics has obtained the Company s source code in violation of the Parties OEM (Original Equipment Manufacturer) Distribution Agreement and in violation of California s laws prohibiting the misappropriation of trade secrets. The Company seeks injunctive relief from Intrametrics, including, but not limited to, compelling Intrametrics to fully comply with all of the termination provisions set forth in the OEM Agreement; enjoining Intrametrics and its employees and agents from using or disclosing the Company s trade secrets; prohibiting Intrametrics from soliciting the Company s current or potential customers for 3 years, and from soliciting or employing certain of the Company s former employees for 3 years. Intrametrics filed a motion to quash the Complaint, which the Company opposed, but on the morning of the hearing, Intrametrics first notified the Company that it filed Chapter 11 bankruptcy, effectively staying the litigation in Orange County Superior Court. In March of 2008, the Company commenced discovery in the Bankruptcy matter. In April 2008, the Bankruptcy matter was converted to Chapter 7. The Company will pursue further discovery and litigation in the Bankruptcy court in Houston, TX.

2. Raining Data v. Soheil Raissi (formerly the Company s Vice President, Product Development and Professional Services), Mario Barrenechea (formerly the Company s Senior Vice President, Worldwide Sales and Marketing, Pick and Omnis Products), and Adevnet. On or about December 8, 2006, the Company filed a complaint in Orange County Superior Court that sets forth allegations that the defendants threaten to and have misappropriated the Company s trade secrets. The Company s allegations in the complaint include that the individual defendants have used and/or disclosed the Company s trade secrets (in the form of source code and licenses and other trade secret information) in violation of their agreements with the Company to maintain the confidentiality of such trade secret information, and in violation of California laws prohibiting the misappropriation of trade secrets. The Company seeks injunctive relief from the defendants, including, but not limited to, compelling the defendants to immediately return all of the Company s trade secrets and property; enjoining the defendants and their employees and agents from using or disclosing the Company s trade secrets, including the Company s source code; ordering the defendants to disclose all gains and profits they have derived from the misappropriation of the Company s trade secrets; enjoining the defendants from directly or indirectly supplying, selling or promoting any product that incorporates the Company s trade secrets.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Cross-Complaint by Soheil Raissi, Mario Barrenechea and Adevnet v. Raining Data. On or about January 10, 2007, the defendants in the case above filed a cross-complaint, alleging several claims against the Company and Carlton Baab, the Company s President and Chief Executive Officer, unfair business practices, violation of civil rights, intentional interference with prospective economic advantage, negligent interference with prospective economic advantage, malicious prosecution, abuse of process, negligence, civil conspiracy, and injunctive relief. Cross-complainants allege general, compensatory, special, and punitive and exemplary damages in amounts according to proof, and seek to enjoin the Company from engaging in improper and unlawful conduct. The Company and Carlton Baab assert that all of the claims are baseless, and filed a special motion to strike all the allegations in the cross-complaint. The Company and Carlton Baab will continue to vigorously defend their rights in this litigation. The Company is unable to estimate any loss or range of loss at this time. Management believes that the ultimate disposition of this matter will not have a material adverse effect on the Company s consolidated financial statements, results of operations, cash flows or liquidity.

An unfavorable resolution of these legal proceedings could have a material adverse effect on the Company s business, results of operations, financial condition and cash flows.

Indemnification

The Company s standard customer license and software agreements contain indemnification and warranty provisions which are generally consistent with practice in the Company s industry. The duration of the Company s service warranties generally does not exceed 30 days following completion of its services. The Company has not incurred significant obligations under customer indemnification or warranty provisions historically and does not expect to incur significant obligations in the future. Accordingly, the Company does not maintain accruals for potential customer indemnification or warranty-related obligations. The maximum potential amount of future payments that the Company could be required to make is generally limited under the indemnification provisions in its customer license and service agreements.

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TIGERLOGIC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Segment Information

The Company operates in one reportable segment. International operations consist primarily of foreign sales offices selling software developed in the United States of America combined with local service revenue. The following table summarizes consolidated financial information of the Company s operations by geographic location (in thousands):

	Years Ended March 31,		
	2008	2007	2006
Net revenue			
North America	$ 13,012	$ 12,959	$ 13,982
Europe/Africa	6,760	5,785	6,312
Total	$ 19,772	$ 18,744	$ 20,294

	March 31,		
	2008	2007	2006
Long-lived assets			
North America	$ 27,420	$ 27,174	$ 27,170
Europe/Africa	623	638	826
Total	$ 28,043	$ 27,812	$ 27,996

The Company operates in one reportable segment and is engaged in the design, development, sale, and support of three software product lines: 1) XML data management servers (XDMS), 2) Multidimensional Database Management Systems (MDMS), and 3) Rapid Application Development (RAD) software tools. The following table represents the net revenue from the Company s segment by product line (in thousands):

	Years Ended March 31,		
	2008	2007	2006
Databases	$ 14,390	$ 14,274	$ 15,284
RAD Tools	5,382	4,470	5,010
Total	$ 19,772	$ 18,744	$ 20,294

13. Accrued Liabilities

Components of accrued liabilities are as follows (in thousands):

	2008	2007
Payroll and related costs	$ 1,903	$ 1,845
Professional fees	137	136
Accrued taxes	178	134
Other	441	421

Total accrued liabilities	$ 2,659	$ 2,536

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EXHIBIT INDEX

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant dated November 29, 2005 (included as Exhibit 3.1 to the Registrant s Form 8-K filed with the Commission on November 30, 2005 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Registrant, dated November 28, 2005 (included as Exhibit 3.2 to the Registrant s Form 8-K filed with the Commission on November 30, 2005 and incorporated herein by reference).
3.3	Certificate of Designations dated March 31, 1999, as corrected (included as Exhibit 3.1 to the Registrant s Form 8-K filed with the Commission on April 5, 1999 and incorporated herein by reference).
3.4	Certificate of Ownership and Merger dated April 17, 2008 (included as Exhibit 3.1 to the Registrant s Form 8-K filed with the Commission on April 21. 2008 and incorporate herein by reference).
4.1	Registration Rights Agreement by and among the Registrant, Astoria Capital Partners, L.P., Harrison H. Augur, Keogh MP and Robert D. van Roijen dated as of December 4, 2000, as amended on April 3, 2003 (included as Exhibit 4.3 to the Registrant s Form 10-QSB filed with the Commission on August 13, 2002 and incorporated herein by reference).
4.2	Sixth Amendment to the Registration Rights Agreement by and among the Registrant, Astoria Capital Partners, L.P., Harrison H. Augur, Keogh MP and Robert D. van Roijen dated as of April 1, 2003 (included as Exhibit 4.3 to the Registrant s Form 10-KSB filed with the Commission on June 6, 2003 and incorporated herein by reference).
4.3	Registration Rights Agreement by and between the Registrant and Astoria Capital Partners, L.P., dated as of September 27, 2001, as amended on April 3, 2002 (included as Exhibit 4.2 to the Registrant s Form 10-QSB filed with the Commission on August 13, 2002 and incorporated herein by reference).
4.4	Third Amendment to Registration Rights Agreement by and between the Registrant and Astoria Capital Partners, L.P., dated as of September 27, 2001, as amended on January 30, 2003 (included as Exhibit 4.3 to the Registrant s Form 8-K filed with the Commission on January 30, 2003 and incorporated herein by reference).
4.5	Note Exchange Agreement between the Registrant and Astoria Capital Partners, L.P. dated January 30, 2003 (included as Exhibit 4.1 to the Registrant s Form 8-K filed with the Commission on January 30, 2003 and incorporated herein by reference).
4.6	5% Convertible Subordinated Note Due 2008 between the Registrant and Astoria Capital Partners, L.P. dated January 30, 2003 (included as Exhibit 4.2 to the Registrant s Form 8-K filed with the Commission on January 30, 2003 and incorporated herein by reference).
4.7	Form of payment in kind note, as referenced in the 5% Convertible Subordinated Note, between the Registrant and Astoria Capital Partners, L.P. (included as Exhibit 4.8 to the Registrant s Form 10-KSB filed with the Commission on June 6, 2003 and incorporated herein by reference).
4.8	Form of Common Stock Purchase Warrant issued by the Registrant to Astoria Capital Partners, L.P. dated April 1, 2004. Originally issued on November 30, 2000 and adjusted on April 1, 2003 (included as Exhibit 4.9 to the Registrant s Form 10-KSB filed with the Commission on June 29, 2004 and incorporated herein by reference).
4.9	Agreement Regarding Amended and Restated Common Stock Purchase Warrant and 5% Convertible Subordinated Note Due 2008, dated December 14, 2004 (included as exhibit 4.12 to the Registrant s Form 8-K filed with the Commission on December 17, 2004 and incorporated herein by reference).

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Exhibit	Description
4.10	Specimen Common Stock Certificate (included as Exhibit 4.1 to the Registrant s Form 8-K filed with the Commission on April 21, 2008 and incorporated herein by reference).
10.1*	1999 Stock Option Plan, as amended on November 28, 2005, Form of Notice of Stock Option Agreement and Form of Stock Option Agreement (included as Exhibit 10.1 to the Registrant s Form 8-K filed with the Commission on November 30, 2005 and incorporated herein by reference).
10.2*	2001 Employee Stock Purchase Plan as amended on December 28, 2001 (included as Exhibit 10.1 to the Registrant s Form 10-QSB filed with the Commission on March 21, 2002 and incorporated herein by reference).
10.3*	Option Agreement dated September 24, 2001, between the Registrant and Carlton H. Baab (included as Exhibit 10.22 of Registrant s Form 10-QSB filed with the Commission on November 14, 2001 and incorporated herein by reference).
10.4*	Form of Indemnification Agreement entered into with officers and directors of Registrant (included as Exhibit 10.2 to the Registrant s Form 10-QSB filed with the Commission on March 21, 2002 and incorporated herein by reference).
10.5*	Severance and Change of Control Agreement, dated April 5, 2003, between the Registrant and Carlton H. Baab (included as Exhibit 10.12 to the Registrants Form 10-KSB filed with the Commission on June 6, 2003 and incorporated herein by reference).
10.6	Lease Agreement dated November 9, 2004 between Registrant and The Irvine Company (included as Exhibit 10.1 to the Registrant s Form 10-QSB filed with the Commission on November 9, 2004 and incorporated herein by reference).
10.7*	Offer Letter, dated April 22, 2006, between the Registrant and Thomas G. Lim (included as Exhibit 10.1 to the Registrant s Form 8-K filed with the Commission on April 27, 2006 and incorporated herein by reference).
10.8*	Offer Letter Agreement, effective July 15, 2005 between the Registrant and Robert W. Albo (included as Exhibit 10.14 to the Registrant s Form 10-KSB filed with the Commission on July 2, 2007 and incorporated herein by reference).
10.9*	Offer Letter Agreement, effective July 9, 2007 between the Registrant and Jeffrey L. Wong.
21.1	Subsidiaries of the Registrant (included as Exhibit 21.1 to the Registrant s Form 10-KSB filed with the Commission on June 28, 2002 and incorporated herein by reference).
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney (included in the signature page and incorporated herein by reference).
31.1	Certification of Chief Executive Officer.
31.2	Certification of Chief Financial Officer.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates management contracts or compensatory plans and arrangements filed pursuant to Item 601 of Regulation S-B under the Exchange Act.