QUEPASA CORP
Form 424B3
December 05, 2011

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Registration No. 333-178063

QUEPASA CORPORATION

PROSPECTUS

2,278,909 Shares of Common Stock

This prospectus relates to the sale of up to 798,961 shares of common stock and 1,479,948 shares of our common stock issuable upon the conversion of Series A-1 Preferred Stock which may be offered by the selling shareholders identified in this prospectus. We will not receive any proceeds from the sales of shares of our common stock by the selling shareholders named on page 14.

Our common stock trades on the NYSE Amex under the symbol "QPSA." As of November 17, 2011, the closing price of our common stock was $3.83 per share.

The common stock offered in this prospectus involves a high degree of risk. See "Risk Factors" beginning on page 3 of this prospectus to read about factors you should consider before buying shares of our common stock.

No underwriter or other person has been engaged to facilitate the sale of shares of our common stock in this offering. Each selling shareholder may be deemed an underwriter of the shares of our common stock that it is offering within the meaning of the Securities Act of 1933. We will bear all costs, expenses and fees in connection with the registration of these shares.

The selling shareholders are offering these shares of common stock. The selling shareholders may sell all or a portion of these shares from time to time in market transactions through any market on which our common stock is then traded, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. The selling shareholders will receive all proceeds from the sale of the common stock. For additional information on the methods of sale, you should refer to the section entitled "Plan of Distribution."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 5, 2011

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You should rely only on information contained in this prospectus. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. The selling shareholders are not offering to sell or seeking offers to buy shares of common stock in jurisdictions where offers and sales are not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. We are responsible for updating this prospectus to ensure that all material information is included and will update this prospectus to the extent required by law.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully including the section entitled "Risk Factors" before making an investment decision. Quepasa Corporation, is referred to throughout this prospectus as "Quepasa," "we," "our" or "us." When we refer to myYearbook, we are referring to our wholly-owned subsidiary Insider Guides, Inc.

Our Company

Quepasa Corporation is the leading social discovery platform and the best place to meet new people. Quepasa operates leading social networking sites myYearbook.com and Quepasa.com, as well as Quepasa Games, a cross platform social game development studio. myYearbook.com and Quepasa.com make meeting new people fun and easy online and on mobile phones by combining innovative social games, virtual goods, social applications, and a robust virtual currency to facilitate introductions and break the ice. Quepasa, through its website Quepasa.com, is one of the fastest growing online social communities for young Latinos. Quepasa.com provides users with access to an expansive, multilingual menu of resources that promote social interaction, information sharing, and other topics of importance to Latino users and is dedicated to empowering young Latinos with the most entertaining online social community. On November 10, 2011, Quepasa Corporation and Insider Guides, Inc., owner of social network myYearbook.com merged, which we refer to as the "Merger."

Quepasa received $5 million from Mexicans & Americans Trading Together, Inc., which we refer to as "MATT, Inc.", a large existing shareholder of the Company, and the Company issued to MATT, Inc. shares of Series A-1 Preferred Stock, which we refer to as "Series A-1." The Series A-1 is convertible into shares of Quepasa's common stock at $3.378495, which was 85% of the volume weighted average price during the 20 trading days ending with the date of the closing of the Merger. In connection with this investment, Quepasa agreed to register the 1,479,948 shares of common stock underlying the Series A-1 held by MATT, Inc.

In September 2011, Quepasa closed a Securities Purchase Agreement with Harvest Small Cap Partners, LP and Harvest Small Cap Partners Master, LTD. and issued 1,000,000 shares of Series A Preferred Stock, which we refer to as "Series A," for $5,000,000. Because the Series A had a variable conversion price that was not definitive until the closing of the Merger, Quepasa previously registered 1,397,233 shares on a Form S-3 on September 27, 2011. The shares being registered hereunder are the additional shares underlying the Series A as a result of the conversion price being reduced. On November 14, 2011, the Series A investors converted all of their shares of Series A into 1,479,948 shares of which 82,715 are being registered hereunder.

In November 2011, Quepasa sold 716,246 shares of common stock to four investors for $2,557,000 and agreed to register the shares.

Corporate Information

We are a Nevada corporation. Our principal executive offices are located at 280 Union Square Drive, New Hope, Pennsylvania 18938. Our phone number is (215) 862-1162 and our corporate website can be found at www.quepascorp.com. The information on our website is not incorporated into this prospectus.

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THE OFFERING

Common stock outstanding prior to the offering:	35,148,172 shares
Common stock offered by the selling shareholders:	2,278,909 shares (1)
Common stock outstanding immediately following the offering:	35,947,133 shares (1)
Use of proceeds:	We will not receive any proceeds from the sale of the shares of common stock by the selling shareholders.
Risk Factors:	See "Risk Factors" beginning on page 3 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Stock Symbol:	NYSE Amex: QPSA

(1) The shares of common stock underlying Series A-1 are not outstanding as of the date of this prospectus. Therefore, the total shares outstanding following the offering does not include these shares.

The number of shares of common stock to be outstanding after this offering excludes:

- a total of 9,754,420 shares of common stock issuable upon the exercise of outstanding stock options;
- a total of 1,859,089 shares of common stock reserved for future issuance under our 2006 Stock Incentive Plan; and
- a total of 4,200,000 shares of common stock issuable upon the exercise of warrants.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus including the incorporated documents contains forward-looking statements. All statements other than statements of historical facts, including statements regarding our future financial position, liquidity, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is likely,” “will,” “expe expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements are contained in the risk factors that follow and elsewhere in this prospectus and the incorporated documents. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise. For more information regarding some of the ongoing risks and uncertainties of our business, see the risk factors that follow and or that are disclosed in our incorporated documents.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors before deciding whether to invest in Quepasa. If any of the events discussed in the risk factors below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline. Additionally, investors should read and carefully consider the risk factors prior to making an investment decision to purchase or sell our common stock.

Risk Factors Relating to Our Company

If our integration of myYearbook is unsuccessful or if we are unable to integrate future acquisitions, our business will be materially and adversely affected.

While our acquisition of XtFt was a start-up company with immaterial assets, myYearbook has greater revenue and assets and more employees than we did prior to the myYearbook merger. Among other things, Quepasa.com and myYearbook.com operate different technology platforms and their websites offer members different features.

Following our acquisition of myYearbook and XtFt, we may make acquisitions of social media technology companies. Our success will depend in part on the ability of Quepasa to manage the integration of future acquisitions. Integrating businesses poses a variety of challenges, which we must meet.

The process of integrating any future acquired business may be disruptive to our business and may cause an interruption of, or a loss of momentum in, our business as a result of the following factors, among others:

- Our members may cease visiting myYearbook.com or Quepasa.com or if they find our website is no longer interesting or fun;
- Loss of key employees;
- integrating personnel from the two companies while maintaining focus on providing a consistent, high quality level of service;
- integrating complex systems, technology, networks and other assets in a seamless manner that minimizes any adverse impact on suppliers, employees and other constituencies;

- Possible inconsistencies in standards, controls, procedures and policies among the combined companies and the need to implement company-wide financial, accounting, information and other systems;
- Failure to maintain the quality of services that the companies have historically provided;
- complexities associated with managing the larger, combined business; and
- The diversion of management's attention from our day-to-day business as a result of the need to deal with any disruptions and difficulties and the need to add management resources to do so.

If we cannot integrate myYearbook successfully or if we make future acquisitions and fail to integrate them successfully, our business and future results of operations and financial condition may be materially and adversely affected.

These disruptions and difficulties, if they occur, may cause us to fail to realize the cost savings, revenue enhancements and other benefits that we currently expect to result from that integration and may cause material adverse short and long-term effects on our operating results and financial condition. If we are not able to integrate the businesses including myYearbook, our future results of operations may reflect declining revenue growth.

Even if we are able to integrate the operations of acquired businesses into our operations, we may not realize the full benefits that we anticipate. If we achieve the expected benefits, they may not be achieved within the anticipated time frame. Also, the cost savings and other synergies from these acquisitions may be offset by costs incurred in integrating the companies, increases in other expenses, operating losses or problems in the business unrelated to these acquisitions.

Because we face significant competition from other social networks and companies with greater resources, we may not be able to compete effectively.

The social networking industry is fiercely competitive and constantly evolving. Quepasa competes for new members, the leisure time and attention of its existing members, the discretionary spending of its members and for advertisers. Quepasa.com faces formidable competition from other companies that seek to connect young people, specifically Latinos online. Quepasa.com's primary competitors are other companies providing portal and online community services, especially to the Spanish and Portuguese language Internet users, such as Facebook, Yahoo!Español, MySpace Latino, America Online Latin America, StarMedia, Hi5, Orkut, Batanga, Terra.com and UOL.com. myYearbook.com's primary competition comes from social media websites and mobile applications, such as Facebook, Badoo, Myspace, Tagged, Hi5 and Foursquare. All of these companies have a more established reputation, longer operating histories and more established relationships with users. They can use their experience and resources against us in a variety of competitive ways, including developing ways to attract and maintain users. Yahoo and America Online also may have a greater ability to attract and retain users than we do because they operate Internet portals with a broad range of content and services.

If myYearbook's use of Facebook as a distribution, marketing and promotion platform is restricted, its business will suffer.

Facebook is an important distribution, marketing and promotion platform for myYearbook's content and applications. myYearbook generates a significant portion of its new users through the Facebook platform and expects to continue to do so for the foreseeable future. As such, it is subject to Facebook's standard terms and conditions for Facebook Connect and for application developers, which govern the promotion, distribution and operation of games and other applications on the Facebook platform.

If any of the following events occurs, it would harm myYearbook's ability to acquire new members and provide services to its existing members:

- Facebook discontinues or limits access to its platform by myYearbook and other application developers;

- Facebook modifies its terms of service or other policies, including changing how the personal information of its users is made available to application developers on the Facebook platform or shared by users; or

- Facebook develops its own competitive offerings.

myYearbook has benefited from Facebook's strong brand recognition and large user base. If Facebook loses its market position or otherwise falls out of favor with Internet users, myYearbook would need to identify alternative channels for marketing, promoting and distributing its content and applications, which would consume substantial resources and may not be effective. In addition, Facebook has broad discretion to change its terms of service and other policies with respect to myYearbook and other developers, and those changes may be unfavorable to myYearbook. Facebook may also change its fee structure, add fees associated with access to and use of the Facebook platform, change how the personal information of its users is made available to application developers on the Facebook platform or restrict how Facebook users can share information with friends on their platform.

If our members do not interact with each other or our viral marketing strategy fails, our ability to attract new members will suffer and our revenue will decrease.

Part of our success is dependent upon the myYearbook and Quepasa.com members interacting with each other on our websites, mobile applications and contributing to our viral advertising platforms, including our myYearbook and DSM platform. If our platforms are unsuccessful and our members do not spread our advertisers' messages throughout the Internet, our operating results will suffer.

As opposed to the members on myYearbook.com website, the majority of Quepasa.com members do not visit the website frequently and spend a limited amount of time when they visit. If we are unable to encourage our members to interact more frequently and to increase the amount of user generated content they provide, our ability to attract new users to the Quepasa.com website and our financial results will suffer.

If we are unable to expand the number of users to our website and generate sufficient revenue, your investment may be jeopardized.

In order to operate our website profitably, we must attract sufficient users, including users who regularly visit our website. In addition, we must generate revenue from these users. To date, we have identified two primary revenue sources –advertising and virtual currency. We must continue to generate material revenue from advertising and expand our other revenue sources including social games and mobile applications. If we unable to attract sufficient users, we will not generate sufficient revenue and your investment may be jeopardized.

If we are unable to expand and monetize our social gaming portfolio, our future results of operations may be adversely affected.

Quepasa believes that social games will be an extremely important part of its business model and its ability to generate significant revenue. In March 2011, we acquired XtFt Games, which we re-named Quepasa Games, and are now developing all of our games in-house. Our ability to develop successful new online games in-house will largely depend on our ability to (i) anticipate and effectively respond to changing of players' interests and preferences and to technological advances in a timely manner, (ii) attract, retain and motivate talented online game development personnel and (iii) execute effectively our online game development plans. In-house development requires a substantial initial investment prior to the launch of a game, as well as a significant commitment of future resources to update and expand the games. Earlier in 2011, Quepasa Games launched its first social game for the Brazilian market. While initial results are encouraging, we cannot assure you the initial trend will continue. In an effort to further commercialize this game, we recently launched a campaign with Coca Cola Brasil featuring Coca Cola branded virtual products. It is too early to determine if this campaign will be successful.

We cannot assure you that we will be successful in developing and monetizing successful new games. If we fail to expand our offering of social games, if our members do not play the games on a regular basis or if we do not receive sufficient revenue from gaming on our website or other websites, our future results of operations will be materially and adversely affected.

If the Apple "App Store" and or the Android "Marketplace" change their search and rating algorithms we may not be able to acquire new mobile members.

myYearbook acquires new mobile members primarily through the Apple "App Store" and the Android "Marketplace." myYearbook's iPhone and Android applications rank near the top of the "Free Social" categories and near the top of many key search terms. However, Apple and Google have changed their rating and search algorithms in the past without notice. Future changes to the rating and search algorithms by Apple or Google may impact myYearbook's rating and search results, causing a drop in new mobile and application downloads and causing our business and operating results to suffer.

Because we operate in a new and rapidly changing industry, it is difficult to evaluate our business and prospects.

Offering social games and mobile applications constitute a new and rapidly evolving industry. The growth of these e industries and the level of demand and market acceptance of our games and mobile applications are subject to a high degree of uncertainty. We expect to continue to devote substantial resources to the development of our games and mobile applications, but there can be no assurances that we will continue to succeed in developing applications and games that appeal to existing non-paying and paying members or advertisers. For instance, we may encounter difficulty transitioning features that are or were successful on the web to applications and games developed for mobile platforms. Our future operating results will depend on numerous factors, many of which are beyond our control, including:

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continued growth in the use of myYearbook.com, Quepasa.com and other social networks;

changes in consumer demographics and public tastes and preferences;

challenges working with wireless carriers, mobile platform providers and other mobile communications partners;

challenges converting mobile users into users that pay for virtual currency or other virtual items

increased engagement by existing users;

our ability to generate revenue from users of mobile devices;

our ability to launch new products and release enhancement that become popular;

our ability to develop and maintain a scalable, high-performance technology infrastructure that can efficiently and reliably handle increased member usage, fast load times and the deployment of new features and applications

the availability and popularity of other forms of entertainment;

the worldwide growth of personal computer, broadband Internet and mobile device users, and the rate of any such growth;

general economic conditions, particularly economic conditions adversely affecting discretionary consumer spending; and

lawsuits by social gaming and other companies claiming that we misappropriated their intellectual property.

Our ability to plan for development, distribution and promotional activities will be significantly affected by our ability to anticipate and adapt to relatively rapid changes in the tastes and preferences of our current and potential users. New and different types of entertainment may increase in popularity at the expense of social games and other mobile applications. A decline in the popularity of social games in general, or our games in particular, or our other mobile applications would harm our business and prospects.

If any of our social games or mobile applications have programming errors or flaws, it could harm our reputation or decrease market acceptance of our games, which would harm our operating results.

Our current or future social games and/or mobile applications may contain errors, bugs, flaws or corrupted data, and these defects may only become apparent after their launch, particularly as we launch new games and mobile applications and rapidly release new features to existing games and mobile applications under tight time constraints. We believe that if our users have a negative experience with our games, they may be less inclined to continue or resume playing or using our games and/or applications or recommend them to other potential users. Undetected programming errors, game defects and data corruption can disrupt our operations, adversely affect user experience, harm our reputation, cause our users to stop playing our games or using our mobile applications, divert our resources and delay market acceptance of our games, any of which could result in legal liability to us or harm our operating results.

Because there are low barriers to entry in the social game industry, our competition could continue to increase.

The social game industry is highly competitive, with low barriers to entry and we expect more companies to enter the sector and a wider range of social games to be introduced. Our competitors that develop social games for social networks vary in size and include publicly-traded companies such as Electronic Arts Inc./Playfish Inc. and The Walt Disney Company/Playdom Inc., and privately-held companies such as Zynga Inc., Crowdstar, Inc., Popcap Games, Inc., Vostu, Ltd. and wooga GmbH. In addition, online game developers and distributors who are primarily focused on specific international markets, and high-profile companies with significant online presences that to date have not developed social games, such as Amazon.com, Facebook, Google Inc., Microsoft Corporation and Yahoo! Inc., may decide to develop social games. Some of these current and potential competitors have significant resources for developing or acquiring additional games, may be able to incorporate their own strong brands and assets into their games, have a more diversified set of revenue sources than we do and may be less severely affected by changes in consumer preferences, regulations or other developments that may impact the online social game industry. In addition, we have limited experience in developing games for mobile and other platforms and our ability to succeed on those platforms is uncertain. There can be no assurance that we will be able to compete successfully against current or future competitors or that our completion will not have a material adverse effect on our business.

Because many individuals are using devices other than personal computers to access the Internet, if users of these devices do not widely adopt solutions we develop for these devices, our business could be adversely affected.

The number of people who access the Internet through devices other than personal computers, including smart phones, cell phones and handheld tablets or computers, has increased dramatically in the past few years and is projected to continue to increase. We have developed and provide our members with access to a mobile phone application. However, smart phones, cell phones and handheld tablets or computers generally have lower processing speed, power, functionality and memory than computers. As a result, our mobile phone application and games and similar applications we may develop in the future may not be compelling to users. In addition, each device manufacturer or platform provider may establish unique or restrictive terms and conditions for developers on such devices or platforms, and our games may not work well or be viewable on these devices as a result. As new devices and new platforms are continually being released, it is difficult to predict the problems that we may encounter in developing versions of its solutions for use on these alternative devices, and it may need to devote significant resources to the creation, support, and maintenance of such devices. Outside of the United States, where most active Quepasa.com members are, mobile devices are more widely used. Additionally, as new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing additional versions of our solutions for use on these alternative devices, and we may need to devote significant resources to the creation, support, and maintenance of such devices. If we are unable to develop additional mobile solutions to meet the needs of our members, our business could suffer.

If we fail to enhance our existing services or develop and introduce new features in a timely manner to meet changing customer requirements, our ability to grow our business will suffer.

Our social network depends in part on rapidly changing technologies, which will impact our capacity to attract new users. The widespread adoption of new Internet, networking, streaming media, or telecommunications technologies or other technological changes could require us to incur substantial expenditures to modify or adapt our operating practices or infrastructure. Our future success will depend in large part upon our ability to:

- identify and respond to emerging technological trends in the market;
- Develop mobile applications for our social games;
- develop content that attracts and allows us to retain large numbers of users;
- enhance our services by adding innovative features that differentiate our services from those of our competitors;
- acquire and license leading technologies; and
- respond effectively to new technological changes or new services announcements by others.

We will not be competitive unless we continually introduce new services and content or enhancements to existing services and content that meet evolving industry standards and user needs.

If we cannot address technological change in our industry in a timely fashion and develop services, our future results of operations may be adversely affected.

The Internet and electronic commerce industries are characterized by:

- rapidly changing technology;
- evolving industry standards and practices that could render our website and proprietary technology obsolete;
- changes in consumer tastes and demands; and
- frequent introductions of new services that embody new technologies.

Our future performance will depend, in part, on our ability to develop, license or acquire leading technologies and program formats, enhance our existing services and respond to technological advances and consumer tastes and emerging industry standards and practices on a timely and cost-effective basis. Developing website and other proprietary technology involves significant technical and business risks. We also cannot assure you that we will be able to successfully use new technologies or adapt our website and proprietary technology to emerging industry standards. We may not be able to remain competitive or sustain growth if we do not adapt to changing market conditions or customer requirements.

Because we have international operations, we are exposed to foreign currency risks.

Quepasa conducts business in countries outside of the United States and expects to generate material revenue outside of the United States, which exposes us to fluctuations in foreign currency exchange rates. We may enter into short-term forward exchange or option contracts to hedge this risk; nevertheless, volatile foreign currency exchange rates increase our risk related to products purchased in a currency other than the currencies in which our revenue is generated. The realization of this risk could have a significant adverse effect on our financial results. There can be no assurance that these and other factors will not have an adverse effect on our business.

Because we are pursuing a strategy of seeking to commercialize our services internationally, we are subject to risks frequently associated with international operations, and we may sustain large losses if we cannot deal with these risks.

We conduct our business in countries outside of the United States including having material operations in Mexico and Brazil. Moreoever, as we expand internationally beyond Latin America (and for myYearbook also in Latin America), we will be required to focus our business on unique local cultural differences which vary from country to country. While myYearbook.com intends to expand internationally, its features which operate successfully in the United States may not be attractive to users outside of the United States. If we are able to successfully develop international markets, we would be subject to a number of risks besides currency fluctuations, including:

- Being able to attract users from countries with different local cultures;
- recruiting and retaining talented and capable management and employees in foreign countries;
- challenges caused by distance, language and cultural differences;
- developing and customizing games and other offerings that appeal to the tastes and preferences of players in international markets;
- competition from local game makers with significant market share in those markets and with a better understanding of player preferences;
- protecting and enforcing our intellectual property rights;
- negotiating agreements with local distribution platforms that are sufficiently economically beneficial to us and protective of our rights;
- the inability to extend proprietary rights in our brand, content or technology into new jurisdictions;
- implementing alternative payment methods for virtual goods in a manner that complies with local laws and practices and protects us from fraud;
- compliance with applicable foreign laws and regulations, including privacy laws and laws relating to content;
- compliance with anti-bribery laws including without limitation, compliance with the Foreign Corrupt Practices Act;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations;
- protectionist laws and business practices that favor local businesses in some countries;
- foreign tax consequences;

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foreign exchange controls or U.S. tax restrictions that might restrict or prevent us from repatriating income earned in countries outside the United States;

· political, economic and social instability;

· higher costs associated with doing business internationally;

· restrictions on the export or import of technology; and

· trade and tariff restrictions.

If we cannot manage these risks, we may sustain large losses.

If we are unable to implement payment gateways to our users, our results of operations will be adversely affected.

We conduct our business in countries outside the United States and depend on payment gateways that are not as well developed as those in the United States where most people have Visa, MasterCard, PayPal, mobile payment or bank debit cards to use in paying for virtual goods and our services. Users of our social network in the countries we operate, outside of the United States, do not always have access to credit cards and other "typical" payment methods our United States members have such as debit cards. If we are unable to implement payment gateways that provide end-users of our social network the ability to easily pay for services and related game transactions, our future results will be adversely affected. Additionally, our inability to collect and receive payments from these other sources will have an adverse effect on our business and results of operations.

Because the technical operations of Quepasa.com are in Mexico, we are subject to social instability risks which could materially adversely affect our business and our results of operations.

Because a material portion of Quepasa.com's technical operations are conducted in Hermosillo, Mexico, our business is exposed to the risk of crime that is currently taking place in certain areas in Mexico. Recent increases in kidnapping and violent drug related criminal activity in Mexico, and in particular Mexican States bordering the United States, may adversely affect our ability to carry on business safely. Although Hermosillo has not been affected by these criminal activities, if it were to spread to Hermosillo it could affect our ability to do business there and our business could be adversely affected.

If government regulation of the Internet increases, it may adversely affect our business and operating results.

We may be subject to additional operating restrictions and regulations in the future. Due to the rapid growth and widespread use of the Internet, national and local governments are enacting and considering various laws and regulations relating to the Internet. Very recently in the United States, the Federal Communication Commission has issued proposed rules to regulate the Internet. Companies engaging in online search, commerce and related businesses face uncertainty related to future government regulation of the Internet. Sometimes, new laws and regulations while designed to protect consumers have unintended consequences. Furthermore, the application of existing laws and regulations to Internet companies remains somewhat unclear. Our business and operating results may be negatively affected by new laws, and such existing or new regulations may expose us to substantial compliance costs and liabilities and may impede the growth in use of the Internet. Internationally, we may also be subject to domestic laws regulating our activities in foreign countries and to foreign laws and regulations that are inconsistent from country to country. Political factors may cause governments to restrict Internet social networking usage as has occurred in the Middle East. We may incur substantial liabilities for expenses necessary to comply with these laws and regulations or penalties for any failure to comply.

With respect to the subject matter of each of these laws, courts may apply these laws in unintended and unexpected ways. As a company that provides services over the Internet, we may be subject to an action brought under any of these or future laws governing online services. We may also be subject to costs and liabilities with respect to privacy issues. Further, it is anticipated that new legislation may be adopted by federal and state governments with respect to user privacy. Additionally, foreign governments may pass laws which could negatively impact our business or may prosecute us for our services based upon existing laws. The restrictions imposed by and cost of complying with, current and possible future laws and regulations related to our business could harm our business and operating results.

If the New York State Attorney General or other regulator takes any action against us and if successful, it may result in us being required to change our e-mail marketing or other practices, or pay substantial fines, which could result in a future material adverse effect on our future operating results.

We operate our business online, which is subject to extensive regulation by federal and state governments. Recently, we received a subpoena from the New York Attorney General seeking records relating to our operations including specific information regarding our e-mail marketing practices. We intend to co-operate and supply those documents we believe are directly relevant to the inquiry, although our attorneys have advised us that their inquiry is pre-empted by federal law in the absence of any deceptive acts. Our attorneys have further advised us that they do not believe our e-mail marketing involves any deceptive practices. However, we cannot assure you that the New York Attorney General will agree or that other regulators may not challenge aspects of our business. In such event, defending this or any other action would cause us to incur substantial expenses and divert our management's attention. If we are unsuccessful, we may have to change our e-mail marketing practices which could impair our ability to obtain new users. Any change in our email marketing or defense of a regulatory investigation or action could reduce our future revenues and increase our costs and adversely affect our future operating results.

If there are changes in regulations or user concerns regarding privacy and protection of user data, or we fail to comply with such laws, it could adversely affect our business.

United States federal and state and international laws and regulations govern the collection, use, retention, sharing and security of data that we receive from and about our users. In some areas such as Europe, the laws relating to privacy are more stringent than in the United States. We have posted on our website our own privacy policies and practices concerning the collection, use, and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, Federal Trade Commission requirements or orders, or other federal or state privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business.

Further, failure or perceived failure by us to comply with our policies, applicable requirements, or industry self-regulatory principles related to the collection, use, sharing or security of personal information, or other privacy or data protection-related matters could result in a loss of user confidence in us, damage to the myYearbook and/or Quepasa brand, and ultimately in a loss of users, and advertising partners, or which could adversely affect our business.

In addition, various United States and international legislative or regulatory bodies may enact new or additional laws and regulations concerning data privacy and retention issues which could adversely impact our business. The interpretation and application of privacy, data protection and data retention laws and regulations are currently unsettled in the U.S. and internationally. These laws may be interpreted and applied inconsistently from country to country and inconsistently with our current data protection policies and practices. Complying with these varying international requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

If technologies are developed that block our email invitations to join myYearbook.com and Quepasa.com, we may be unable to obtain additional memberships.

We send mass emails for our members to invite their friends to join our social network. We believe that our business will continue to rely on this method for attracting users in the foreseeable future. Unsuccessful email delivery could impact our ability to monetize our services. As a result, any email or ad-blocking technology could, in the future, adversely affect our business.

Because of the global economic instability, our business could be harmed in a number of ways.

Although there are some indications that the global economic downturn may be abating, a number of European countries have continued to have serious economic issues including problems related to their indebtedness. There can be no assurance that the solutions agreed upon to date will be fully implemented or successful. There could be additional global economic instability or another downturn. Such an environment creates several risks relating to our results of operations and prospects. We may experience decreased demand for our service and pressure to reduce our cost of operations. We may find that advertisers will reduce Internet advertising and/or users will reduce their purchases of virtual currency, which would reduce our future revenue. The benefits from cost reductions may take longer to fully realize and may not fully mitigate the impact of the reduced demand. Deterioration in the financial and credit markets heightens the risk of customer delay in payment. These events may result in a number of adverse effects upon us including reducing online access, failure to spend money on our games and a loss of advertising revenue.

We face competition from traditional media companies, and we may not be included in the advertising budgets of large advertisers, which could harm our operating results.

In addition to Internet companies, we face competition from companies that offer traditional media advertising opportunities. Most large advertisers have set advertising budgets, a portion of which is allocated to Internet advertising. We expect that large advertisers will continue to increase their advertising efforts on the Internet. If we fail to convince these companies to spend a portion of their advertising budgets on social media, our operating results would be harmed.

If we fail to retain our key personnel, we may not be able to achieve our anticipated level of growth and our business could suffer.

Our ability to compete and grow depends in large part on the efforts and talents of our employees. Such employees, particularly our executive officers, engineers for both web and mobile applications, and salespeople, are in high demand, and we devote significant resources to identifying, hiring, training, successfully integrating and retaining these employees. The loss of employees or the inability to hire additional skilled employees as necessary could result in significant disruptions to our business, and the integration of replacement personnel could be time-consuming and expensive and cause additional disruptions to our business.

If we cannot manage our growth effectively and expand our technology, we may not become profitable.

Businesses which grow rapidly often have difficulty managing their growth. Because of our rapid growth, we need to expand our technology and data centers and our management by recruiting and employing experienced executives and key employees capable of providing the necessary support. We cannot assure you that our management will be able to manage our growth effectively or successfully and expand our technology and capacity as needed. Our failure to meet these challenges could cause us to lose money, traffic and user growth and your investment could be lost.

Interruption, failure of our information technology and communications systems or our inability to scale our systems could hurt our ability to effectively provide our services, which could damage our reputation and harm our operating results.

The availability of our services depends on the continuing operation of our information technology and communications systems. Any damage to or failure of our systems or our inability to scale our systems could result in interruptions in our service, which could reduce our revenue, and damage our brand. Our systems are vulnerable to damage or interruption from terrorist attacks, floods, fires, power loss, telecommunications failures, hurricanes, computer viruses, computer denial of service attacks or other attempts to harm our systems. Our data centers are subject to break-ins, sabotage and intentional acts of vandalism, and to potential disruptions if the operators of these facilities have financial difficulties. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. The occurrence of a natural disaster, a decision to close a facility we are using without adequate notice for financial reasons, or other unanticipated problems at our data centers could result in lengthy interruptions in our service.

Our headquarters and some of our operating locations are located in areas prone to natural disasters such as floods, hurricanes, tornadoes, snow storms or earthquakes. Adverse weather conditions, major electrical failures or other natural disasters in these major metropolitan areas may disrupt our business should our ability to host our site be impacted by such an event. Additionally, we operate in multiple geographic markets, several of which may be susceptible to acts of war and terrorism. Our business could be adversely affected should its facilities be impacted by such events.

If we are unable to protect our intellectual property rights, we may be unable to compete with competitors developing similar technologies.

Our success and ability to compete are often dependent upon internally developed software technology that we developed for our Quepasa.com website. While we rely on copyright, trade secret and trademark law to protect our technology, we believe that factors such as the technological and creative skills of our personnel, new service developments, frequent enhancements or our services and reliable maintenance are more essential to establishing a technology leadership position. There can be no assurance that others will not develop technologies that are similar or superior to our technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology, making it more difficult for us to compete.

We are subject to intellectual property infringement claims, which could cause us to incur significant expenses, pay substantial damages and prevent service delivery.

Companies in the Internet, social media technology and other industries may own large numbers of patents, copyrights, and trademarks and may frequently request license agreements, threaten litigation, or file suit against others based on allegations of infringement or other violations of intellectual property rights. Quepasa expects to face in the future, allegations that it has infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including its competitors and non-practicing entities. As we face increasing competition and as its business grows, we will likely face more claims of infringement.

For example, on September 15, 2011, FotoMedia Technologies, LLC filed a lawsuit in the United States District Court for the District of Delaware against myYearbook, as well as Facebook, Inc., MySpace, Inc., Tagged, Inc. and Memory Lane, Inc. With respect to myYearbook, the lawsuit seeks unspecified damages, injunctive relief, and attorney's fees based on the purported infringement of five patents, which pertain in general to systems and operations for the use and manipulation of digital photography on the Internet. myYearbook was served with the complaint on September 20, 2011, and a responsive pleading is currently due for filing on November 21, 2011. It is too early in the process to identify the exposure to Quepasa or likely outcome of the litigation.

Any claims of infringement could cause Quepasa to incur significant expenses and, if successfully asserted, could require that Quepasa pay substantial damages and prevent Quepasa from using licensed technology that may be fundamental to our business service delivery. Even if we were to prevail, any litigation regarding our intellectual property is generally very costly and time-consuming and diverts the attention of its management and key personnel from our business operations. We may also be obligated to indemnify our business partners in any such litigation, which could further exhaust our resources. Furthermore, as a result of an intellectual property challenge, we may be prevented from providing some of our services unless we enter into royalty, license or other agreements. We may not be able to obtain such agreements at all or on terms acceptable to us, and as a result, we may be precluded from offering some of our products and services.

We may require additional capital to meet our financial obligations and support business growth, and this capital might not be available on acceptable terms or at all.

We intend to continue to make significant investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new games and features or enhance our existing games, improve our operating infrastructure or acquire complementary businesses, personnel and technologies. The Merger Agreement with myYearbook permitted us to raise up to $18 million, although we only raised $12,557,000. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Because of the difficult economy including the European debt crisis, it may be more difficult to raise the additional capital. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

Failure of members to comply with existing or future laws and regulations could adversely affect our business.

Although we devote substantial resources to member services and safety, users of the our websites have in the past and will in the future commit crimes against other members that they meet on the network or violate other laws in interacting with such members, impairing our brands and raising the prospect of litigation that may be costly to defend.

If there are changes in accounting rules, our results of operations could be adversely affected.

Quepasa prepares its consolidated financial statements in conformity with accounting principles generally accepted in the U.S. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, the Public Company Accounting Oversight Board, the SEC, the American Institute of Certified Public Accountants and various other bodies formed to interpret and create appropriate accounting policies. A change in these policies or a new interpretation of an existing policy could have a significant effect on our reported results or changes in presentation or disclosure, and may affect our reporting of transactions before a change is adopted, which in turn could have a significant adverse effect on our results of operations.

If there is new tax treatment of companies engaged in Internet commerce, this may adversely affect the commercial use of our marketing services and our financial results.

Due to the global nature of the Internet, it is possible that governments might attempt to tax our activities. As the recession placed budgetary pressures on governments, it is possible that they may seek to tax all Internet sales including game usage and sale of virtual currency. New or revised tax regulations may subject us to additional sales, income and other taxes. We cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over the Internet. New or revised taxes and, in particular, sales taxes, would likely increase the cost of doing business online, reduce Internet sales and decrease the attractiveness of advertising over the Internet. Any of these events could have an adverse effect on our business and results of operations.

Risks Relating to Our Common Stock

Because our stock price may be volatile due to factors beyond our control, you may lose all or part of your investment.

Our operating results have been in the past, and in the future are likely to be, subject to quarterly and annual fluctuations as a result of numerous factors, including:

- changes in the growth rate of our members,
- changes in the usage of myYearbook.com and Quepasa.com by our members,
- independent reports relating to the metrics of our websites,
- our failure to generate increases in revenue,
- our failure to achieve or maintain profitability,
- actual or anticipated variations in our quarterly results of operations,
- announcements by us or our competitors of significant contracts, new services, acquisitions, commercial relationships, joint ventures or capital commitments,
- the loss of significant business relationships,
- changes in market valuations of similar companies,
- the loss of major advertisers,
- future acquisitions,
- the departure of key personnel,
- short selling activities, or
- regulatory developments.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's time and attention, which would otherwise be used to benefit our business.

We may issue preferred stock without the approval of our shareholders, which could make it more difficult for a third party to acquire us and could depress our stock price.

Our Board may issue, without a vote of our shareholders, one or more additional series of preferred stock that have more than one vote per share. This could permit our Board to issue preferred stock to investors who support our management and give effective control of our business to our management. Additionally, issuance of preferred stock could block an acquisition resulting in both a drop in our stock price and a decline in interest of our common stock. This could make it more difficult for shareholders to sell their common stock. This could also cause the market price of our common stock shares to drop significantly, even if our business is performing well.

Because almost all of our outstanding shares are freely tradable, sales of these shares could cause the market price of our common stock to drop significantly, even if our business is performing well.

As of November 17, 2011, we had 35,148,172 shares of common stock outstanding of which our directors and executive officers beneficially own approximately 12 million shares which are subject to the limitations of Rule 144 under the Securities Act. Most of the remaining outstanding shares, including almost all of the shares issuable upon the exercise of outstanding warrants and options are and will be freely tradable.

In general, Rule 144 provides that any non-affiliate of Quepasa, who has held restricted common stock for at least six-months, is entitled to sell their restricted stock freely, provided that we stay current in our SEC filings. After two years, a non-affiliate may sell without any restrictions, even if we fail to stay current in our SEC filings.

An affiliate of ours may sell after six months with the following restrictions:

(i) we are current in our filings,
(ii) certain manner of sale provisions,
(iii) filing of Form 144, and
(iv) volume limitations limiting the sale of shares within any three-month period to a number of shares that does not exceed the 1% of the total number of outstanding shares, or the average weekly trading volume during the four calendar weeks preceding the filing of a notice of sale.

Because almost all of our outstanding shares are freely tradable beginning on the date of this prospectus and a number of shares held by our affiliates may be freely sold subject to Rule 144 limitation (although many of the shares recently sold to myYearbook shareholders are subject to certain restrictions on public sale which expire in April 2012), sales of these shares could cause the market price of our common stock to drop significantly, even if our business is performing well.

USE OF PROCEEDS

In connection with registration rights agreements with the selling shareholders, we are registering 798,961 shares of common stock and 1,479,948 shares of common stock underlying preferred stock issued to the selling shareholders. We will not receive any proceeds from the sale of the shares of our common stock offered for resale by the selling shareholders under this prospectus.

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SELLING SHAREHOLDERS

The following table provides information about the selling shareholders listing how many shares of our common stock they own on the date of this prospectus, how many shares offered for sale by this prospectus, and the number and percentage of outstanding shares the selling shareholders will own after the offering assuming all shares covered by this prospectus are sold. Except as disclosed in this prospectus, the selling shareholders do not have any position, office, or material relationship with us or our affiliates within the past three years. The information concerning beneficial ownership has been taken from our stock transfer records and information provided by the selling shareholders. Information concerning the selling shareholders may change from time to time, and any changed information will be set forth if and when required in prospectus supplements or other appropriate forms permitted to be used by the SEC.

We do not know when or in what amounts the selling shareholders may offer shares for sale. The selling shareholders may not sell any or all of the shares offered by this prospectus. Because the selling shareholders may offer all or some of the shares, and because there are currently no agreements, arrangements or understandings with respect to the sale of any of the shares, we cannot estimate the number of the shares that will be held by the selling shareholders after completion of the offering. However, for purposes of this table, we have assumed that, after completion of the offering, all of the shares covered by this prospectus will be sold by the selling shareholders.

Unless otherwise indicated, the selling shareholders have sole voting and investment power with respect to their shares of common stock. All of the information contained in the table below is based upon information provided to us by the selling shareholders, and we have not independently verified this information. The selling shareholders may have sold, transferred or otherwise disposed of, or may sell, transfer or otherwise dispose of, at any time or from time to time since the date on which it provided the information regarding the shares beneficially owned, all or a portion of the shares beneficially owned in transactions exempt from the registration requirements of the Securities Act of 1933, which we refer to as the “Securities Act.”

The number of shares outstanding and the percentages of beneficial ownership are based on 35,148,172 shares of our common stock issued and outstanding and 1,479,948 shares of common stock underlying outstanding preferred stock (which vote on an as converted basis) as of November 17, 2011. For the purposes of the following table, the number of shares common stock beneficially owned has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, which we refer to as the “Exchange Act,” and such information is not necessarily indicative of beneficial ownership for any other purpose. Under Rule 13d-3, beneficial ownership includes any shares as to which the selling shareholders have sole or shared voting power or investment power and also any shares which the selling shareholders have the right to acquire within 60 days of the date of this prospectus through the exercise of any stock option, warrant or other rights.

Name	No. of Securities Beneficially owned prior to offering	No. of Securities To Be Offered	No. of Securities Beneficially Owned After Offering	% Beneficially Owned After Offering	
Brio Capital L.P. (1)	56,022	56,022	-	0	
Harvest Small Cap Partners, LP (2)	429,778	37,883	391,895	1.1	%
Harvest Small Cap Partners Master, LTD. (2)	509,360	44,832	464,528	1.3	%
Mexican & Americans Trading Together, Inc. (3)	4,813,281	1,479,948	3,333,333	8.6	%
Next View Capital LP	100,000	100,000	-	0	

Tradewinds Master Fund (BVI), Ltd. (4)	280,112	280,112	-	0
Barry Honig	280,112	280,112	-	0

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(1) Mr. Shaye Hirsh has investment and voting control of the securities held by the selling shareholder.

(2) Mr. Jeff Osher has dispositive and voting control over these securities.

(3) Mr. Alonso Ancira, a director of Quepasa, is also the Chairman of the Board of Directors of Altos Hornos de Mexico, S.A.B. de C.V., which we refer to as "AHMSA," and MATT Inc. MATT, Inc. is a wholly-owned subsidiary of AHMSA. Grupo Acerero del Norte, S.A. de C.V., which we refer to as "GAN," is the majority shareholder of AHMSA. Mr. Ancira is a shareholder of GAN. By virtue of his role as Chairman of the Boards of Directors of MATT, Inc. and AHMSA and his equity interest in GAN, Mr. Ancira may be deemed to beneficially own 1,333,333 shares owned by MATT, Inc., 2,000,000 shares issuable upon the exercise of warrants held by MATT, Inc. and 1,479,948 shares issuable upon conversion of Series A-1 owned by MATT, Inc. The shares being registered are shares of common stock underlying Series A-1.

(4) Messrs. Scott P. Peters and Robert W. Scannell have investment and voting control of the securities held by the selling shareholder.

PLAN OF DISTRIBUTION

We are registering the shares of our common stock covered by this prospectus for the selling shareholders. The selling shareholders and any of their respective pledgees, donees, assignees and other successors-in-interest may, from time to time, sell any or all of their shares of common stock on the NYSE Amex or any stock exchange, market or trading facility on which the shares are then traded or in private transactions. These sales may be at fixed prices which may be changed, at market prices at the time of sale, at prices related to market prices or at negotiated prices. The selling shareholders may use any one or more of the following methods when selling shares:

Ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

Block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

Purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

Privately negotiated transactions;

Short sales;

Broker-dealers may agree with the selling shareholders to sell a specified number of such shares at a stipulated price per share;

Writing of options on the shares;

A combination of any such methods of sale; and

Any other method permitted pursuant to applicable law.

The selling shareholders may pledge their shares to their brokers under the margin provisions of customer agreements. If a selling shareholder defaults on a margin loan, the broker may, from time to time, offer and sell the pledged shares.

The selling shareholders or their respective pledgees, donees, transferees or other successors in interest may also sell the shares directly to market makers acting as principals and/or broker-dealers acting as agents for themselves or their customers. Such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling shareholders and/or the purchasers of shares for whom such broker-dealers may act as agents or to whom they sell as principal or both, which compensation as to a particular broker-dealer might be in excess of customary commissions. Market makers and block purchasers purchasing the shares will do so for their own account and at their own risk. It is possible that a selling shareholder will attempt to sell shares of common stock in block transactions to market makers or other purchasers at a price per share, which may be below the then market price. The selling shareholders and any brokers, dealers or agents, upon effecting the sale of any of the shares offered in this prospectus, may be deemed to be "underwriters" as that term is defined under the Securities Act or the rules thereunder. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

The selling shareholders, alternatively, may sell all or any part of the shares offered in this prospectus through an underwriter. No selling shareholder has entered into any agreement with a prospective underwriter and the selling shareholders have advised us that they have no plans to enter into any such agreement.

The selling shareholders and any other persons participating in the sale or distribution of the shares will be subject to applicable provisions of the Exchange Act and the rules thereunder, including Regulation M. These provisions may restrict certain activities of, and limit the timing of purchases and sales of any of the shares by, the selling shareholders or any other such person. Furthermore, under Regulation M, persons engaged in a distribution of securities are prohibited from simultaneously engaging in market making and certain other activities with respect to such securities for a specified period of time prior to the commencement of such distributions, subject to specified exceptions or exemptions. All of these limitations may affect the marketability of the shares.

We have agreed to indemnify the selling shareholders including liabilities under the Securities Act or to contribute to payments the selling shareholders may be required to make in respect of such liabilities. If the selling shareholders notify us that they have a material arrangement with a broker-dealer for the resale of the common stock, then we would be required to amend the registration statement of which this prospectus is a part, or file a prospectus supplement to describe the agreements between the selling shareholders and the broker-dealer.

We are paying all fees and expenses incident to the registration of the shares, excluding fees and disbursements of any counsel to the selling shareholders, brokerage commissions and underwriting discounts.

The selling shareholders are responsible for complying with the applicable provisions of the Exchange Act and the rules thereunder including Regulation M in connection with their sales of shares of common stock under this prospectus.

MATERIAL CHANGES

There have been no material changes in our affairs which have occurred since the end of the latest fiscal year which have not been disclosed in a report on Form 10-Q or Form 8-K.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for us by Harris Cramer LLP, Palm Beach Gardens, Florida.

EXPERTS

The consolidated financial statements of Quepasa Corporation incorporated by reference in this prospectus and registration statement for the years ended December 31, 2010 and 2009 have been audited by Salberg & Company, P.A., an independent registered public accounting firm, as set forth in their reports incorporated by reference, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements for Insider Guides, Inc. (d/b/a myYearbook.com) included in this prospectus and registration statement for the years ended December 31, 2010 and 2009 have been audited by ParenteBeard LLC, an independent registered public accounting firm, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The documents listed below are incorporated by reference into this registration statement:

Our annual report on Form 10-K for the year ended December 31, 2010 filed on February 7, 2011;

Our quarterly reports on Form 10-Q for the quarter ended March 31, 2011 filed on May 11, 2011, for the quarter ended June 30, 2011 filed on August 15, 2011 and for the quarter ended September 30, 2011 filed on November 14, 2011;

Our current reports on Form 8-K filed on February 2, 2011, February 7, 2011, February 11, 2011, March 4, 2011, May 11, 2011, May 13, 2011, June 10, 2011, July 20, 2011, July 27, 2011, August 11, 2011, September 21, 2011, September 26, 2011, October 5, 2011, October 14, 2011 and November 10, 2011;

Our Definitive Proxy Statement filed on April 14, 2011;

The description of our common stock contained in a Registration Statement on Form S-3 filed on September 27, 2011, as amended or updated; and

All documents subsequently filed pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act prior to the termination of the offering shall be deemed to be incorporated by reference into the prospectus. Also, all documents filed pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act subsequent to the filing date of the initial registration statement and prior to effectiveness shall be deemed to be incorporated by reference into the prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus is modified or superseded for purposes of the prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement.

We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus but not delivered with the prospectus. Our corporate address is www.quepasacorp.com.

We are an Exchange Act reporting company and are required to file periodic reports on Form 10-K and 10-Q and current reports on Form 8-K. You may read and copy all or any portion of the registration statement or any other information, which we file at the SEC's public reference room at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Also, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information that we file electronically with the SEC, including the registration statement. The website address is www.sec.gov.

You may obtain a copy of any of our filings, at no cost, by writing or telephoning us at:

280 Union Square Drive
New Hope, Pennsylvania 18938
(215) 862-1162

PRO FORMA FINANCIAL INFORMATION

The following presents our unaudited pro forma financial information for the nine months ended September 30, 2011 and the year ended December 31, 2010. The pro forma statement of operations for the year ended December 31, 2010 gives effect to the proposed Merger of myYearbook into IG Acquisition Company, a wholly-owned subsidiary of Quepasa, and the completed acquisition of XtFt Games S/S Ltda or XtFt, the owner of substantially all of the assets of TechFront Desenvolvimento de Software S/S Ltda, a Brazilian company or TechFront, as if the Merger and acquisition, respectively, had occurred at January 1, 2010. The unaudited pro forma statement of operations for the nine months ended September 30, 2011 gives effect to the business combination of myYearbook as if the Merger had occurred at January 1, 2011. The unaudited pro forma balance sheet as of September 30, 2011 has been prepared as if the proposed Merger of myYearbook occurred on that date. As XtFt was formed in 2011, TechFront financial information was used in the preparation of the pro forma financial statements as the acquired company. The TechFront financial information does not necessarily reflect assets acquired and liabilities assumed by Quepasa when it purchased all outstanding XtFt common stock. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable.

The unaudited pro forma financial information is for informational purposes only and does not purport to present what our results would actually have been had these transactions actually occurred on the dates presented or to project our results of operations or financial position for any future period. You should read the information set forth below together with the unaudited significant notes and assumptions to the pro forma statements, and the Annual Report of Quepasa on Form 10-K for the fiscal year ended December 31, 2010, and the quarterly report of Quepasa on Form 10-Q for the nine months ended September 30, 2011, which is incorporated by reference in this prospectus, the audited financial statement of myYearbook for the years ended December 31, 2010 and 2009 included in this prospectus, the unaudited financial statements of myYearbook for the nine months ended September 30, 2011 included in this prospectus, and the audited financial statements of TechFront for the year-ended December 31, 2010 and 2009 including the notes thereto, included in the Form 8-K/A filed on May 13, 2011.

QUEPASA CORPORATION AND SUBSIDIARIES
Unaudited Pro Forma Balance Sheet
September 30, 2011

	Historical						
	Acquirer Quepasa	Acquiree Insider Guides, Inc.	Pro forma Adjustments Debit		Credit		Combined Pro forma
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 14,448,947	$ 8,530,190	6,557,000	1	18,000,000	3	$ 8,036,137
	-	-			3,500,000	4	-
Accounts receivable, net	3,197,202	6,740,930					9,938,132
Notes receivable - current portion	469,199	-					469,199
Restricted cash	275,000	-					275,000
Other current assets	193,010	969,398					1,162,408
Total current assets	18,583,358	16,240,518					19,880,876
Goodwill	3,887,974	-	67,939,263	3			71,827,237
Property and equipment, net	621,829	3,890,671					4,512,500
Intangible assets	-	1,750,659	8,000,000	3			9,750,659
Notes receivable - long-term portion	-	-					-
Other assets	157,149	80,582					237,731
Total assets	$ 23,250,310	$ 21,962,430					$ 106,209,003
LIABILITIES AND STOCKHOLDERS' EQUITY							
CURRENT LIABILITIES:							
Accounts payable	$ 619,860	1,908,996					2,528,856
Accrued expenses	881,098	454,995					1,336,093
Accrued dividends	219,455	-					219,455
Deferred revenue	185,768	60,049					245,817
Unearned grant income	9,838	-					9,838
Current portion of long-term debt	-	2,596,431					2,596,431
Total current liabilities	1,916,019	5,020,471					6,936,490
Notes payable, net	6,721,087	2,801,222					9,522,309
Total liabilities	8,637,106	7,821,693					16,458,799
STOCKHOLDERS' EQUITY:							
Preferred stock, Series A (4,490,794 shares	-	4,097	4,097	3			$ -

authorized, 4,096,700 issued, and outstanding) liquidation preference $4,106,122							
Preferred stock, Series B (4,516,968 shares authorized, 4,318,983 issued and outstanding) liquidation preference $13,129,708	-	4,319	4,319	3			-
Preferred Voting Convertible stock, Series A, $.001 par value; 5,000,000 shares authorized, 1,000,000 issued, and outstanding.	1,000	-	1,000	2			-
Preferred Voting Convertible stock, Series A-1, $.001 par value; 1,000,000 shares issued.					1,000	1	1,000
Common stock, $.001 par value; 50,000,000 shares authorized; 16,670,781 shares issued and outstanding at September 30, 2011, 35,043,014 shares issued and outstanding as affected for Merger.	16,672	-					35,588
Common stock, $.001 par value; 1,397,233 shares to be issued	-	-			1,480	2	-
Common stock, $.001 par value; 17,000,000 shares issued.	-	-			17,000	3	-
Common stock, $.001 par value; 436,134 shares issued.	-	-			436	1	-
Common stock, $.001 par value 27,197,985 shares authorized 12,256,757 shares issued and outstanding at September 30,2011	-	12,376	12,376	3			$ -
Additional paid-in capital	188,444,951	20,107,111			6,555,564	1	267,063,035
			480	2			
					51,955,889	3	
Accumulated deficit	(173,446,141)	(5,987,166)			5,987,166	3	(176,946,141)
			3,500,000	4			
Accumulated other comprehensive income	(403,278)						(403,278)

Total shareholders' equity	14,613,204	14,140,737			89,750,204
Total liabilities and shareholders' equity	$ 23,250,310	$ 21,962,430	$ 86,018,535	$ 86,018,535	$ 106,209,003

See Unaudited Significant Notes and Assumptions to Pro Forma Financial Statements.

QUEPASA CORPORATION AND SUBSIDIARIES
Unaudited Pro Forma Statement of Operations for the Nine Months Ended
September 30, 2011

	Historical		Pro forma		
	Acquirer Quepasa	Acquiree Insider Guides, Inc.	Adjustments Debit (Credit)		Combined Pro forma
REVENUES	$ 5,554,311	$ 21,388,599			$ 26,942,910
OPERATING EXPENSES:					
Sales and marketing	877,498	3,846,276			4,723,774
Product and content development	5,398,556	3,485,349			8,883,905
Games expenses	969,197				969,197
General and administrative	4,720,962	11,407,551			16,128,513
Depreciation and amortization	494,837	2,277,169	2,000,000	4	4,772,006
TOTAL OPERATING EXPENSES	12,461,050	21,016,345			35,477,395
INCOME (LOSS) FROM OPERATIONS	(6,906,739)	372,254			(8,534,485)
OTHER INCOME (EXPENSE):					
Interest income	49,460	16,514			65,974
Interest expense	(452,985)	(458,115)			(911,100)
Other income	1,718	0			1,718
TOTAL OTHER INCOME (EXPENSE)	(401,807)	(441,601)			(843,408)
LOSS BEFORE INCOME TAXES	(7,308,546)	(69,347)			(9,377,893)
Income tax provision	0	(50,456)			(50,456)
NET LOSS	(7,308,546)	(119,803)			(9,428,349)
Preferred stock dividends	(40,705)				(40,705)
Net LOSS ALLOCABLE TO COMMON SHAREHOLDERS	$ (7,349,251)	$ (119,803)	$ (2,000,000)		$ (9,469,054)
NET LOSS PER COMMON SHARE, ALLOCABLE TO COMMON SHAREHOLDERS, BASIC AND DILUTED	$ (0.45)		$ (0.06)		$ (0.27)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC AND DILUTED	16,248,978		35,165,061		35,165,061

See Unaudited Significant Notes and Assumptions to Pro Forma Financial Statements.

QUEPASA CORPORATION AND SUBSIDIARIES
Unaudited Pro Forma Statement of Operations for the Year Ended
December 31, 2010

	Historical Acquirer Quepasa	Historical Acquiree TechFront	Acquiree Insider Guides, Inc.	Pro forma Adjustments Debit (Credit)		Combined Pro forma
REVENUES	$ 6,054,141	$ 1,226,271	$ 23,664,405			$ 30,944,817
OPERATING EXPENSES:						
Sales and marketing	891,980	18,497	2,690,309			3,600,786
Product and content development	4,774,694	1,435,843	3,948,385			10,158,922
General and administrative	6,123,083	364,777	12,306,939			18,794,799
Depreciation and amortization	319,779	0	2,953,307	2,666,667	5	6,167,936
				36,607	6	
				191,576	7	
TOTAL OPERATING EXPENSES	12,109,536	1,819,117	21,898,940			38,722,443
INCOME (LOSS) FROM OPERATIONS	(6,055,395)	(592,846)	1,765,465			(7,777,626)
OTHER INCOME (EXPENSE):						
Gain on sale of assets	0	0	1,895,000			1,895,000
Interest income	6,229	1	25,797			32,027
Interest expense	(603,609)	(211,423)	(512,010)			(1,327,042)
Other income	2,125	0				2,125
TOTAL OTHER INCOME (EXPENSE)	(595,255)	(211,422)	1,408,787			602,110
LOSS BEFORE INCOME TAXES	(6,650,650)	(804,268)	3,174,252			(7,175,516)
Income tax provision	0	(112,914)	(102,954)			(215,868)
NET LOSS	(6,650,650)	(917,182)	3,071,298			(7,391,384)
Preferred stock dividends	(111,500)	0				(111,500)
NET LOSS ALLOCABLE TO COMMON SHAREHOLDERS	$ (6,762,150)	$ (917,182)	$ 3,071,298	$ (2,894,850)		$ (7,502,884)
NET LOSS PER COMMON SHARE, ALLOCABLE TO COMMON SHAREHOLDERS, BASIC AND DILUTED	$ (0.52)			$ (0.09)		$ (0.23)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC	13,117,845			32,382,651		32,382,651

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See Unaudited Significant Notes and Assumptions to Pro Forma Financial Statements.

Quepasa Corporation
Significant Notes and Assumptions to Pro-forma Financial Statements
(Unaudited)

On March 2, 2011, we completed a business acquisition of XtFt through a Stock Purchase Agreement. Prior to the acquisition date, XtFt was formed and it acquired substantially all of the assets and assumed certain liabilities of TechFront.

On November 10, 2011, Quepasa Corporations completed its merger with Insider Guides, Inc., which owns and operates the social networking site myyearbook.com and is referred to herein as “myYearbook” in accordance with the terms of the Agreement and Plan of Merger, dated as of July 19, 2011, as amended, by and among Quepasa, IG Acquisition Company (“Merger Sub”), a wholly-owned subsidiary of Quepasa, and myYearbook. Pursuant to the Merger Agreement, myYearbook merged with and into Merger Sub, with Merger Sub continuing after the merger as the surviving corporation (the “Merger”). In connection with the Merger, Quepasa paid $18 million in cash to myYearbook securities holders and issued them 17 million shares of Quepasa common stock.

On September 20, 2011, the Company sold 1,000,000 shares of Series A Convertible Preferred Stock (“Series A”) to Harvest Small Cap Partners Master, LTD. and Harvest Small Cap Partners, LP (“Harvest”) for $5,000,000. The Series A shares were converted to common stock on November 14, 2011, at Harvest’s option, into a total of 1,479,949 shares of Quepasa’s common stock, at a purchase price per share of common stock of approximately $3.38.

In connection with the closing of the Merger, the Company sold 1,000,000 shares of Series A-1 Preferred Stock (“Series A-1”) to Mexicans & American Trading Together, Inc. (“MATT”) for $5,000,000. MATT is a current shareholder of the Company. The Series A-1 shares are convertible, at MATT’s option, into a total of 1,479,948 shares of Quepasa’s common stock, at a purchase price per share of common stock of approximately $3.38. On November 10, 2011, Quepasa entered into Securities Purchase Agreements (“the Agreements”) with three institutional investors and agreed to sell a total of 436,134 shares of common stock to these investors for cash proceeds of $1,557,000 at a price per share of $3.57. The Agreements closed on the same day.

The accompanying unaudited pro-forma financial information reflects the financial statements of Quepasa, myYearbook and TechFront. The pro forma adjustments to the balance sheet give effect to the acquisition of myYearbook as if it occurred on September 30, 2011. The pro forma adjustments to the statements of operations for the nine months ended September 30, 2011 give effect to the myYearbook acquisition as if it occurred on January 1, 2011. The pro forma adjustments to the statements of operations for the year ended December 31, 2010 give effect to the myYearbook and XtFt acquisitions as if they occurred on January 1, 2010.

Significant Assumptions Include:

The myYearbook financial statements do not necessarily reflect assets acquired and liabilities assumed at the closing date of the Merger, will be subject to valuation and purchase price allocation, and may differ substantially from the estimates provided in preparing the pro-forma financial statements.

The TechFront financial information does not necessarily reflect assets acquired and liabilities assumed in the Quepasa’s acquisition.

For purposes of preparing the pro-forma financial statements, the value of the 17,000,000 shares issued to myYearbook security holders was calculated by using the $4.24 closing price of Quepasa’s common stock on November 9, 2011.

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Quepasa Corporation
Significant Notes and Assumptions to Pro-forma Financial Statements
(Unaudited)

XtFt's owners were issued 348,723 shares of common stock under the Stock Purchase Agreement.

We have estimated $3,500,000 transaction costs to be incurred by both parties associated with the myYearbook acquisition, approximately $800,000 for Quepasa and $2,700,000 for myYearbook respectively, which are reflected as an adjustment to accumulated deficit at September 30, 2011. Quepasa and myYearbook incurred approximately $788,000, and $544,000 of transaction costs recorded as general and administrative expenses for the nine months ended September 30, 2011, respectively.

The myYearbook purchase price was allocated, for the purposes of the pro forma presentation only, first to record identifiable assets and liabilities at estimated fair value and the remainder to goodwill as follows:

Cash and cash equivalents	$8,530,190
Accounts receivable	6,740,930
Property and equipment	3,890,671
Intangible assets	9,750,659
Other current and other assets	1,049,980
Total assets acquired	29,962,430
Accounts payable and accrued liabilities	(2,424,040)
Notes Payable	(5,397,653)
Total liabilities assumed	(7,821,693)
Goodwill	67,939,263
Total purchase price	$90,080,000

The valuation of myYearbook assets and liabilities disclosed above is subject to the completion of a valuation study and procedures. The fair market value of the myYearbook assets and liabilities at the date of acquisition could differ substantially, impacting the purchase price allocation.

Intangible assets of myYearbook represent customer contracts, intellectual properties, and trademark license recorded at estimated fair value and are amortized using straight-line method over the estimated life of three years. The fair market value of myYearbook intangible assets could differ substantially after the completion of the valuation of assets and purchase price allocation at the date of acquisition. Amortization of myYearbook intangible assets was determined giving effect to the acquisition as if it occurred on January 1, 2010 and January 1, 2011, respectively, on the pro forma statements of operations for the year ended December 31, 2010 and the nine months ended September 30, 2011.

Other assets from the XtFt acquisition represent customer contracts recorded at fair value and are amortized using straight-line method over the life of the individual contract. Amortization of XtFt customer contracts and depreciation of property and equipment have been given effect to the acquisition as if it occurred on January 1, 2010 pro forma statements of operations for the year ended December 31, 2010

The following reflect the pro forma adjustments at September 30, 2011 and for the nine months ended September 30, 2011 and for the year ended December 31, 2010:

QUEPASA CORPORATION AND SUBSIDIARIES
Unaudited Pro forma Adjustments for September 30, 2011 and the nine months then ended and for the year ended December 31, 2010.

		Debit	Credit
1	Cash	6,557,000	
	Preferred Convertible Stock, Series A-1		1,000
	Common Stock		436
	Additional Paid in Capital		6,555,564
	To record the proceeds from the sale of Series A-1 preferred shares to MATT, INC. and common stock to Tradewinds Master Fund (BVI). Ltd., Brio Capital LP and Next View Capital LP.		
2	Preferred Convertible Stock, Series A	1,000	
	Common Stock		1,480
	Additional Paid in Capital	480	
	To record the conversion of Series A Preferred Convertible Stock.		
3	Goodwill	67,939,263	
	Intangible assets	8,000,000	
	Preferred Stock, Series A	4,097	
	Preferred Stock, Series B	4,319	
	Common Stock - myYearbook	12,376	
	Cash		18,000,000
	Additional Paid in Capital		51,955,889
	Accumulated Deficit		5,987,166
	Common Stock		17,000
	Addition paid in capital - common stock issuance		
	To adjust to fair market value the assets acquired and liabilities assumed pursuant to the Merger Agreement and record common stock issuance and the cash paid as consideration		
4	Cash		3,500,000
	Accumulated deficit - Fees	3,500,000	
	To record non-recurring expenses incurred for the acquisition		
5	Amortization expense	2,000,000	
	Accumulated amortization		2,000,000
	To record amortization of intangibles allocated from myYearbook acquisition for the nine month ended September 30, 2011.		
6	Amortization expense	2,666,667	
	Accumulated amortization		2,666,667
	To record 2010 annual amortization of intangibles allocated from myYearbook acquisition.		
7	Depreciation expense	36,607	
	Accumulated depreciation		36,607
	To record 2010 annual amortization on tangible assets acquired with the XtFt acquisition		

8	Amortization Expense		191,576		
	Accumulated amortization				191,576
	To record 2010 annual amortization of customer contracts acquired with the XTft acquisition				
	Total	$	90,913,385	$	90,913,385

See Unaudited Significant Notes and Assumptions to Pro Forma Financial Statements.

myYearbook's Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with myYearbook's audited historical financial statements, which are included elsewhere herein. The following discussion contains statements that are forward-looking. These statements are based on current expectations and assumptions, which are subject to risk, uncertainties and other factors. Actual results may differ materially because of the factors discussed under the caption "Risk Factors" beginning on page 3.

Company Overview

myYearbook.com makes meeting new people fun and easy online and on your mobile phone. myYearbook combines innovative social games, virtual goods, social and mobile games, a location-based news feed, video chat, and a robust virtual currency called "Lunch Money" to facilitate introductions and break the ice among its users.

myYearbook is the #1 site for "Teens" in terms of minutes, visits and pageviews in the comScore Teens category and is consistently ranked in the top 40 of all U.S. web domains in a number of leading statistics including minutes per user per month, page views and visits per visitor according to comScore. myYearbook drives revenue from a mix of advertising and virtual currency. In September 2011, myYearbook's mobile applications accounted for over 46% of its total daily active users, up from only 2% in January 2010.

Recent myYearbook highlights include:

- In January 2009, myYearbook launched the ability to purchase virtual currency directly with a credit card, PayPal or mobile phone. This was the first non-advertising revenue generated on the site.
- In May 2009, myYearbook launched the "VIP Club". The VIP Club provides members with a monthly Lunch Money increase, unlocks feature within most applications and awards increased Lunch Money for performing certain actions. VIP Club revenue quickly became a leading source of virtual currency revenue.
- In November 2009, myYearbook launched "Live Feed" which became its most popular application and increased member retention and page views. The Live Feed remains the core feature across the website and mobile applications today.
- In January 2010, myYearbook launched the Live gaming platform. Live is a real-time, synchronous gaming platform that pairs games with live video chat.
- In May 2010, myYearbook launched its first mobile application on the iPhone. Through September 30, 2011, the iPhone application has been installed over 1.1 million times.
- In July 2010, myYearbook launched its mobile application for Android. Through September 30, 2011, the Android application has been installed over 2.0. million times. Mobile traffic now accounts for over 46% of total daily active users on the site.
- In March 2011, myYearbook announced that it acquired four mobile games and a mobile technology platform. As of September 2011, the mobile games account for over 16.1 million installs. The mobile technology platform will support a planned social layer across all of myYearbook's mobile applications and games.

In 2010, myYearbook's revenue and net income was $23.7 million and $3.1 million, respectively, which represented an increase from 2009 of $8.2 million and $4.6 million, respectively. myYearbook generates revenue through a mix of advertising and virtual currency sales. myYearbook serves three billion ad impressions each month on the web and one billion on mobile devices. Currency sales consist of direct Lunch Money purchases, "VIP" memberships and currency engagement actions including actions on myYearbook’s cross-platform currency monetization product Social Theater.

Critical Accounting Policies, Judgments and Estimates

myYearbook’s management’s discussion and analysis of its financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires myYearbook to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities.

myYearbook bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimate that are reasonably likely to occur, could materially impact the consolidated financial statements.

myYearbook believes that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the consolidated financial statements.

In addition, there are other items within myYearbook’s financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on its financial statements.

Revenue Recognition

Advertising and custom sponsorship revenues consist primarily of advertising fees earned from the display of advertisements and click-throughs on text based links on myYearbook's website. Revenue from online advertising is recognized as impressions are delivered. An impression is delivered when an advertisement appears on pages viewed by members of the myYearbook website. Revenue from the display of click-throughs on text based links is recognized as click-throughs occur. Sponsorship revenue is recognized over the time period in which the sponsorship on the website occurs. Revenue from the sale of virtual currency is recognized when redeemed on the myYearbook website. myYearbook records deferred revenue on the accompanying balance sheets when payments for virtual currency are received in advance of usage.

Accounts Receivable Allowances

myYearbook maintains an allowance for potential credit losses based on historical experience and other information available to management. The fees associated with display advertising are often based on "impressions," which are created when the ad is viewed. The amount of impressions often differs between tracking systems, resulting in discounts on some payments. myYearbook maintains an allowance for potential discounts based on historical experience and other information available to management.

Income Taxes

myYearbook uses the asset and liability method to account for income taxes. Under this method, deferred income taxes are determined based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements which will result in taxable or deductible amounts in future years and are measured using the currently enacted tax rates and laws. A valuation allowance is provided to reduce net deferred tax assets to the amount that, based on available evidence, is more likely than not to be realized.

Contingencies

myYearbook accrues for contingent obligations, including legal costs, when the obligation is probable and the amount can be reasonably estimated. As facts concerning contingencies become known, myYearbook reassess its position and makes appropriate adjustments to the financial statements. Estimates that are particularly sensitive to future changes include those related to tax, legal, and other regulatory matters that are subject to change as events evolve and additional information becomes available.

Share-Based Compensation

myYearbook records compensation expense for share-based awards based on the estimated fair value calculated using the Black–-Scholes option pricing model. The option pricing model requires a number of assumptions, of which the most significant are expected stock price volatility and the expected option term. Since it was not practicable for myYearbook to estimate the expected volatility of its share price, myYearbook accounted for its options based on a value calculated using the historical volatility of an appropriate industry sector index. Unvested option compensation expense will be recognized over the remaining option term.

myYearbook accounts for stock options granted to non-employees on a fair value basis over the vesting period using the Black-Scholes option pricing model. The initial non-cash charge to operations for non-employee options with vesting is revalued at the end of each reporting period based upon the change in the fair value of myYearbook's common stock and amortized to consulting expense over the related vesting period.

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Results of Operations

Revenue Sources

During the years ended December 31, 2009 and 2010 and through the third quarter of 2011, which ended on September 30, 2011, myYearbook's revenue was generated from a mix of advertising and virtual currency.

Advertising: myYearbook serves three billion ad impressions each month on the web and 1 billion on mobile devices. myYearbook sells ads to major brand agencies, direct response and cost per action advertisers, ad networks and mobile agencies. myYearbook's brand and agency advertising is generally directed at companies looking for high-impact ad units and brand engagement from its teen and young adult demographic.

Virtual Currency: myYearbook's virtual currency revenue consists of direct Lunch Money purchases, "VIP" memberships and currency engagement actions including sales on myYearbook's cross-platform currency monetization product Social Theater. Social Theater is distributed across platforms outside of myYearbook, including Facebook.

Operating Expenses

myYearbook's principal operating expenses are divided into the following categories:

Sales and Marketing Expenses: Sales and marketing expenses consist of web and mobile advertising and branding campaigns, public relations and promotions and safety initiatives.

Information Technology Expenses: Information technology expenses consist of occupancy and utility charges and support for its offsite technology infrastructure, bandwidth and content delivery fees and the purchase of specific technology, particularly software and hardware related to its infrastructure.

General and Administrative Expenses: General and administrative expenses consist of all of myYearbook's personnel costs, occupancy costs, general operating costs, travel and corporate professional fees such as legal and accounting fees.

Depreciation: myYearbook's depreciation and amortization are non-cash expenses which have consisted primarily of depreciation related to its property and equipment.

Other Income (Expense): Other income (expense) consists primarily of interest earned, interest expense and gain (loss) on the sale of assets. Interest income relates to its cash and cash equivalents discussed in Note 2 to myYearbook's Financial Statements. myYearbook invests all of its cash and cash equivalents in fully liquid, money market securities. Interest expense relates to long-term debt discussed in Note 6 to myYearbook's Financial Statements. The gain on sale of asset relates to the sale of intellectual property.

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Comparison of the three months ended September 30, 2011 and September 30, 2010 (Unaudited)

	Three Months Ended September 30,			
	2011 (Unaudited)	2010 (Unaudited)	Change ($)	Change (%)
REVENUE	$8,004,733	$6,361,251	$1,643,482	26 %
OPERATING EXPENSES				
Sales and marketing	1,501,992	710,432	791,560	111 %
Information technology	1,199,802	946,777	253,025	27 %
General and administrative	4,149,102	3,099,149	1,049,953	34 %
Depreciation and amortization	677,007	712,031	(35,024)	-5 %
OPERATING EXPENSES	7,527,903	5,468,389	2,059,514	38 %
INCOME FROM OPERATIONS	476,830	892,862	(416,032)	-47 %
OTHER INCOME (EXPENSE):				
Interest expense	(166,816)	(135,275)	(31,541)	23 %
Interest income	4,972	6,255	(1,283)	-21 %
TOTAL OTHER INCOME (EXPENSE)	(161,844)	(129,020)	(32,824)	25 %
INCOME BEFORE INCOME TAXES	314,986	763,842	(448,856)	-59 %
INCOME TAX PROVISION	(28,865)	-	(28,865)	n/a
NET INCOME	$286,121	$763,842	(477,721)	-63 %

Revenues

myYearbook's revenues were $8,004,733 for the three months ended September 30, 2011, an increase of $1,643,482 or 26% compared to $6,361,251 for the same period in 2010. The increase was primarily attributable to an increase in advertising revenue of $1.8 million, partially offset by a decrease in virtual currency sales of $81,000. The increase in advertising revenue was caused by increased brand agency sales and better CPM and ad impression optimization. myYearbook's increase in the number of salespeople on its sales team created additional sales during the period. myYearbook also saw additional advertising impressions from site growth, including significant impression growth from its mobile applications.

Expenses

Sales and Marketing: Sales and marketing expenses increased $791,560, or 111%, to $1,501,992 for the three months ended September 30, 2011 from $710,432 for the same period in 2010. The increase is primarily attributable to an increase of $527,000 for commissions and contractor fees on advertising sales and an increase of $241,000 on advertising, marketing and public relations expense. Sales commissions increased as a result of increased advertising revenue. The increase in advertising and marketing is due to increased ads directed at web and mobile user acquisition.

Information Technology: Information technology expenses increased $253,025, or 27%, to $1,199,802 for the three months ended September 30, 2011 from $946,777 for the same period in 2010. $70,000 of the increase was attributable to occupancy, utilities and bandwidth charges in myYearbook's datacenter as additional space was brought online to handle increased traffic. $75,000 of the increase was attributable to development costs and consultants myYearbook engaged to work on the Live platform launch. The remaining increase of $108,000 was due to increases in miscellaneous data center equipment and supplies necessary to support the increased space in the data center.

General and Administrative: General and administrative expenses increased $1,049,953, or 34%, to $4,149,102 for the three months ended September 30, 2011 from $3,099,149 for the same period in 2010. $618,000 of the increase was due to increased headcount and salary increases compared to the prior year period caused by additional full time employees and salary increases. Travel and entertainment expenses increased $97,000 due to increased management and sales travel for business development and promotion events. Occupancy and utilities increased $25,000 due to increased leased space to accommodate increases in employee headcount. Legal expenses increased by $240,000 due to additional expenses incurred due to the planned merger with Quepasa Corporation. The remaining increase of $70,000 was due to other general operating and overhead expense increases, including insurance and supplies.

myYearbook records all employee compensation and benefit expenses within the General and administrative expense category. The following table sets forth myYearbook's employee compensation and benefit expenses by department:

	Three months ended September 30, (Unaudited)	
	2011	2010
Sales and marketing	587,460	480,495
Product and content development	1,620,068	1,164,338
General and administrative	627,695	580,687
Total Employee Compensation	2,835,223	2,225,520

Depreciation: Depreciation expense decreased $35,024, or 5%, to $677,007 for the three months ended September 30, 2011 from $712,031 for the same period in 2010. The decrease is attributable to fewer asset purchases.

Other income (expense): Other income (expense) increased $32,824, or 25%, to ($161,844) for the three months ended September 30, 2011 from ($129,020) for the same period in 2010. This increase was due to increased interest expense of $32,000 caused by increased borrowing under myYearbook's line of credit and a reduction in interesting income of $1,000 caused by lower money market rates on cash and cash equivalent balances.

Comparison of the nine months ended September 30, 2011 and 2010 (Unaudited)

	Nine Months Ended September 30,			
	2011 (Unaudited)	2010 (Unaudited)	Change ($)	Change (%)
REVENUE	$21,388,599	$16,133,793	$5,254,806	33 %
OPERATING EXPENSES				
Sales and marketing	3,846,276	1,887,480	1,958,796	104 %
Information technology	3,485,349	2,854,871	630,478	22 %
General and administrative	11,407,551	8,729,007	2,678,544	31 %
Depreciation and amortization	2,277,169	2,158,218	118,951	6 %
OPERATING EXPENSES	21,016,345	15,629,576	5,386,769	34 %
INCOME FROM OPERATIONS	372,254	504,217	(131,963)	-26 %
OTHER INCOME (EXPENSE):				
Interest expense	(458,115)	(386,640)	(71,475)	18 %
Interest income	16,514	19,855	(3,341)	-17 %
TOTAL OTHER INCOME (EXPENSE)	(441,601)	(366,785)	(74,816)	20 %
INCOME BEFORE INCOME TAXES	(69,347)	137,432	(206,779)	n/a
INCOME TAX PROVISION	(50,456)	-	(50,456)	n/a
NET INCOME	$(119,803)	$137,432	(257,235)	-187 %

Revenues

myYearbook's revenues were $21,388,599 for the nine months ended September 30, 2011, an increase of $5,254,806 or 33% compared to $16,133,793 for the same period in 2010. The increase was primarily attributable to an increase in advertising revenue of $5.9 million, partially offset by a decrease in virtual currency sales of $470,000. The increase in advertising revenue was caused by increased brand agency sales and better CPM and ad impression optimization. myYearbook's increase in the number of salespeople on its sales team created additional sales during the period. myYearbook also saw additional advertising impressions from site growth, including significant impression growth from its mobile applications.

Expenses

Sales and Marketing: Sales and marketing expenses increased $1,958,796, or 104%, to $3,846,276 for the nine months ended September 30, 2011 from $1,887,480 for the same period in 2010. The increase is primarily attributable to an increase of $777,000 for commissions and contractor fees on advertising sales and an increase of $658,000 on advertising, marketing and public relations expense. Sales commissions increased as a result of increased advertising revenue. The increase in advertising and marketing is due to increased ads directed at web and mobile user acquisition.

Information Technology: Information technology expenses increased $630,478, or 22%, to $3,485,349 for the nine months ended September 30, 2011 from $2,854,871 for the same period in 2010. $166,000 of the increase was attributable to occupancy, utilities and bandwidth charges in myYearbook's datacenter as additional space was brought online to handle increased traffic. $197,000 of the increase was attributable to development costs and consultants myYearbook engaged to work on the Live platform launch. The remaining increase of $267,000 was due to increases in miscellaneous data center equipment and supplies necessary to support the increased space in the data center.

General and Administrative: General and administrative expenses increased $2,678,544, or 31%, to $11,407,551 for the nine months ended September 30, 2011 from $8,729,007 for the same period in 2010. $1,801,000 of the increase was due to increased headcount and salary increases compared to the prior year period caused by additional full time employees and salary increases. Travel and entertainment expenses increased $346,000 due to increased management and sales travel for business development and promotion events. Occupancy and utilities increased $74,000 due to increased leased space to accommodate increases in employee headcount. Legal expenses increased by $245,000 due to additional expenses incurred due to the planned merger with Quepasa Corporation. The remaining increase of $213,000 was due to other general operating and overhead expense increases, including insurance and supplies.

myYearbook records all employee compensation and benefit expenses within the General and administrative expense category. The following table sets forth myYearbook's employee compensation and benefit expenses by department:

	Nine months ended September 30, (Unaudited)	
	2011	2010
Sales and marketing	1,916,095	1,482,296
Product and content development	4,457,425	3,223,187
General and administrative	1,764,456	1,750,491
Total Employee Compensation	8,137,976	6,455,974

Depreciation: Depreciation expense increased $118,951, or 6%, to $2,277,169 for the nine months ended September 30, 2011 from $2,158,218 for the same period in 2010. The increase is attributable to increased asset purchases to support myYearbook's technology infrastructure.

Other income (expense): Other income (expense) increased $74,816, or 20%, to ($441,601) for the nine months ended September 30, 2011 from ($366,785) for the same period in 2010. This increase was due to increased interest expense of $72,000 caused by increased borrowing under myYearbook's line of credit and a reduction in interesting income of $3,000 caused by lower money market rates on cash and cash equivalent balances.

Liquidity and Capital Resources – Three Months Ended September 30, 2011 and 2010

	For the Three Month Periods Ended September 30, (Unaudited)	
	2011	2010
Net cash provided by operating activities	$ 203,354	$ 1,494,387
Net cash used in investing activities	$ (1,319,903)	$ (1,314,075)
Net cash provided by financing activities	$ 796,751	$ (147,561)

Net cash provided by operations was $203,354 for the three months ended September 30, 2011 compared to net cash provided by operations of $1,494,387 for the same period in 2010. myYearbook had net income for the three months ended September 30, 2011 of $286,000, which included non-cash depreciation and amortization expense of $693,000 and non-cash share-based compensation expense of $48,000. The operating income and non-cash expenses were further offset by changes in myYearbook's operating assets and liabilities of $825,000, primarily comprised of an increase in accounts receivable of $357,000 caused by an increase in advertising sales, net of collections on outstanding receivables in the three months ended September 30, 2011. The increase in accounts receivable was compounded by an increased in Prepaid expenses of $376,000. myYearbook had net income for the three months ended September 30, 2010 of $764,000, which included non-cash depreciation and amortization expense of $731,000 and non-cash share based compensation expense of $46,000. The operating income and non-cash expenses were further offset by changes in myYearbook's operating assets and liabilities of $47,000 that decreased net cash provided by operations. This change in operating assets and liabilities was primarily comprised of a $928,000 decrease in its accounts receivable caused by greater collections of outstanding advertising receivables, which was offset by a decrease in accounts payable and accrued expenses of $745,000 and $275,000, respectively, for the three months ended September 30, 2010. Net changes in all other current assets and liabilities totaled $139,000 and accounted for a decrease in cash provided from operations.

Net cash used in investing activities was $1,319,903 for the three months ended September 30, 2011 compared to net cash used in investing activities of $1,314,075 in the same period for 2010. Capital expenditures were $845,000 and $1,309,000 for the three months ended September 30, 2011 and 2010, respectively. myYearbook also purchased intangible assets for $475,000 and $5,000 in the three months ended September 30, 2011 and 2010, respectively.

Net cash provided by financing activities was $796,751 for the three months ended September 30, 2011 compared to net cash used by financing activities of $184,823 for the same period in 2010. The net cash provided by financing activities in the three months ended September 30, 2011 was due to proceeds on myYearbook's long-term borrowing facilities of $1415,000 offset by repayments on those same facilities of $663,000. The net cash used in financing activities in the three months ended September 30, 2010 was due to proceeds on myYearbook's long-term borrowing facilities of $635,000 offset by repayments on those same facilities of $784,000.

Liquidity and Capital Resources – Nine Months Ended September 30, 2011 and 2010

	For the Nine Month Periods Ended September 30, (Unaudited)	
	2011	2010
Net cash provided by operating activities	$ 2,148,459	$ 2,269,506
Net cash used in investing activities	$ (3,099,839)	$ (2,485,252)
Net cash provided by financing activities	$ 1,152,292	$ 239,436

Net cash provided by operations was $2,148,459 for the nine months ended September 30, 2011 compared to net cash provided by operations of $2,269,506 for the same period in 2010. myYearbook had a net loss for the nine months ended September 30, 2011 of $119,803, which included non-cash depreciation and amortization expense of $2,315,000 and non-cash share-based compensation expense of $153,000. The operating income and non-cash expenses were further offset by changes in myYearbook's operating assets and liabilities of $200,000, primarily comprised of a decrease in accounts receivable of $260,000 caused by greater collections of outstanding advertising receivables in the nine months ended September 30, 2011. Offsetting the decrease in accounts receivable was an increase in prepaid expenses of $472,000. myYearbook had net income for the nine months ended September 30, 2010 of $137,422, which included non-cash depreciation and amortization expense of $2,204,000 and non-cash share based compensation expense of $148,000. The operating income and non-cash expenses were further offset by changes in myYearbook's operating assets and liabilities of $220,000 that decreased net cash provided by operations. This net decrease in operating assets and liabilities was primarily comprised of a $503,000 increase in its accounts receivable caused by an increase in advertising sales, net of collections on outstanding receivables. Offsetting the increase in accounts receivable was an increase in accounts payable and accrued expenses by $540,000 and $6,000, respectively, causing an increase to net cash provided by operating activities. Net changes in all other current assets and liabilities totaled a decrease of $264,000 and reduced cash provided from operations.

Net cash used in investing activities was $3,099,839 for the nine months ended September 30, 2011 compared to net cash used in investing activities of $2,485,252 in the same period for 2010. Capital expenditures were $2,100,000 and $2,205,000 for the nine months ended September 30, 2011 and 2010, respectively. myYearbook also purchased intangible assets for $999,000 and $280,000 in the nine months ended September 30, 2011 and 2010, respectively.

Net cash provided by financing activities was $1,152,292 for the nine months ended September 30, 2011 compared to net cash provided by financing activities of $239,436 for the same period in 2010. The net cash provided by financing activities in the nine months ended September 30, 2011 was due to proceeds on myYearbook's long-term borrowing facilities of $3,042,000 offset by repayments on those same facilities of $1,938,000. The net cash used in financing activities in the nine months ended September 30, 2010 was due to proceeds on myYearbook's long-term borrowing facilities of $2,231,000 offset by repayments on those same facilities of $2,024,000. myYearbook also received cash from the exercise of stock options for the nine months ended September 30, 2011 and 2010 of $49,000 and $32,000, respectively.

Earnings Before Interest, Taxes, Depreciation and Amortization– Non-GAAP

EBITDA is a non-GAAP financial measure that may be considered in addition to results prepared in accordance with GAAP. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. myYearbook defines "EBITDA" as income/(loss) from operations plus non-cash operating expenses including stock based compensation expenses, depreciation, amortization and other non-cash charges. This non-GAAP measure should not be considered a substitute for, or superior to, GAAP results. myYearbook's management uses this non-GAAP financial measure in evaluating its financial and operational decision making and as a means to evaluate period-to-period comparison. myYearbook believes that both management and shareholders benefit from referring to non-GAAP financial measures such as EBITDA in planning, forecasting and analyzing future periods. Additionally, EBITDA provides meaningful information about myYearbook's ability to meet its working capital needs. EBITDA, as presented below, may not be comparable to similarly titled measures reported by other companies since not all companies necessarily EBITDA in an identical manner and, therefore, it is not necessarily an accurate measure of comparison between companies. The following table is a reconciliation of myYearbook's non-GAAP financial measure to loss from operations.

	For the three months ended September 30, (Unaudited)	
	2011	2010
INCOME FROM OPERATIONS	$ 476,830	$ 892,862
NON CASH OPERATING EXPENSES		
Stock based compensation expense	48,408	46,077
Depreciation and amortization	677,007	712,031
TOTAL NON CASH OPERATING EXPENSES	725,415	758,108
EBITDA	$ 1,202,245	$ 1,650,970

	For the nine months ended September 30, (Unaudited)	
	2011	2010
(LOSS) FROM OPERATIONS	$ 372,254	$ 504,217
NON CASH OPERATING EXPENSES		
Stock based compensation expense	153,187	148,721
Depreciation and amortization	2,277,169	2,158,218
TOTAL NON CASH OPERATING EXPENSES	2,430,356	2,306,939
EBITDA	$ 2,802,610	$ 2,811,156

Insider Guides Unaudited Financial Statements
As of and for the periods ended September 30, 2011

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INSIDER GUIDES, INC.
UNAUDITED BALANCE SHEET
AS OF SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

	September 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$8,530,190	$8,329,278
Trade accounts receivable, net	6,740,930	7,001,124
Prepaid expenses	969,398	497,477
Total current assets	16,240,518	15,827,879
PROPERTY AND EQUIPMENT, Net	3,890,671	3,993,001
INTANGIBLE ASSETS	1,750,659	825,660
DEPOSITS AND OTHER ASSETS	80,582	98,731
TOTAL	$21,962,430	$20,745,271
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$1,908,996	$1,778,557
Accrued expenses and other current liabilities	454,995	606,758
Deferred revenue	60,049	44,986
Current portion of long-term debt	2,596,431	2,151,763
Total current liabilities	5,020,471	4,582,064
LONG-TERM DEBT, Net of current portion	2,801,222	2,211,872
Total liabilities	7,821,693	6,793,936
STOCKHOLDERS' EQUITY:		
Convertible preferred stock Series A, $.001 par value; 4,490,794 shares authorized at September 30, 2011 and December 31, 2010; 4,096,700 shares issued and outstanding at September 30, 2011 and December 31, 2010; liquidation preference $4,106,122 at September 30, 2011 and December 31, 2010	4,097	4,097
Convertible preferred stock Series B, $.001 par value; 4,516,968 shares authorized at September 30, 2011 and December 31, 2010; 4,318,983 shares issued and outstanding at September 30, 2011 and December 31, 2010; liquidation preference $13,129,708 at September 30, 2011 and December 31, 2010	4,319	4,319
Common stock, $.001 par value; 27,197,985 shares authorized at September 30, 2011 and December 31, 2010; 12,376,111 and 12,256,757 shares issued and	12,376	12,257

outstanding at September 30, 2011 and December 31, 2010, respectively		
Additional paid-in capital	20,107,111	19,798,025
Accumulated deficit	(5,987,166)	(5,867,363)
Total stockholders' equity	14,140,737	13,951,335
TOTAL	$21,962,430	$20,745,271

See Notes to Unaudited Financial Statements

INSIDER GUIDES, INC.
UNAUDITED STATEMENT OF OPERATIONS
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue	$8,004,733	$6,361,251	$21,388,599	$16,133,793
Operating expenses:				
Sales and marketing	1,501,992	710,432	3,846,276	1,887,480
Information technology	1,199,802	946,777	3,485,349	2,854,871
General and administrative	4,149,102	3,099,149	11,407,551	8,729,007
Depreciation and amortization	677,007	712,031	2,277,169	2,158,218
Total operating expenses	7,527,903	5,468,389	21,016,345	15,629,576
Income From Operations	476,830	892,862	372,254	504,217
OTHER INCOME (EXPENSE):				
Interest expense	(166,816)	(135,275)	(458,115)	(386,640)
Interest income	4,972	6,255	16,514	19,855
Total other income (expense)	(161,844)	(129,020)	(441,601)	(366,785)
Income (Loss) Before Income Taxes	314,986	763,842	(69,347)	137,432
Income Tax Provision	(28,865)	-	(50,456)	-
Net Income (Loss)	$286,121	$763,842	$(119,803)	$137,432

See Notes to Unaudited Financial Statements

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INSIDER GUIDES, INC.
UNAUDITED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2011

	CAPITAL STOCK						ADDITIONAL		
	PREFERRED SERIES A		PREFERRED SERIES B		COMMON		PAID-IN	ACCUMULATED	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	TOTAL
BALANCE, DECEMBER 31, 2010	4,096,700	$4,097	4,318,983	$4,319	12,256,757	$12,257	$19,798,025	$(5,867,363)	$13,951,335
ISSUANCE OF WARRANTS							107,500		107,500
SHARE-BASED COMPENSATION							153,187		153,187
EXERCISE OF STOCK OPTIONS					119,354	119	48,399		48,518
NET GAIN (LOSS)								(119,803)	(119,803)
BALANCE, SEPTEMBER 30, 2011	4,096,700	$4,097	4,318,983	$4,319	12,376,111	$12,376	$20,107,111	$(5,987,166)	$14,140,737

See Notes to Unaudited Financial Statements

INSIDER GUIDES, INC.
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND 2010

	Nine Months Ended September 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (119,803)	$ 137,432
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation	2,202,734	2,158,218
Amortization of intangibles	74,435	-
Amortization of debt discount	37,745	45,482
Share-based compensation expense	153,187	148,721
Changes in operating assets and liabilities:		
Trade accounts receivable	260,195	(502,766)
Prepaid expenses	(471,920)	(214,831)
Deposits and other assets	18,148	(2,267)
Accounts payable	130,439	540,083
Accrued expenses and other current liabilities	(151,764)	6,451
Deferred revenue	15,063	(47,017)
Net cash provided by operating activities	2,148,459	2,269,506
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,100,405)	(2,205,252)
Purchase of intangible assets	(999,434)	(280,000)
Net cash used in investing activities	(3,099,839)	(2,485,252)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	3,041,628	2,231,425
Exercise of stock options	48,518	32,287
Repayments of notes payable	(1,937,854)	(2,024,276)
Net cash provided by financing activities	1,152,292	239,436
NET INCREASE IN CASH	200,912	23,690
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,329,278	7,028,320
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,530,190	$ 7,052,010

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION,				
Interest paid	$	420,369	$	341,158
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:				
Discount of note payable and adjustment to additional paid-in-capital for warrants issued	$	107,500	$	34,700

See Notes to Unaudited Financial Statements

Insider Guides, Inc.

Notes To Unaudited Financial Statements
September 30, 2011

1. Nature Of Operations

Insider Guides, Inc. (the "Company") operates a social networking website open to people of all ages, with a concentration of members between the ages of 13 and 24. The Company's site, www.myyearbook.com, was launched in August 2005. The Company generates revenues primarily from advertising fees.

2. Summary Of Significant 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 and liabilities and disclosures 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.

Revenue Recognition

Advertising and custom sponsorship revenues consist primarily of advertising fees earned from the display of advertisements and click-throughs on text based links on the Company's website. Revenue from online advertising is recognized as impressions are delivered. An impression is delivered when an advertisement appears on pages viewed by members of the Company's website. Revenue from the display of click-throughs on text based links is recognized as click-throughs occur. Sponsorship revenue is recognized over the time period in which the sponsorship on the website occurs. Revenue from the sale of virtual currency is recognized when redeemed on the Company's website. The Company records deferred revenue on the accompanying balance sheets when payments for virtual currency are received in advance of usage.

Cash And Cash Equivalents

The Company considers all cash in operating bank accounts, cash on hand, and other investments with a maturity of three months or less as cash and cash equivalents.

Trade Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon a periodic review of individual accounts. The allowance for doubtful accounts was $256,000 and $175,000 at September 30, 2011 and December 31, 2010, respectively.

Insider Guides, Inc.

Notes To Unaudited Financial Statements
September 30, 2011

Property And Equipment

Property and equipment are recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the assets' estimated useful lives, ranging from 3 to 7 years.

Intangible Assets

Intangible assets consist of domain names and related registrations and mobile applications. The Company has determined that domain names and related registrations have an indefinite useful life and therefore are not amortized. Mobile applications are amortized on a straight-line basis over their estimated useful lives of 7 years.

Long-Lived Assets

The Company assesses its long-lived assets, specifically amortizable intangibles and equipment, for impairment whenever changes in circumstances indicated that the carrying amount of an asset may not be fully recoverable. The Company assesses indefinite lived intangible assets annually for impairment. As a result of its assessment, the Company does not believe that any impairment in the recoverability of its long-lived assets occurred during 2011 or 2010.

Income Taxes

The Company accounts for income taxes under the provision of FASB Accounting Standards Codification ("ASC") 740 "Accounting for Income Taxes". Under ASC 740, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which differences are expected to reverse. ASC 740 also prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. There were no uncertain tax positions that met the recognition threshold as of September 30, 2011 and December 31, 2010.

ASC 740 also provides guidance related to, amount other things, classification, accounting for interest and penalties associated with tax positions, and disclosure requirements. Any interest and penalties accrued related to unrecognized tax benefits will be recorded in tax expense. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of September 30, 2011 and December 31, 2010, the Company had no accrued interest or penalties related to income taxes. The Company currently has no federal or state tax examinations in progress.

The Company is subject to federal income tax and various state income taxes. The Company is no longer subject to examination by federal or state authorities for years before 2006.

Insider Guides, Inc.

Notes To Unaudited Financial Statements
September 30, 2011

Advertising Costs

Advertising costs are expensed as incurred and totaled $354,202 and $75,525 for the three month periods ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, advertising costs were $911,567 and $80,201, respectively.

Share-Based Compensation

The Company records compensation expense for share-based awards based on the estimated fair value calculated using an option valuation model.

Compensation expense was $46,270 and $40,211 for the three month periods ended September 30, 2011 and 2010, respectively, and $127,961 and $120,510 for the nine months ended September 30, 2011 and 2010, respectively, related to stock options granted to employees. The Black-Scholes option pricing model was used to estimate the option calculated value. The option pricing model requires a number of assumptions, of which the most significant are expected stock price volatility and the expected option term. Since it was not practicable for the Company to estimate the expected volatility of its share price, the Company accounted for its options based on a value calculated using the historical volatility of an appropriate industry sector index. Unvested option compensation expense will be recognized over the remaining option term.

The Company recorded consulting expense of $2,138 and $5,866 for the three month periods ended September 30, 2011 and 2010, respectively, and $25,226 and $28,211 for the nine months ended September 30, 2011 and 2010, respectively, related to stock options granted to non-employees. The Company accounts for stock options granted to non-employees on a fair value basis over the vesting period using the Black-Scholes option pricing model. The initial non-cash charge to operations for non-employee options with vesting is revalued at the end of each reporting period based upon the change in the fair value of the Company's common stock and amortized to consulting expense over the related vesting period.

3. Property And Equipment

Property and equipment consist of the following at September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
Servers	$ 12,365,045	$ 10,455,551
Computer equipment	574,601	385,630
Leasehold improvements	114,224	114,224
Furniture and fixtures	49,075	47,135
Property and equipment, at cost	13,102,945	11,002,540
Less accumulated depreciation	9,212,274	7,009,539
Property and equipment, net	$ 3,890,671	$ 3,993,001

Depreciation expense was $653,882 and $712,031 for the three month periods ended September 30, 2011 and 2010, respectively, and $2,202,735 and $2,158,218 for the nine month periods ended September 30, 2011 and 2010, respectively.

4. Intangible Assets

Intangible assets consist of the following at September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
Amortized intangibles:		
Mobile applications	$ 657,500	$ 432,500
Accumulated amortization	(74,435)	-
	583,065	$ 432,500
Unamortized intangibles,		
Domain names	1,167,594	393,160
Total intangible assets	$ 1.750,659	$ 825,660

Mobile application amortization expense was $23,125 for the three month period ended September 30, 2011, and $74,435 for the nine month period ended September 30, 2011. Estimated aggregate amortization expense for each of the next five fiscal years is $92,500.

5. Accrued Expenses And Other Current Liabilities

Accrued expenses and other current liabilities consist of the following at September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
Compensation and related benefits	$ 317,495	$ 452,258
Commissions	137,500	154,500
Total	$ 454,995	$ 606,758

Insider Guides, Inc.

Notes To Unaudited Financial Statements
September 30, 2011

6. Long-Term Debt

Long-term debt obligations consist of three growth capital term loans and five equipment term loans. The first two growth term loans and the first two equipment term loans consist of the Loan and Security Agreement ("LSA") entered into on October 1, 2007 and the Extended Loan and Security Agreement ("ESLA") entered into on February 21, 2008. The third equipment term loan, the Supplemental Loan and Security Agreement ("SLSA"), was entered into on November 21, 2008. The fourth equipment term loan, Supplement Number 2 Loan and Security Agreement ("S2LSA") was entered into on January 22, 2010. The third growth term and fifth equipment term loans, Loan and Security Agreement Number 2 ("LSA2"), were entered into on December 13, 2010. Long-term debt consists of the following at September 30, 2011 and December 31, 2010:

	Original Borrowings	Interest Rates	September 30, 2011	December 31, 2010
Growth term loans:				
LSA	$ 900,000	12.50 %	$ -	$ -
ELSA	1,000,000	12.50 %	-	113,170
LSA2	432,500	12.50 %	329,167	93,788
Equipment term loans:				
LSA	1,100,000	12.00 %	-	-
ELSA	1,000,000	12.00 %	-	133,012
SLSA	2,500,000	12.60 %	527,742	1,168,287
S2LSA	2,500,000	12.50 %	1,532,965	2,087,457
LSA2	3,567,500	12.50 %	3,141,218	831,605
Total			5,531,092	4,427,319
Less current portion			2,596,431	2,151,763
Less unamortized discount			133,439	63,684
Total long-term debt			$ 2,801,222	$ 2,211,872

The LSA and ELSA growth term loans each require interest only payments of 1.042% per month for six months, after which time the principal is payable over a 30 month period at a fixed interest rate of 12.50% per annum. The LSA and ELSA equipment term loans are each payable over a 36 month period at a fixed interest rate of 12.00% per annum. The SLSA equipment term loan is payable over a 36 month period at a fixed interest rate of 12.60% per annum. The S2LSA equipment term loan is payable over a 36 month period at a fixed interest rate of 12.50% per annum. The LSA2 equipment term loan is payable over a 36 month period at a fixed interest rate of 12.50% per annum. Borrowings for soft costs associated with the LSA2 equipment term loan and the LSA2 growth term loan, as defined in the LSA2, are payable over a 30 month period at a fixed interest rate of 12.50% per annum.
All of the loans are collateralized by substantially all the assets of the Company and contain certain covenants.

In connection with the LSA and ELSA, the Company granted the lender warrants entitling them to purchase 144,666 and 149,656 shares, respectively, of the Company's Series A Preferred Stock. The warrants entitle the lender to purchase the preferred shares beginning after October 1, 2007, until March 31, 2015 for the LSA, and beginning on February 21, 2008, until September 30, 2015 for the ELSA, at an exercise price of $1.0023 per share. The exercise price is subject to adjustment under certain circumstances specified in the warrant agreements. At the date of the grant for the LSA in 2007, the Company calculated the fair value of the warrants to be $58,665, which was recorded as a discount to debt and to additional paid-in capital. At the date of the grant for the ELSA, the Company calculated the fair value of the warrants to be $50,883, which was recorded as a discount to debt and to additional paid-in capital.

In connection with the SLSA, the Company granted the lender warrants to purchase up to 52,426 shares of the Company's Series B Preferred Stock. The warrants entitle the lender to purchase the preferred shares beginning after November 21, 2008, until June 30, 2016, at an exercise price of $3.04 per share. The exercise price is subject to adjustment under certain circumstances specified in the warrant agreement. The Company drew down the available proceeds of the SLSA in two separate draws in 2008 and 2009. At the date of the grant in 2008, the Company calculated the fair value of the warrants to be $12,082, which was recorded as a discount to debt and to additional paid-in capital. At the date of the grant in 2009, the Company calculated the fair value of the warrants to be $20,003, which was recorded as a discount to debt and to additional paid-in capital.

In connection with the S2LSA, the Company granted the lender warrants to purchase up to 52,426 shares of the Company's Series B Preferred Stock. The warrants entitle the lender to purchase the preferred shares beginning after January 22, 2010, until December 31, 2017, at an exercise price of $3.04 per share. The exercise price is subject to adjustment under certain circumstances specified in the warrant agreement. The Company drew down the available proceeds of the S2LSA in ten separate draws in 2010. At the date of the grants in 2010, the Company calculated the fair value of the warrants to be $39,826, which was recorded as a discount to debt and to additional paid-in capital.

In connection with the LSA2, the Company granted the lender warrants to purchase up to 93,133 shares of the Company's Series B Preferred Stock. The warrants entitle the lender to purchase the preferred shares beginning after December 13, 2010, until December 31, 2018, at an exercise price of $3.04 per share. The exercise price is subject to adjustment under certain circumstances specified in the warrant agreement. The Company drew down the available proceeds of the LSA2 in eight separate draws in 2010 and ending September 30, 2011. At the date of the grant in 2011, the Company calculated the fair value of the warrants to be $127,430, which was recorded as a discount to debt and to additional paid-in capital.

The debt discounts are amortized using the straight-line method over the terms of the related debt. Amortization expense was $16,468 and $19,171 for the three month periods ended September 30, 2011 and 2010, respectively, and $37,745 and $45,482 for the nine month periods ended September 30, 2011 and 2010, respectively. Amortization expense was recorded as interest expense on the Company's statement of operations.

Insider Guides, Inc.

Notes To Unaudited Financial Statements
September 30, 2011

As of September 31, 2011, principal payments of long-term debt are due as follows:

Years ending December 31:		
2011	$	741,780
2012		2,405,191
2013		1,903,368
2014		480,753
Total principal outstanding		5,531,092
Less unamortized discount		133,439
Total	$	5,397,653

7. Preferred Stock

On October 30, 2006, the Company entered into and executed the Series A Preferred Stock Purchase Agreement ("Series A Agreement"). Under the terms of the Series A Agreement, the Company amended and restated its Certificate of Incorporation to allow for the issuance of 4,096,700 shares of preferred stock, all of which are designated as Series A Preferred Stock ("Series A Preferred") and sold the Series A Preferred to investors for $4,106,122.

On September 28, 2007, in connection with warrants issued to a lender (Note 6), the Company again amended and restated its Certificate of Incorporation to have authority to issue 21,244,438 shares of common stock and 4,341,138 shares of preferred stock, designated as Series A Preferred.

On February 21, 2008, in connection with warrants issued to a lender (Note 6), the Company again amended and restated its Certificate of Incorporation to have authority to issue 21,394,094 shares of common stock and 4,490,794 shares of preferred stock, designated as Series A Preferred.

On July 16, 2008, the Company entered into and executed the Series B Preferred Stock Purchase Agreement ("Series B Agreement"). Under the terms of Series B Agreement, the Company amended and restated its Certificate of Incorporation to have authority to issue 27,000,000 shares of common stock and 4,318,983 shares of additional preferred stock, all of which are designated as Series B Preferred Stock ("Series B Preferred"). The Company sold the Series B Preferred to investors for $11,500,837 and converted $1,303,098 of outstanding debt and accrued interest into Series B Preferred shares.

On December 10, 2010, in connection with warrants issued to a lender (Note 6), the Company again amended and restated its Certificate of Incorporation to have authority to issue 27,197,985 shares of common stock and 4,516,968 shares of preferred stock, designated as Series B Preferred.

The Series A Preferred and Series B Preferred are convertible into common stock at the holder's option at the defined conversion ratio of 1:1. All outstanding shares of Series A Preferred and Series B Preferred automatically convert into common stock upon the affirmative vote of at least seventy percent of outstanding Series A Preferred and Series B

Preferred or the consummation of a firmly underwritten public offering, as defined. The Series A Preferred and Series B Preferred have voting rights equivalent to the number of shares of common stock into which it is convertible. The holders of Series A Preferred and the holders of Series B Preferred are both entitled to elect one member each to the Company's Board of Directors.

Insider Guides, Inc.

Notes To Unaudited Financial Statements
September 30, 2011

The holders of common stock are entitled to elect two members to the Company's Board of Directors. Any additional Directors are elected by holders of common stock, Series A Preferred and Series B Preferred. The holders of Series A Preferred and Series B Preferred are entitled to receive dividends of $.0601 and $.1824, respectively, per share per annum, if declared by the Board of Directors prior and in preference to the common stock holders. In addition, the holders of the Series A Preferred and Series B Preferred are entitled to a liquidation preference equal to the original purchase price of $1.0023 and $3.04, respectively, per share plus any accrued unpaid dividends in the event of a liquidation, as defined.

In connection with the sale of the Series B Preferred, the Company and its common and preferred shareholders have entered into a Right of First Refusal and Co-Sale Agreement dated July 15, 2008, which supersedes the prior Right of First Refusal and Co-Sale Agreement dated October 30, 2006, whereby the parties have the first right of refusal to purchase the stock of a shareholder who has a bona fide purchaser of their shares.

8. Stock Options

On October 30, 2006 the Company adopted the 2006 Equity Incentive Plan (the "2006 Plan"). Under the 2006 Plan, the Company may grant incentive stock options ("ISO's"), non-qualified stock options ("NSO's"), restricted stock awards, stock bonus awards, stock appreciation rights, restricted stock units and performance shares to selected employees and non-employee directors. At September 30, 2011, 4,540,395 shares of the Company's common stock were authorized for issuance under the 2006 Plan for stock option awards. ISO's granted under the 2006 Plan become exercisable over a four-year period beginning one year from the grant date and expire ten years after the date of grant. NSO's granted under the 2006 Plan vest and shall become exercisable as determined by the Board of Directors. Options granted to date have been granted at exercise prices ranging from $0.24 to $1.83 per share.

The Company uses the Black-Scholes option pricing model to measure the grant date calculated value of stock options that uses the assumptions noted in the table below. The options generally vest over the requisite service period, which is equal to the option vesting period of 4 years for ISO's and 2 years for NSO's. Generally, the Company uses expected volatilities and risk free interest rates that correlate with the expected term of the option when estimating the option's fair value. The Company utilizes the simplified method to estimate the expected life of the option, which is equal to the average of the vesting term and contractual term. Expected volatility is based on historical volatility of the stock prices of comparable companies and the risk free interest rate is based on bond yields with equivalent terms. The Company used assumptions as set forth in the following table:

	ISO's – September 30,		NSO's – September 30,	
	2011	2010	2011	2010
Expected volatility range	44.6-45.2%	46.0-46.4%	45.6-50.7%	56.0-64.6%
Dividend yield	-	-	-	-
Expected life, years	6.1	6.1	8.4-8.7	8.0-9.9
Risk free interest rate	1.8-2.5%	2.7-2.8%	2.8-3.3%	3.2-3.9%

Insider Guides, Inc.

Notes To Unaudited Financial Statements
September 30, 2011

The following is a summary of the Company's stock option activity and related information for the nine month period ended September 30, 2011 and 2010:

	Nine Months Ended September 30, 2011		
	Number Of Common Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)
Outstanding at the beginning of the period	3,777,419	$ 0.43	7.63
Granted	407,500	1.35	9.92
Cancelled or forfeited	(10,718)	0.27	6.10
Exercised	(279,437)	0.49	8.59
Outstanding at the end of the period	3,894,764	$ 0.54	7.84
Exercisable at the end of the period	2,813,405	$ 0.22	6.69

	Nine Months Ended September 30, 2010		
	Number Of Common Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)
Outstanding at the beginning of the period	3,255,722	$ 0.39	7.91
Granted	636,245	0.58	9.64
Cancelled or forfeited	(97,285)	0.33	7.43
Exercised	(86,009)	0.51	8.68
Outstanding at the end of the period	3,708,673	$ 0.40	7.05
Exercisable at the end of the period	2,154,560	$ 0.31	6.38

The weighted average grant-date fair value of options granted during the nine month periods ended 2011 and 2010 was $0.42 and $0.28 each for ISO's, respectively. There were no NSO's granted in the nine month periods ended September 30, 2011 and 2010. The total intrinsic value of options exercised during the nine month periods ended September 30, 2011 and 2010 was $1,962 and $27,254 for ISO's, respectively, and $0 for NSO's, for the nine month periods ended September 30, 2011 and 2010.

Insider Guides, Inc.

Notes To Unaudited Financial Statements
September 30, 2011

As of September 30, 2011 and December 31, 2010, respectively, there was unrecognized compensation expense of $363,008 and $309,160 related to nonvested share-based compensation arrangements for ISO's and $592 and $5,882 for NSO's under the 2006 Plan. The unrecognized compensation expense at September 30, 2011 is expected to be recognized over a period of 3.27 years for the ISO's.

Cash received from the exercise of options under the 2006 Plan for the nine month periods ended September 30, 2011 and 2010 was $2,891 and $32,647 respectively.

9. Commitments And Contingencies

Operating Leases

The Company conducts its operations in leased facilities. The leases provide for renewal options. The facility leases represent operating leases and, accordingly, rent expense is charged to operations as incurred. The total lease expense was $381,872 and $346,595 for the three month periods ended September 30, 2011 and 2010, respectively, and $1,131,578 and $1,040,828 for the nine month periods ended September 30, 2011 and 2010, respectively.

As of September 30, 2011, the future minimum rental payments due under noncancelable operating leases are as follows:

Years ending December 31:		
2011	$	353,375
2012		1,325,650
2013		653,085
2014		437,762
2015		448,706
2016		459,923

10. Concentration Of Credit Risk

The Company maintains cash with financial institutions. At times throughout the period, amounts on deposit exceeded federally insured limits. As of September 30, 2011 and December 31, 2010, the Company's uninsured cash balances totaled $7,821,109 and $7,630,575, respectively. Management believes the risk of loss is minimal.

11. Subsequent Events

On November 10, 2011, the Company merged with Quepasa Corporation and is now a wholly-owned subsidiary. In connection with the merger, security holders of the Company received $18 million of cash and 17 million shares of Quepasa common stock, without giving effect to cash paid for fractional shares. The convertible preferred stock Series A and Series B, options and warrants referred to in these notes are no longer outstanding.

Insider Guides Audited Financial Statements
December 31, 2010 and 2009

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Independent Auditors' Report

Board of Directors and Stockholders
Insider Guides, Inc. :

We have audited the accompanying balance sheet of Insider Guides, Inc. (the "Company") as of December 31, 2010 and 2009, and the related statements of operations, changes in stockholders' equity, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statements referred to above present fairly, in all material respects, the financial position of Insider Guides, Inc. as of December 31, 2010 and 2009 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.

Philadelphia, Pennsylvania
March 30, 2011

Insider Guides, Inc.

Balance Sheet
December 31, 2010 And 2009

	2010	2009
Assets		
Current Assets:		
Cash and cash equivalents	$ 8,329,278	$ 7,028,320
Trade accounts receivable, net	7,001,124	4,249,382
Prepaid expenses	497,477	347,678
Total current assets	15,827,879	11,625,380
Property And Equipment, Net	3,993,001	4,144,239
Intangible Assets	825,660	190,000
Deposits And Other Assets	98,731	91,812
Total	$ 20,745,271	$ 16,051,431
Liabilities And Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 1,778,557	$ 1,459,885
Accrued expenses and other current liabilities	606,758	394,430
Deferred revenue	44,986	73,041
Current portion of long-term debt	2,151,763	2,177,090
Total current liabilities	4,582,064	4,104,446
Long-Term Debt, Net Of Current Portion	2,211,872	1,354,142
Total liabilities	6,793,936	5,458,588
Stockholders' Equity:		
Convertible preferred stock Series A, $.001 par value; 4,490,794 shares authorized at December 31, 2010 and 2009; 4,096,700 shares issued and outstanding at December 31, 2010 and 2009; liquidation preference $4,106,122 at December 31, 2010 and 2009	4,097	4,097
Convertible preferred stock Series B, $.001 par value; 4,516,968 and 4,318,983 shares authorized at December 31, 2010 and 2009, respectively; 4,318,983 shares issued and outstanding at December 31, 2010 and 2009; liquidation preference $13,129,708 at December 31, 2010 and 2009	4,319	4,319
Common stock, $.001 par value; 27,197,985 and 27,000,000 shares authorized at December 31, 2010 and 2009, respectively; 12,256,757 and 12,156,972 shares issued and outstanding at December 31, 2010 and 2009, respectively	12,257	12,157
Additional paid-in capital	19,798,025	19,510,931
Accumulated deficit	(5,867,363)	(8,938,661)

Total stockholders' equity		13,951,335		10,592,843
Total	$	20,745,271	$	16,051,431

See notes to financial statements

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Insider Guides, Inc.

Statement Of Operations
Years Ended December 31, 2010 And 2009

	2010	2009
Revenue	$ 23,664,405	$ 15,427,514
Operating Expenses:		
Sales and marketing	2,690,309	1,318,756
Information technology	3,948,385	3,292,890
General and administrative	12,306,939	9,394,887
Depreciation	2,953,307	2,500,545
Total operating expenses	21,898,940	16,507,078
Income (Loss) From Operations	1,765,465	(1,079,564)
Other Income (Expense):		
Gain on sale of asset	1,895,000	-
Interest expense	(512,010)	(539,388)
Interest income	25,797	61,013
Total other income (expense)	1,408,787	(478,375)
Income (Loss) Before Income Taxes	3,174,252	(1,557,939)
Income Tax Provision	102,954	-
Net Income (Loss)	$ 3,071,298	$ (1,557,939)

See notes to financial statements

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Insider Guides, Inc.

Statement Of Operations In Stockholders' Equity
Years Ended December 31, 2010 And 2009

	Capital Stock						Additional		
	Preferred Series A		Preferred Series B		Common		Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2008	4,096,700	$ 4,097	4,318,983	$ 4,319	12,146,144	$ 12,147	$ 19,341,540	$ (7,380,722)	$ 11,981,381
Issuance of warrants							26,714		26,714
Share-based compensation							139,505		139,505
Exercise of stock options					10,828	10	3,172		3,182
Net loss								(1,557,939)	(1,557,939)
Balance, December 31, 2009	4,096,700	$ 4,097	4,318,983	$ 4,319	12,156,972	$ 12,157	$ 19,510,931	$ (8,938,661)	$ 10,592,843
Issuance of warrants							59,756		59,756
Share-based compensation							194,101		194,101
Exercise of stock options					99,785	100	33,237		33,337
Net income								3,071,298	3,071,298
Balance, December 31, 2010	4,096,700	$ 4,097	4,318,983	$ 4,319	12,256,757	$ 12,257	$ 19,798,025	$ (5,867,363)	$ 13,951,335

See notes to financial statements

Insider Guides, Inc.

Statement Of Cash Flows
Years Ended December 31, 2010 And 2009

	2010	2009
Cash Flows From Operating Activities:		
Net income (loss)	$ 3,071,298	$ (1,557,939)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation	2,953,307	2,500,545
Gain on sale of asset	(1,895,000)	-
Amortization of debt discount	56,399	47,356
Share-based compensation expense	194,101	139,505
Changes in operating assets and liabilities:		
Trade accounts receivable	(2,751,742)	(2,087,558)
Prepaid expenses	(149,799)	(190,121)
Deposits and other assets	(6,919)	(1,191)
Accounts payable	318,672	885,295
Accrued expenses and other current liabilities	212,328	118,550
Deferred revenue	(28,055)	20,935
Net cash provided by (used in) operating activities	1,974,590	(124,623)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(2,802,069)	(1,783,093)
Purchase of intangible assets	(740,660)	(140,000)
Proceeds from sale of asset	2,000,000	-
Net cash used in investing activities	(1,542,729)	(1,923,093)
Cash Flows From Financing Activities:		
Proceeds from notes payable	3,458,373	1,721,449
Exercise of stock options	33,337	3,182
Repayments of notes payable	(2,622,613)	(1,919,751)
Net cash provided by (used in) financing activities	869,097	(195,120)
Net Increase (Decrease) In Cash And Cash Equivalents	1,300,958	(2,242,836)
Cash And Cash Equivalents, Beginning Of Year	7,028,320	9,271,156
Cash And Cash Equivalents, End Of Year	$ 8,329,278	$ 7,028,320
Supplemental Disclosures Of Cash Flow Information:		
Interest paid	$ 455,611	$ 492,030
Taxes paid	$ 55,354	$ -
Supplemental Disclosure Of Noncash Financing Activity,		
	$ 59,756	$ 26,714

Discount of note payable and adjustment to additional paid-in-capital for warrents issued

See notes to financial statements

Insider Guides, Inc.

Notes To Financial Statements
December 31, 2010 And 2009

1. Nature Of Operations

Insider Guides, Inc. (the "Company") operates a social networking website open to people of all ages, with a concentration of members between the ages of 13 and 24. The Company's site, www.myyearbook.com, was launched in August 2005. The Company generates revenues primarily from advertising fees.

2. Summary Of Significant 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 and liabilities and disclosures 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.

Revenue Recognition

Advertising and custom sponsorship revenues consist primarily of advertising fees earned from the display of advertisements and click-throughs on text based links on the Company's website. Revenue from online advertising is recognized as impressions are delivered. An impression is delivered when an advertisement appears on pages viewed by members of the Company's website. Revenue from the display of click-throughs on text based links is recognized as click-throughs occur. Sponsorship revenue is recognized over the time period in which the sponsorship on the website occurs. Revenue from the sale of virtual currency is recognized when redeemed on the Company's website. The Company records deferred revenue on the accompanying balance sheets when payments for virtual currency are received in advance of usage.

Cash And Cash Equivalents

The Company considers all cash in operating bank accounts, cash on hand, and other investments with a maturity of three months or less as cash and cash equivalents.

Trade Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon a periodic review of individual accounts. The allowance for doubtful accounts was $175,000 and $58,854 at December 31, 2010 and 2009, respectively.

Property And Equipment

Property and equipment are recorded at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the assets' estimated useful lives, ranging from 3 to 7 years.

Intangible Assets

Intangible assets consist of domain names and related registrations and mobile applications. The Company has determined that domain names and related registrations have an indefinite useful life and therefore are not amortized. Mobile applications are amortized on a straight-line basis over their estimated useful lives of 7 years.

Long-Lived Assets

The Company assesses its long-lived assets, specifically intangibles and equipment, for impairment whenever changes in circumstances indicated that the carrying amount of an asset may not be fully recoverable. As a result of its assessment, the Company does not believe that any impairment in the recoverability of its long-lived assets occurred during 2010 or 2009.

Income Taxes

The Company provides for the tax effects of transactions reported in the financial statements. Deferred income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates to differences between the financial reporting and tax basis of existing assets and liabilities.

The Company is subject to federal income tax and various state income taxes. The Company is no longer subject to examination by federal or state authorities for years before 2006.

Advertising Costs

Advertising costs are expensed as incurred and totaled $233,109 and $46,401 for the years ended December 31, 2010 and 2009, respectively.

Share-Based Compensation

The Company records compensation expense for share-based awards based on the estimated fair value calculated using an option valuation model.

Insider Guides, Inc.

Notes To Financial Statements
December 31, 2010 And 2009

Compensation expense was $152,563 and $138,630 for the years ended December 31, 2010 and 2009, respectively, related to stock options granted to employees. The Black Scholes option pricing model was used to estimate the option calculated value. The option pricing model requires a number of assumptions, of which the most significant are expected stock price volatility and the expected option term. Since it was not practicable for the Company to estimate the expected volatility of its share price, the Company accounted for its options based on a value calculated using the historical volatility of an appropriate industry sector index. Unvested option compensation expense will be recognized over the remaining option term.

The Company recorded consulting expense of $41,538 and $875 for the years ended December 31, 2010 and 2009, respectively, related to stock options granted to non– employees. The Company accounts for stock options granted to non-employees on a fair value basis over the vesting period using the Black-Scholes option pricing model. The initial non-cash charge to operations for non-employee options with vesting is revalued at the end of each reporting period based upon the change in the fair value of the Company's common stock and amortized to consulting expense over the related vesting period.

Subsequent Events

The Company evaluated subsequent events for recognition or disclosure through March 30, 2011, the date the financial statements were available to be issued.

3. Property And Equipment

Property and equipment consist of the following at December 31:

	2010	2009
Servers	$ 10,455,551	$ 7,846,909
Computer equipment	385,630	266,044
Leasehold improvements	114,224	50,217
Furniture and fixtures	47,135	37,301
Property and equipment, at cost	11,002,540	8,200,471
Less accumulated depreciation	7,009,539	4,056,232
Property and equipment, net	$ 3,993,001	$ 4,144,239

Depreciation expense was $2,953,307 and $2,500,545 for the years ended December 31, 2010 and 2009, respectively.

Notes To Financial Statements
December 31, 2010 And 2009

4. Intangible Assets

Intangible assets consist of the following at December 31:

	2010	2009
Amortized intangibles:		
Mobile applications	$ 432,500	$ -
Accumulated amortization	-	-
Balance, net	432,500	-
Unamortized intangibles,		
Domain names	393,160	190,000
Total intangible assets	$ 825,660	$ 190,000

Mobile application amortization expense was $0 for the year ended December 31, 2010. Estimated aggregate amortization expense for each of the next five fiscal years is $61,786.

The Company sold a domain name in 2010 for $2,000,000, resulting in a gain of $1,895,000 that is presented as a component of other income on the statement of operations.

5. Accrued Expenses And Other Current Liabilities

Accrued expenses and other current liabilities consist of the following at December 31:

	2010	2009
Compensation and related benefits	$ 452,258	$ 310,085
Commissions	154,500	84,345
Total	$ 606,758	$ 394,430

Insider Guides, Inc.

Notes To Financial Statements
December 31, 2010 And 2009

6. Long-Term Debt

Long-term debt obligations consist of three growth capital term loans and five equipment term loans. The first two growth term loans and the first two equipment term loans consist of the Loan and Security Agreement ("LSA") entered into on October 1, 2007 and the Extended Loan and Security Agreement ("ESLA") entered into on February 21, 2008. The third equipment term loan, the Supplemental Loan and Security Agreement ("SLSA"), was entered into on November 21, 2008. The fourth equipment term loan, Supplement Number 2 Loan and Security Agreement ("S2LSA") was entered into on January 22, 2010. The third growth term and fifth equipment term loans, Loan and Security Agreement Number 2 ("LSA2"), were entered into on December 13, 2010. Long-term debt consists of the following at December 31:

	Original Borrowings	Interest Rates	2010	2009
Growth term loans:				
LSA	$ 900,000	12.50%	$ -	$ 296,779
ELSA	1,000,000	12.50%	113,170	532,902
LSA2	97,500	12.50%	93,788	-
Equipment term loans:				
LSA	1,100,000	12.00%	-	354,807
ELSA	1,000,000	12.00%	133,012	473,243
SLSA	2,500,000	12.60%	1,168,287	1,933,829
S2LSA	2,500,000	12.50%	2,087,457	-
LSA2	860,872	12.50%	831,605	-
Total			4,427,319	3,591,560
Less current portion			2,151,763	2,177,090
Less unamortized discount			63,684	60,328
Total long-term debt			$ 2,211,872	$ 1,354,142

The LSA and ELSA growth term loans each require interest only payments of 1.042% per month for six months, after which time the principal is payable over a 30 month period at a fixed interest rate of 12.50% per annum. The LSA and ELSA equipment term loans are each payable over a 36 month period at a fixed interest rate of 12.00% per annum. The SLSA equipment term loan is payable over a 36 month period at a fixed interest rate of 12.60% per annum. The S2LSA equipment term loan is payable over a 36 month period at a fixed interest rate of 12.50% per annum. The LSA2 equipment term loan is payable over a 36 month period at a fixed interest rate of 12.50% per annum. Borrowings for soft costs associated with the LSA2 equipment term loan and the LSA2 growth term loan, as defined in the LSA2, are payable over a 30 month period at a fixed interest rate of 12.50% per annum.

All of the loans are collateralized by substantially all the assets of the Company and contain certain covenants.

In connection with the LSA and ELSA, the Company granted the lender warrants entitling them to purchase 244,437 and 149,657 shares, respectively, of the Company's Series A Preferred Stock. The warrants entitle the lender to purchase the preferred shares beginning after October 1, 2007, until March 31, 2015 for the LSA, and beginning on February 21, 2008, until September 30, 2015 for the ELSA, at an exercise price of $1.0023 per share. The exercise price is subject to adjustment under certain circumstances specified in the warrant agreements. At the date of the grant for the LSA in 2007, the Company calculated the fair value of the warrants to be $58,665, which was recorded as a discount to debt and to additional paid-in capital. At the date of the grant for the ELSA, the Company calculated the fair value of the warrants to be $50,883, which was recorded as a discount to debt and to additional paid-in capital.

In connection with the SLSA, the Company granted the lender warrants to purchase up to 52,426 shares of the Company's Series B Preferred Stock. The warrants entitle the lender to purchase the preferred shares beginning after November 21, 2008, until June 30, 2016, at an exercise price of $3.04 per share. The exercise price is subject to adjustment under certain circumstances specified in the warrant agreement. The Company drew down the available proceeds of the SLSA in two separate draws in 2008 and 2009. At the date of the grant in 2008, the Company calculated the fair value of the warrants to be $12,082, which was recorded as a discount to debt and to additional paid-in capital. At the date of the grant in 2009, the Company calculated the fair value of the warrants to be $26,714, which was recorded as a discount to debt and to additional paid-in capital.

In connection with the S2LSA, the Company granted the lender warrants to purchase up to 52,426 shares of the Company's Series B Preferred Stock. The warrants entitle the lender to purchase the preferred shares beginning after January 22, 2010, until December 31, 2017, at an exercise price of $3.04 per share. The exercise price is subject to adjustment under certain circumstances specified ih the warrant agreement. The Company drew down the available proceeds of the S2LSA in ten separate draws in 2010. At the date of the grants in 2010, the Company calculated the fair value of the warrants to be $39,826, which was recorded as a discount to debt and to additional paid-in capital.

In connection with the LSA2, the Company granted the lender warrants to purchase up to 93,133 shares of the Company's Series B Preferred Stock. The warrants entitle the lender to purchase the preferred shares beginning after December 13, 2010, until December 31, 2018, at an exercise price of $3.04 per share. The exercise price is subject to adjustment under certain circumstances specified in the warrant agreement. The Company drew down the available proceeds of the LSA2 in 2010. At the date of the grant in 2010, the Company calculated the fair value of the warrants to be $19,930, which was recorded as a discount to debt and to additional paid-in capital.

The debt discounts are amortized using the straight-line method over the terms of the related debt. Amortization expense was $56,399 and $47,356 for the years ended December 31, 2010 and 2009, respectively, and was recorded as interest expense on the Company's statement of operations.

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Principal payments of long-term debt are due as follows:

Years ending December 31:		
2011	$	2,151,763
2012		1,430,855
2013		844,701
Total principal outstanding		4,427,319
Less unamortized discount		63,684
Total	$	4,363,635

7. Income Taxes

Income tax provision consists of the following for the years ended December 31:

		2010		2009
Current:				
Federal	$	69,323	$	-
State		33,631		-
Total		102,954		-
Deferred:				
Federal		949,968		(501,691)
State		332,732		(97,289)
Total		1,282,700		(598,980)
Valuation allowance		(1,282,700)		598,980
Total income tax provision	$	102,954	$	-

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The reconciliation of income taxes calculated at the U.S. federal tax statutory rate to the Company's effective tax rate is set forth below:

	2010	2009
U.S. Federal statutory rate	34.00%	34.00%
State and local tax	0.70%	6.59%
Permanent differences	1.40%	-%
Change in valuation allowance	(32.86)%	(40.59)%
Effective income tax rate	3.24%	-%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Components of the Company's deferred income taxes are as follows at December 31:

	2010	2009
Deferred tax assets:		
Intangible assets	$ 30,762	$ 39,692
NOL carryforwards	1,802,110	3,412,479
AMT carryforward	69,323	-
Allowance for bad debt	71,038	23,890
Deferred revenue	18,261	29,650
Property and equipment	-	56,339
Charitable contributions	100,626	135,769
Accrued expenses	304,079	149,867
Other	1,258	1,258
	2,397,457	3,848,944
Valuation allowance	(1,794,804)	(3,077,504)
Net deferred tax assets	602,653	771,440
Deferred tax liabilities:		
Section 481(a) adjustment	(287,886)	(746,951)
Property and equipment	(288,915)	-
Warrants	(25,852)	(24,489)
Total deferred tax liabilities	(602,653)	(771,440)
Net deferred assets (liabilities)	$ -	$ -

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A valuation allowance equal to the net deferred tax asset has been recorded by the Company on the basis of uncertainty with respect to the ultimate realization of the net deferred tax assets.

At December 31, 2010 and 2009, the Company has available net operating loss carry forwards of approximately $4.6 million and $8.4 million, respectively, for both federal and state purposes. For both federal and state purposes, the net operating losses expire in years 2026 to 2029.

8. Preferred Stock

On October 30, 2006, the Company entered into and executed the Series A Preferred Stock Purchase Agreement ("Series A Agreement"). Under the terms of the Series A Agreement, the Company amended and restated its Certificate of Incorporation to allow for the issuance of 4,096,700 shares of preferred stock, all of which are designated as Series A Preferred Stock ("Series A Preferred") and sold the Series A Preferred to investors for $4,106,122.

On September 28, 2007, in connection with warrants issued to a lender (Note 6), the Company again amended and restated its Certificate of Incorporation to have authority to issue 21,244,438 shares of common stock and 4,341,138 shares of preferred stock, designated as Series A Preferred.

On February 21, 2008, in connection with warrants issued to a lender (Note 6), the Company again amended and restated its Certificate of Incorporation to have authority to issue 21,394,094 shares of common stock and 4,490,794 shares of preferred stock, designated as Series A Preferred.

On July 16, 2008, the Company entered into and executed the Series B Preferred Stock Purchase Agreement ("Series B Agreement"). Under the terms of Series B Agreement, the Company amended and restated its Certificate of Incorporation to have authority to issue 27,000,000 shares of common stock and 4,318,983 shares of additional preferred stock, all of which are designated as Series B Preferred Stock ("Series B Preferred"). The Company sold the Series B Preferred to investors for $11,500,837 and converted $1,303,098 of outstanding debt and accrued interest into Series B Preferred shares.

On December 10, 2010, in connection with warrants issued to a lender (Note 6), the Company again amended and restated its Certificate of Incorporation to have authority to issue 27,197,985 shares of common stock and 4,516,968 shares of preferred stock, designated as Series B Preferred.

The Series A Preferred and Series B Preferred are convertible into common stock at the holder's option at the defined conversion ratio of 1:1. All outstanding shares of Series A Preferred and Series B Preferred automatically convert into common stock upon the affirmative vote of at least seventy percent of outstanding Series A Preferred and Series B Preferred or the consummation of a firmly underwritten public offering, as defined. The Series A Preferred and Series B Preferred have voting rights equivalent to the number of shares of common stock into which it is convertible. The holders of Series A Preferred and the holders of Series B Preferred are both entitled to elect one member each to the Company's Board of Directors.

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The holders of common stock are entitled to elect two members to the Company's Board of Directors. Any additional Directors are elected by holders of common stock, Series A Preferred and Series B Preferred. The holders of Series A Preferred and Series B Preferred are entitled to receive dividends of $.0601 and $.1824, respectively, per share per annum, if declared by the Board of Directors prior and in preference to the common stock holders. In addition, the holders of the Series A Preferred and Series B Preferred are entitled to a liquidation preference equal to the original purchase price of $1.0023 and $3.04, respectively, per share plus any accrued unpaid dividends in the event of a liquidation, as defined.

In connection with the sale of the Series B Preferred, the Company and its common and preferred shareholders have entered into a Right of First Refusal and Co-Sale Agreement dated July 15, 2008, which supersedes the prior Right of First Refusal and Co-Sale Agreement dated October 30, 2006, whereby the parties have the first right of refusal to purchase the stock of a shareholder who has a bona fide purchaser of their shares.

9. Stock Options

On October 30, 2006 the Company adopted the 2006 Equity Incentive Plan (the "2006 Plan"). Under the 2006 Plan, the Company may grant incentive stock options ("ISO's"), non-qualified stock options ("NSO's"), restricted stock awards, stock bonus awards, stock appreciation rights, restricted stock units and performance shares to selected employees and non-employee directors. At December 31, 2010, 4,040,395 shares of the Company's common stock were authorized for issuance under the 2006 Plan for stock option awards. ISO's granted under the 2006 Plan become exercisable over a four-year period beginning one year from the grant date and expire ten years after the date of grant. NSO's granted under the 2006 Plan vest and shall become exercisable as determined by the Board of Directors. Options granted to date have been granted at exercise prices ranging from $0.24 to $0.91 per share.

The Company uses the Black-Scholes option pricing model to measure the grant date calculated value of stock options that uses the assumptions noted in the table below. The options generally vest over the requisite service period, which is equal to the option vesting period of 4 years for ISO's and 2 years for NSO's. Generally, the Company uses expected volatilities and risk free interest rates that correlate with the expected term of the option when estimating the option's fair value. The Company utilizes the simplified method to estimate the expected life of the option, which is equal to the average of the vesting term and contractual term. Expected volatility is based on historical volatility of the stock prices of comparable companies and the risk free interest rate is based on bond yields with equivalent terms. The Company used assumptions as set forth in the following table:

	ISO's		NSO's	
	2010	2009	2010	2009
Expected volatility range	45.3	47.9	50.6	56.0
	46.5%	48.5%	50.7%	64.6%
Dividend yield	-	-	-	-
Expected life, years	6.08	6.08	8.9	8.0-9.9
Risk free interest rate	1.5-3.0%	1.5-2.9%	3.1%	3.5-3.9%

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The following is a summary of the Company's stock option activity and related information for the years ended December 31, 2010 and 2009:

	2010			
	Number Of Common Stock Options	Weighted Average Exercies Price		Weighted Average Remaining Contractual Life (In Years)
Outstanding at the beginning of the period	3,255,722	$	0.39	7.91
Granted	723,435		0.60	9.25
Cancelled or forfeited	(101,953)		0.50	8.63
Exercised	(99,785)		0.33	7.47
Outstanding at the end of the period	3,777,419	$	0.43	7.64
Exercisable at the end of the period	2,310,017	$	0.35	7.00

	2009			
	Number Of Common Stock Options	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (In Years)
Outstanding at the beginning of the period	2,650,354	$	0.37	8.91
Granted	798,450		0.48	9.43
Cancelled or forfeited	(182,254)		0.37	8.56
Exercised	(10,828)		0.29	8.28
Outstanding at the end of the period	3,255,722	$	0.39	7.91
Exercisable at the end of the period	1,693,151	$	0.32	6.92

The weighted average grant-date fair value of options granted during the years 2010 and 2009 was $0.28 and $0.24 each for ISO's, respectively, and $0.21 in 2009 for NSO's. There were no NSO's granted in 2010. The total intrinsic value of options exercised during the years ended December 31, 2010 and 2009 was $21,769 and $1,366 for ISO's, respectively, and $0 for NSO's, for the years ended December 31, 2010 and 2009.

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As of December 31, 2010 and 2009, respectively, there was unrecognized compensation expense of $309,160 and $304,165 related to nonvested share-based compensation arrangements for ISO's and $5,882 and $3,977 for NSO's under the 2006 Plan. The unrecognized compensation expense at December 31, 2010 is expected to be recognized over a period of 3.24 years for the ISO's. The total calculated value of shares vested during the years ended December 31, 2010 and 2009 was $307,905 and $138,630 for ISO's, respectively, and $6,912 and $2,738 for NSO's, respectively.

Cash received from the exercise of options under the 2006 Plan for the years ended December 31, 2010 and 2009 was $33,337 and $3,182, respectively.

10. Commitments And Contin

Operating Leases

The Company conducts its operations in leased facilities. The leases provide for renewal options. The facility leases represent operating leases and, accordingly, rent expense is charged to operations as incurred. The total lease expense was $1,345,158 and $926,742 for the years ended December 31, 2010 and 2009, respectively.

As of December 31, 2010, the future minimum rental payments due under noncancelable operating leases are as follows:

Years ending December 31:		
2011	$	734,698
2012		199,626
2013		136,586

11. Concentration Of Credit Risk

The Company maintains cash with financial institutions. At times throughout the year, amounts on deposit exceeded federally insured limits. As of December 31, 2010 and 2009, the Company's uninsured cash balances totaled $7,630,575 and $6,420,309, respectively. Management believes the risk of loss is minimal.

12. Subsequent Events

On January 31, 2011 and on February 28, 2011, the Company drew down $471,914 and $298,518, respectively, from the Loan and Security Agreement Number 2 (Note 6). On February 4, 2011, the Company completed an asset purchase of a mobile application for $200,000.