Access Plans Inc
Form 10-Q
February 11, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2010

OR

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

For the transition period from _____ to _____
Commission File Number 000-30099
Access Plans, Inc.
(Exact name of registrant as specified in its charter)

OKLAHOMA	**27-1846323**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

900 36th Avenue, Suite 105, Norman, OK 73072
(Address of principal executive offices and zip code)

Registrant s telephone number, including area code: (405) 579-8525

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

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

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company þ

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

As of February 11, 2011, 19,877,204 shares of the registrant s common stock, $.001 par value were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Access Plans, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	December 31, 2010	September 30, 2010 (Audited)
Assets		
Cash and cash equivalents	$ 7,772,648	$ 5,380,571
Restricted cash	714,348	786,871
Accounts receivable, net	4,491,144	4,429,885
Advanced agency commissions, net	3,553,641	4,619,814
Deferred income taxes	930,885	1,010,000
Prepaid expenses	65,505	69,987
Total current assets	17,528,171	16,297,128
Furniture, fixtures and equipment, net	280,481	327,560
Goodwill	4,376,339	4,376,339
Intangibles, net	2,769,568	3,010,823
Deferred income taxes	677,405	736,000
Other assets	96,601	103,722
Total assets	$ 25,728,565	$ 24,851,572
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 993,330	$ 907,586
Accrued commissions	569,159	582,729
Unearned commissions	3,353,017	4,571,883
Waiver reimbursement liability	650,600	846,600
Deferred revenue	812,233	857,942
Notes payable	153,901	352,298
Liability for unrecognized tax benefit	166,000	166,000
Other accrued liabilities	3,287,047	2,352,486
Total current liabilities	9,985,287	10,637,524
Total liabilities	9,985,287	10,637,524
Stockholders equity:		
Common stock, $.001 par value; 100,000,000 shares authorized; 19,877,204 shares issued and outstanding	19,877	19,877

Additional paid-in-capital		11,276,740	11,259,020
Accumulated earnings		4,446,661	2,935,151
Total stockholders equity		15,743,278	14,214,048
Total liabilities and stockholders equity	$	25,728,565	24,851,572

See the accompanying notes to the condensed consolidated financial statements.

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Access Plans, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended December 31,	
	2010	**2009**
Net revenues	$ 14,276,142	$ 13,302,648
Direct costs	8,793,119	8,799,708
Gross profit	5,483,023	4,502,940
Marketing and sales expenses	454,662	581,154
General and administrative expenses	2,232,021	2,002,659
Depreciation and amortization	292,747	284,026
Operating income	2,503,593	1,635,101
Other income (expense):		
Other income		94,444
Interest income (expense), net	3,666	(38,090)
Total other income (expense):	3,666	56,354
Income before income taxes	2,507,259	1,691,455
Provision for income taxes		
Current	857,771	670,465
Deferred	137,978	124,495
Total provision for income taxes	995,749	794,960
Net income	$ 1,511,510	$ 896,495
Per share data:		
Basic	$ 0.08	$ 0.04
Diluted	$ 0.08	$ 0.04
Average Shares Outstanding:		
Basic	19,877,204	20,301,867
Diluted	20,028,482	20,459,674

See the accompanying notes to the condensed consolidated financial statements.

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Access Plans, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended December 31,	
	2010	**2009**
Cash flows from operating activities		
Net income	$ 1,511,510	$ 896,495
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax expense	137,978	124,495
Depreciation and amortization	292,747	284,026
Amortization of loan discount to interest expense		38,643
Stock-based compensation	17,720	800
Gain on reduction in related party debt		(94,444)
Provision for losses on receivables	7,067	
Change in operating assets and liabilities:		
Receivables	(68,326)	(59,305)
Advanced agency commissions	1,066,173	480,024
Prepaid expenses and other assets	11,603	26,064
Accounts payable	85,744	121,018
Accrued commissions	(13,750)	(54,556)
Unearned commissions	(1,218,866)	(624,581)
Deferred revenue	(45,709)	(145,443)
Claims and other accrued liabilities	738,561	261,738
Net cash provided by operating activities	2,522,452	1,254,974
Cash flows from investing activities		
Decrease in restricted cash	72,523	463,963
Purchase of equipment	(4,501)	(18,185)
Net cash provided by investing activities	68,022	445,778
Cash flows from financing activities		
Payments on other debt	(198,397)	(134,940)
Purchase of treasury stock		(500,000)
Net cash (used in) financing activities	(198,397)	(634,940)
Net increase in cash and cash equivalents	2,392,077	1,065,812
Cash and cash equivalents at beginning of period	5,380,571	4,108,183
Cash and cash equivalents at end of period	$ 7,772,648	$ 5,173,995

See the accompanying notes to the condensed consolidated financial statements.

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ACCESS PLANS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010
(UNAUDITED)

NOTE 1 NATURE OF BUSINESS

Access Plans, Inc. (the Company) develops and distributes consumer membership plans and consumer driven healthcare programs.

The Company s operations are currently organized under four segments:

Wholesale Plans Division plan offerings are customized membership marketing plans primarily offered at rent-to-own retail stores.

Retail Plans Division plan offerings are primarily healthcare savings plans. These plans are not insurance, but allow members access to a variety of healthcare networks to obtain discounts from usual and customary fees.

Insurance Marketing Division markets individual major medical health insurance and other insurance products through a national network of independent agents.

Corporate includes compensation and other expenses for individuals performing services for administration of overall operations of the Company.

NOTE 2 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended September 30, 2010.

All adjustments that, in the opinion of management, are necessary for a fair presentation for the periods presented have been reflected as required by Regulation S-X, Rule 10-01. All such adjustments made during the three months ended December 31, 2010 and 2009 are of a normal, recurring nature.

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RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements

None

Recently Issued Accounting Pronouncements Not Yet Adopted

In July 2010, the FASB issued Accounting Standards Update No. 2010-20 (ASU 2010-20), *Receivables (Topic 310) Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. ASU 2010-20 requires disclosures about the nature of the credit risk in an entity s financing receivables, how that risk is incorporated into the allowance for credit losses, and the reasons for any changes in the allowance. Disclosure is required to be disaggregated at the level at which an entity calculates its allowance for credit losses. ASU 2010-20 was effective for the Company beginning December 31, 2010, but was extended to June 30, 2011 per ASU 2011-01. The adoption of this accounting standard is not expected to have a material impact on our financial position, results of operations, cash flows and disclosures.

In January 2011, the FASB issued Accounting Standards Update No. 2011-01 (ASU 2011-01), *Receivables (Topic 310) Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20.* ASU 2011-01 defers the effective date of the disclosure requirements for public entities about troubled debt restructurings in Accounting Standards Update No. 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* to be concurrent with the effective date of the guidance for determining what constitutes a troubled debt restructuring, as presented in proposed Accounting Standards Update, *Receivables (Topic 310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors.* ASU 2011-01 is effective for the Company beginning June 30, 2011. The adoption of this accounting standard is not expected to have a material impact on our financial position, results of operations, cash flows and disclosures.

In December 2010, the FASB issued Accounting Standards Update No. 2010-28 (ASU 2010-28), *Intangibles Goodwill and Other (Topic 350), When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. The amendments in this Update modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. ASU 2010-28 is effective for us beginning January 1, 2011 and is not expected to have a material impact on the Company s financial position, results of operations, cash flows and disclosures.

In December 2010, the FASB issued Accounting Standards Update No. 2010-29 (ASU 2010-29), *Business Combinations (Topic 805) Disclosure of Supplementary Pro Forma Information for Business Combinations.* ASU 2010-29 requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The disclosures include pro forma revenue and earnings of the combined business combinations that occurred during the year had been as of the beginning of the annual reporting period. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. The amendments in this update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010 effective for the Company beginning September 30, 2011. The adoption of this accounting standard is not expected to have a material impact on the Company s financial position, results of operations, cash flows and disclosures.

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NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Accounts Receivable and Credit Policies

Accounts receivable are recorded net of the allowance for doubtful accounts established to provide for losses on uncollectible accounts based on management s estimates and historical collection experience. The allowance for doubtful accounts was $99,586 and $98,929, respectively, at December 31, 2010 and September 30, 2010. The Company recorded bad debt expense of $7,067 for the three months ended December 31, 2010 and $0 for the three months ended December 31, 2009.

Advanced Agent Commissions

For the Company s Insurance Marketing Division, the allowance for doubtful recoveries for advanced agent commissions is determined based primarily upon estimates of the recovery of future commissions expected to be earned by the insurance agents to whom advances are outstanding and, where applicable, the agents responsible for the management of those agents. The allowance for doubtful recoveries was $1,277,579 at December 31, 2010 and $1,472,939 at September 30, 2010. The Company did not recognize any bad debt expense on advanced agent commissions during the three month periods ended at December 31, 2010 and 2009.

The allowance for doubtful recoveries reflects significant judgment regarding the estimates used in the determination of the allowance. Accordingly, subsequent actual results may differ from the assumptions and estimates utilized for the analysis at December 31, 2010.

Revenue Recognition

The Company recognizes revenue when four basic criteria are met:

Persuasive evidence of an arrangement exists;
Delivery has occurred or services have been rendered;
The seller s price to the buyer is fixed or determinable; and,
Collectability is reasonably assured.

The Company s revenue recognition varies based on source.

Wholesale and Retail Plans membership fees are paid to the Company on a weekly, monthly or annual basis, and fees paid in advance are recorded as deferred revenue and recognized monthly over the applicable membership term. The Company s wholesale and private label partners bill their customers for the membership fees and periodically remit to the Company its portion of the fees. For the Company s retail members that are typically billed directly, the billed amount is collected by electronic charge to the member s credit card, automated clearinghouse or electronic check.

Insurance Marketing revenue reflects commissions and fees reported to the Company by insurance companies for policies sold by the division s agents. Commissions and fees collected are recognized as earned on a monthly basis until such time that the underlying contract is reported to the division as terminated. The Company s commission rates vary by insurance carrier, the type of policy purchased by the policyholder and the amount of time the policy has been active, with commission rates typically being higher during the first 12 months of the policy period. Revenue also includes administrative fees the Company charges and the interest income earned on commissions advanced to the division s agents.

Unearned commissions comprise commission advances received from insurance carriers but not yet earned or collected. These advances are subject to repayment to the carrier in the event that the policy lapses before the advanced commissions are earned and collected. Additionally, enrollment fees received are recorded as deferred revenue and amortized over the expected weighted average life of the policies sold which currently approximates 18 months. Deferred revenue is reported net of related policy acquisition costs, principally lead and marketing credits, which are capitalized and amortized over the same weighted average life, to the extent such deferred costs do not exceed the related gross deferred revenue. Any excess costs are expensed as incurred.

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Commission Expense

Commission expense is based on the applicable rates applied to membership revenues billed or insurance commissions collected, and are recognized as incurred on a monthly basis until the underlying program member or insurance policy is terminated.

The Insurance Marketing Division advances agent commissions, up to nine months, for certain insurance programs. The advance commissions to the Company s agents are funded partly by the insurance carriers represented and partly by the Company. These commissions advanced to agents are reflected on the balance sheet as advanced agent commissions. Collection of the commissions advanced (plus accrued interest) is accomplished by withholding amounts earned by the agent on the policy upon which the advance was made. In the event of early termination of the underlying policy, the division seeks to recover the unpaid advance balance by withholding advanced and earned commissions on other policies sold by the agent. This division also has the contractual right to pursue other sources of recovery, including recovery from the agents managing the agent to whom advances were made.

This allowance requires judgment and is based primarily upon estimates of the recovery of future commissions expected to be earned by the agents with outstanding balances and, where applicable, the agents responsible for their management. Advances are written off when determined to be non-collectible.

The Retail Plans Division advances agents commissions for certain retail plan programs. The advance commissions to the Company s agents are funded by the Company and are reflected on the balance sheet as advanced agent commissions. Collection of the commissions advanced is accomplished by withholding amounts earned by the agent on the memberships upon which the advance was made. In addition, certain membership persistency levels must be maintained.

Restricted Cash

Restricted cash represents investments with original maturities of one year or less pledged to obtain bonds for regulatory licenses and processing and collection arrangements for credit card and automated clearing house payments.

Goodwill and Intangible Assets

Goodwill associated with business acquisitions and combinations represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets and liabilities assumed. U.S. generally accepted accounting principles specify criteria used in determining whether intangible assets acquired in a business acquisition or combination must be recognized and reported separately from goodwill. Amounts assigned to goodwill and other intangible assets are based on independent appraisals or internal estimates. Intangible assets, other than goodwill, acquired on April 1, 2009 as part of Access Plans USA acquisition, were valued at $3,000,000 and are being amortized over the estimated useful life of those assets. The related amortization expense was $116,250 for each of the three month periods ended December 31, 2010 and 2009.

Customer lists acquired in fiscal 2007 were valued at $2,500,000 and are being amortized over 60 months, the estimated useful life of the lists. The related amortization expense was $125,001 for each of the three month periods ended December 31, 2010 and 2009.

Earnings per Share

Basic net earnings (loss) per common share is computed by dividing net earnings (loss) applicable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net earnings (loss) per common share is determined using the weighted-average number of common share shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents, consisting of shares that may be issued upon exercise of common stock options. In periods where losses are reported, the weighted-average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

Fair Value of Financial Instruments

FASB ASC 825-10 requires disclosure of fair value information about financial instruments. The carrying amounts reflected in the balance sheets for cash, cash equivalents, restricted cash, accounts receivable, advanced agency commissions, accounts payable and accrued expenses approximate the respective fair values due to the short maturities of those instruments. The fair value of the notes payable approximates carrying value since stated rates are similar to rates currently available to the Company for debt with similar terms and remaining maturities.

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NOTE 4 ADVANCED AGENT COMMISSIONS

Advanced agent commissions at December 31, 2010 and September 30, 2010 consist of:

	December 31, 2010	September 30, 2010
Advances funded by:		
Insurance carriers	$ 3,353,017	$ 4,571,883
Specialty lending corporation	153,303	352,298
Self-funded	1,324,900	1,168,572
Sub-total	4,831,220	6,092,753
Allowance for doubtful recoveries	(1,277,579)	(1,472,939)
Advanced agent commissions, net	$ 3,553,641	$ 4,619,814

The allowance for doubtful recoveries for advanced agent commissions was determined based primarily upon estimates of the recovery of future commissions expected to be earned by the agents to whom advances are outstanding and, where applicable, the agents responsible for the management. The Company did not recognize any bad debt expense on advanced agent commissions during the three month periods ended December 31, 2010 and 2009.

NOTE 5 GOODWILL AND INTANGIBLE ASSETS

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset s carrying amount may not be recoverable. The Company has not recognized an impairment loss related to intangible assets during the three month periods ended December 31, 2010 and 2009.

The Company evaluates the impairment of goodwill as of the end of each fiscal year and the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset s carrying amount may not be recoverable. If considered impaired goodwill will be written down to fair value and a corresponding impairment loss recognized. There were no changes in the carrying amount of goodwill during the three month periods ended December 31, 2010 and 2009.

In conducting the impairment analysis as of September 30, 2010, the Company incorporated a sensitivity analysis. Either the discount rate could increase by 30% of the discount rate utilized or the sales growth assumption could decline by 20% and the Company s reporting units or divisions would continue to have fair value in excess of carrying value. The Company currently does not have any reporting units or divisions that are in risk of failing step 1 of this goodwill impairment test.

Intangible assets consist of the following:

	Useful Life (Years)	December 31, 2010 Gross Amount	December 31, 2010 Accumulated Amortization	December 31, 2010 Net	September 30, 2010 Accumulated Amortization	September 30, 2010 Net
Alliance HealthCard						
Customer lists	5	$ 2,500,000	$ (1,916,682)	583,318	$ (1,791,677)	$ 708,323
Access Plans USA						
In-force books of business	5	1,200,000	(420,000)	780,000	(360,000)	840,000
Agency relationships	8	1,500,000	(328,125)	1,171,875	(281,250)	1,218,750
Proprietary programs	8	300,000	(65,625)	234,375	(56,250)	243,750

Total	$ 5,500,000	(2,730,432)	2,769,568	$ (2,489,177)	$ 3,010,823

Amortization expense for the each of the three month periods ended December 31, 2010 and 2009 was $241,251.

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NOTE 6 SUPPLEMENTAL CASH FLOWS INFORMATION

Cash payments for interest and income taxes for the three months ended December 31, 2010 and 2009 are as follows:

	2010	2009
Interest	$ 5,963	$ 20,463
Income taxes paid	$ 126,158	$ 267,900

NOTE 8 OTHER BORROWINGS

During March 2008, Access Plans USA, Inc. obtained a loan of $1,605,000 from Commission Funding Group (CFG), a specialty lending corporation. The current CFG loan matures March 2011, and the loan principal is repayable in equal monthly installments. The interest rate, which is variable, together with the origination fee amortization charge, was 10% at December 31, 2010, the minimum rate provided by the loan agreement. Collateral provided to CFG includes rights, only in the event of a default, to cash, accounts receivable, and certain Insurance Marketing commissions from insurance carriers. Principal and interest payments on this loan were $149,441 and $5,963, respectively for the three months ended December 31, 2010.

In January 2010, America s Healthcare/Rx Plan Agency (AHCP) obtained a loan of $195,800 from Loyal American Life Insurance Company (Loyal). The loan represents AHCP s unsecured obligations or advances from Loyal. The amount may be adjusted for any secured advances transferred to unsecured obligations during the loan period. At December 31, 2010 these transfers were not significant. The loan matured in December 2010. Principal payments made on this loan were $48,956 for the three months ended December 31, 2010.

Principal payments due on these loans are as follows:

	Principal Payments		
Fiscal Year Ended September 30,	**CFG**	**Loyal**	**Total**
2011	$ 153,303	$ 598	$ 153,901

NOTE 9 INCOME TAXES

Components of income tax expense for the three months ended December 31, 2010 and 2009 are as follows:

	2010	2009
Current income tax expense		
Federal	$ 843,492	$ 617,306
State	14,279	53,159
Total current income tax expense	857,771	670,465
Deferred income tax (benefit)		
Federal	133,777	109,489
State	4,201	15,006
Total deferred income tax (benefit)	137,978	124,495
Net income tax expense	$ 995,749	$ 794,960

NOTE 10 WAIVER REIMBURSEMENTS LIABILITY

The Company has entered into contractual arrangements to administer certain membership programs for its clients, primarily in the rental purchase industry. For some clients, the administration duties include reimbursing the client for certain expenses incurred in the operation of a particular membership program. Under these arrangements, the Company is responsible for reimbursing the client when (under the terms of the agreement with the client s customer) the client waives rental payments required of the client s customer under specifically defined and limited

circumstances, such as when the customer becomes unemployed for a stated time period or when the Company s client provides product service to its customer. It is the Company s policy to reserve the necessary funds in order to meet the anticipated reimbursement obligation owed to the Company s clients in the event the Company s reimbursement obligations require payment in the future. The Company s obligations for these reimbursements do not have any kind of a tail that extends beyond Company s client s payment obligations following termination of the contractual arrangement or agreement with either the Company s client or the client s customer. As of December 31, 2010 and September 30, 2010 the Company recorded an estimated incurred-but-not-reported-reimbursements obligation of $650,600 and $846,600, respectively.

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NOTE 11 RELATED PARTY TRANSACTIONS

The Company occupies its corporate offices and Wholesale Plans Division in Norman, Oklahoma under a lease that expires September 30, 2011. The total leased space is approximately 6,523 square feet. The lease agreement is with Southwest Brokers, Inc., a company owned by Brett Wimberley, one of the Company s Directors, President and Chief Financial Officer. This lease was executed on May 1, 2005, amended on August 1, 2006 and August 1, 2008, September 30, 2009, and September 30, 2010. In the event the Company is required to move from the current Norman, Oklahoma office facilities, the terms and cost of occupancy may be substantially different than those under which the office space is currently occupied and the rental rate may be substantially greater.

The Company s rent expense associated with related party transactions was approximately $24,746 and $22,968 for the three month periods ending December 31, 2010 and 2009, respectively.

NOTE 12 SEGMENT REPORTING

The Company operates in four reportable business segments; a) Wholesale Plans; b), Retail Plans; c) Insurance Marketing; and d) Corporate (holding company).

Reportable business segment information follows.

The following tables set forth revenue, gross margin and operating income by segment.

	For the Three Months Ended December 31,		
($ in thousands)	**2010**	**2009**	**% Change**
Net revenues by segment			
Wholesale Plans	$ 6,054	$ 5,138	18%
Retail Plans (a)	4,574	3,881	18%
Insurance Marketing	5,065	5,475	(7%)
Corporate (holding company)			
Intercompany Eliminations	(1,417)	(1,191)	19%
Total	$ **14,276**	$ **13,303**	**7%**
Gross margin by segment			
Wholesale Plans	$ 2,312	$ 1,220	90%
Retail Plans (a)	2,400	2,237	7%
Insurance Marketing	771	1,046	(26%)
Corporate (holding company)			
Total	$ **5,483**	$ **4,503**	**22%**
Operating income by segment			
Wholesale Plans	$ 1,810	$ 706	156%
Retail Plans (a)	1,238	935	32%
Insurance Marketing	36	256	(86%)
Corporate (holding company)	(580)	(262)	(122%)
Total	$ **2,504**	$ **1,635**	**53%**

(a) Gross of intercompany eliminations

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	December 31, 2010	September 30, 2010
Segment assets		
Wholesale Plans (a)	$ 22,146	$ 18,998
Retail Plans (a)	27,972	26,369
Insurance Marketing	7,798	8,499
Corporate	(32,187)	(29,014)
Intercompany Eliminations		
Total	$ **25,729**	$ **24,852**

(a) Gross of intercompany eliminations

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except as otherwise indicated, the first personal plural pronoun in the nominative case form we and its objective case form us , its possessive and the intensive case forms our and ourselves and its reflexive form ourselves in this report refer collectively to Access Plans, Inc. and its subsidiaries and its executive officers and directors.

Overview

The Company s operations are currently organized under four segments:

Wholesale Plans Division plan offerings are customized membership marketing plans primarily offered at rent-to-own retail stores.

Retail Plans Division plan offerings are primarily healthcare savings plans. These plans are not insurance, but allow members access to a variety of healthcare networks to obtain discounts from usual and customary fees.

Insurance Marketing Division markets individual major medical health insurance and other insurance products through a national network of independent agents.

Corporate includes compensation and other expenses for individuals performing services for administration of overall management and operations of the Company.

Wholesale Plans

The Wholesale Plans Division provides our clients with customized membership marketing plans that leverage their brand names, customer relationships and typically their payment mechanism, plus offer benefits that appeal to their customers. The value provided by the plans to our clients, includes increased customer attraction and retention, plus incremental fee income with limited risk or capital cost.

Our plans are primarily offered at rent-to-own retail stores. Nationwide there are approximately 8,600 locations serving approximately 4.1 million households at any given time during the year according to the Association of Progressive Rental Organizations (APRO). It is estimated that the two largest rent-to-own industry participants account for approximately 4,800 of the total number of stores, and the majority of the remainder of the industry consists of companies each with fewer than 50 stores. The industry has been consolidating and is expected to continue, resulting in an increased concentration of stores in the two largest rent-to-own industry participants.

The rent-to-own industry serves a highly diverse customer base. According to the APRO, approximately 83% of rent-to-own customers have household incomes between $15,000 and $50,000 per year. The rent-to-own industry serves a wide variety of customers by allowing them to obtain merchandise that they might otherwise be unable to obtain due to insufficient cash resources or a lack of access to credit. APRO also estimates that 96% of customers have high school diplomas.

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We currently deliver membership plans to over 220 companies, including retail purchase dealers, insurance companies, financial institutions, retail merchants, and consumer finance companies. At December 31, 2010, our wholesale plans were offered at approximately 4,910 locations. Of the locations at December 31, 2010, 2,880 locations were Rent-A-Center owned locations operated under their brand, Rent-A-Center, Inc., a Nasdaq (symbol RCII) traded company. Rent-A-Center, Inc. is the largest rent-to-own company in the United States, Puerto Rico and Canada. Our revenue attributable to the contractual arrangements with Rent-A-Center was approximately $3.2 million (22% of total revenue) during the three months ended December 31, 2010, compared to $3.0 million (23% of total revenue) during the three months ended December 31, 2009. Revenue attributable to our Wholesale Plans Division accounted for $6.1 million (42% of total revenue) during the three months ended December 31, 2010 compared to $5.1 million (39% of total revenue) during the three months ended December 31, 2009. Our growth in wholesale plans revenue is dependent in significant part on an increase in the number of rent-to-own locations at which our plans are offered and the sales efforts of those locations. Although our revenue from wholesale plans continues to grow, revenue of this division has declined as a percentage of total revenues as we have diversified our revenue sources through the merger with Access Plans USA. Although we have long-term contracts with Rent-A-Center and other rent-to-own companies, loss of either, especially Rent-A-Center would have a significant impact on our revenues, profitability and our ability to negotiate discounts with our vendors.

Retail Plans

Our Retail Plans Division offerings include healthcare savings plans, auto related discount plans and association memberships that are not insurance, but provide insurance features and benefits. These membership savings plans allow members access to a variety of healthcare, auto related and retail merchant networks to obtain discounts from usual and customary fees or charges. Additionally, we offer wellness programs, prescription drug and dental discount programs, medical discount cards, and limited benefit insured plans. Our members pay healthcare providers the discounted rate at the time services are provided to them. These plans are designed to serve the markets in which individuals either have no health insurance or limited healthcare benefits. Revenue attributable to our Retail Plans Division was approximately $4.6 million (32% of total revenue) during the three months ended December 31, 2010, compared to $3.9 million (29% of total revenue) during the three months ended December 31, 2009.

This division is comprised of the membership business of Alliance Healthcard, The Capella Group, Inc. (Capella) and Protective Marketing Enterprises, Inc. (PME). Capella and PME are subsidiaries of Access Plans USA which was acquired on April 1, 2009. PME also owns and manages proprietary networks of dental and vision providers that provide services at negotiated rates to certain members of our plans and other plans that have contracted with us for access to our networks.

Through our healthcare savings plans, we believe customers save an average of 35% on their medical costs and between 10% and 50% on services through other discount medical providers. These discounts for services that do not require the use of a medical preferred provider organization (PPO) are more difficult to track because our members pay a discounted rate at point of service.

Some of our Retail Plans clients choose to include our benefits with their own membership plan offering. In these instances, the client bears the cost of marketing and fulfillment, and we provide customer service. These offerings are designed to enhance our clients existing offering and improve their product value relative to their competition and in some instances to improve their customer retention. While these plans provide lower periodic member fees, we incur limited implementation costs and receive higher revenue participation rates. Other target distribution channels for this division include retailers, insurance companies, network marketing organizations, independent insurance agencies and agents, consumer direct sales call centers, and financial institutions.

In order to deliver our membership offerings, we contract with a number of different vendors to provide various products and services to our members. The majority of these vendor relationships involve the vendor providing our members access to their network or providers or their locations and our members obtain a discount at the time of service. We have vendor relationships with medical networks, automotive service companies, insurance companies, travel related entities and food and entertainment consumer discount providers. Our vendors value the relationship with us because we deliver many customers to them without incremental capital cost or risk on their part and these relationships are governed by multi-year agreements and aggregated volume scaling.

Insurance Marketing

Our Insurance Marketing Division offers and sells individual major medical health insurance products and related benefit plans, including specialty insurance products, primarily through a national network of independent agents. America s Healthcare/Rx Plan Agency (AHCP) is the centerpiece of the Insurance Marketing Division. AHCP distributes major medical, short-term medical, critical illness and related health insurance products to small businesses, self-employed and other individuals and families through a network of approximately 7,607 independent agents. Our primary carriers that we represent include Golden Rule Insurance Company, World Insurance Company, Aetna and Colorado Bankers.

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We support our agents and recruit new agents via access to proprietary and private label products, leads for new sales, commission advance programs, incentive programs, including an annual convention, web-based technology, and back-office support. More specifically, our agent support and recruiting tools include:

- e-Agent Center provides agents with access to real-time rate quoting, on-line licensing and contracting, insurance application submission, access to brochures and other marketing materials.
- Lead Distribution we utilize an electronic system to connect agents with an on-line lead ordering and delivery system. Leads are also provided in certain situations as incentives to sell certain policies.
- Incentive programs to assist with agent motivation and recruitment, we provide paid annual convention trips and periodic sales contests.
- Agent advances with most of the major medical products we represent, agents are entitled to three to nine months of advance commissions either funded by AHCP or our insurance carrier partner. Our ability to grow this segment will depend, in part, on our continued access to working capital to fund these advances.
- Home office support this includes agent and product training, marketing materials and agent communication. The training programs include both on-site and in-house schools, DVDs and webcasts covering product knowledge and sales techniques as well as market conduct and regulatory compliance issues. In addition, our support includes development and distribution of a wide variety of marketing materials including flyers, brochures, email blasts and letters. We also promote and inform our agents on important news and updates via a weekly newsletter.

Our strategy for the Insurance Marketing Division is to:

- Continue working with insurance carriers in the development of proprietary products for our agents to represent and offer;
- Expand the number of carriers that we represent for more product choice for customers and expanded geographic representation; and
- Enhance our e-agent platforms in order to better serve our existing agents and improve attraction to new agents to sell plans we represent.

The revenue of our Insurance Marketing Division is primarily from earned sales commissions paid by the insurance companies this Division represents. These sales commissions are generally a percentage of premium revenue. Revenue attributable to our Insurance Marketing Division was approximately $5.1 million (35% of total revenue) for the three months ended December 31, 2010, compared to $5.5 million (41% of total revenue) during the three months ended December 31, 2009. Growth of our commission revenue is based on continued recruitment efforts of agents and the resulting penetration of the individual, family and small business health insurance markets, driving a corresponding growth in the number of policies in force. We estimate that as of December 31, 2010 and September 30, 2010 we had 25,200 policies in force.

The Health Care and Education Affordability Reconciliation Act of 2010 (Health Care Reform Law) was signed into law on March 30, 2010. Beginning in August 2010 insurers were required to implement a number of changes related to major medical insurance policies. These changes include, but are not limited to changes to required coverage, elimination of most preexisting condition exclusions, and a minimum loss ratio of 80%. The minimum loss ratio requires health insurance companies to maintain premium levels such that 80% of the premium is utilized for claims on medical services and related expenses (85% for group health). The law will require certain people to purchase health insurance and will set up subsidies to assist certain people in purchasing health insurance and allows certain people to obtain insurance from the federal government. It is possible that this law will impact the products we currently offer or change the number of customers or potential customers for our products. As a result of the minimum loss ratio requirement in the Health Care Reform Law, commissions on the sale of individual major medical insurance policies were reduced in January 2011. This will result in a reduction in our revenue related to the sale of major medical policies. Most of our commission revenue is ultimately paid to our agents so the reduction in revenue will not cause a reduction in our profitability in the same proportion. The reduction in commission could cause our agents to stop selling health insurance because of the reduced commissions or cause them to sell other products to make up for the loss of their revenues.

In response, we are endeavoring to expand the portfolio of health related insurance products that we provide to our agents. These new and expanded products will furnish our agents a means to mitigate the possible financial impact that may result from the new law.

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Critical Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates and the differences may be material to the financial statements. Certain significant estimates are required in the evaluation of goodwill for impairment and intangible assets for amortization, allowances for doubtful recoveries of advanced agent commissions, deferred income taxes, accounts and notes receivable and the waiver reimbursements liability. Actual results could differ from those estimates and the differences could be material.

Goodwill and Intangible Assets

Goodwill in business acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets and liabilities assumed. GAAP specifies criteria to be used in determining whether intangible assets acquired in a business combination must be recognized and reported separately from goodwill. Amounts assigned to goodwill and other intangible assets are based on independent appraisals or internal estimates.

Intangible assets, other than goodwill, acquired on April 1, 2009 as part of Access Plans USA acquisition were valued at $3,000,000 and are being amortized over the estimated useful life of those assets. The related amortization expense was $116,250 for each of the three month periods ended December 31, 2010 and 2009.

Customer lists acquired in acquisitions are capitalized and amortized over the estimated useful lives of the customer lists.

Customer lists acquired in 2007 were valued at $2,500,000 and are being amortized over 60 months, the estimated useful life of the lists. The related amortization expense was $125,001 for each of the three month periods ended December 31, 2010 and 2009.

Stock Based Compensation

We measure stock based compensation expense using the modified prospective method. Under the modified prospective method, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service or vesting period.

Revenue Recognition

We recognize revenue when four basic criteria are met:

Persuasive evidence of an arrangement exists;
Delivery has occurred or services have been rendered;
The seller s price to the buyer is fixed or determinable; and,
Collectability is reasonably assured.

Our revenue recognition varies based on the revenue source.

Wholesale and Retail Plans Division membership fees are paid to us on a weekly, monthly or annual basis and fees paid in advance are recorded as deferred revenue and recognized monthly over the applicable membership term. Our wholesale and private label partners bill their customers for the membership fees and periodically remit our portion of the fees to us. For our retail members that are typically billed directly, the billed amount is collected by electronic charge to the member s credit card, automated clearinghouse or electronic check.

Insurance Marketing Division revenue reflects commissions and fees reported to us by insurance companies for policies sold by the division s agents. Commissions and fees collected are recognized as earned on a monthly basis until the underlying insurance contract is reported to the division as terminated. Our commission rates vary by insurance carrier, the type of policy purchased by the policyholder and the amount of time the policy has been active, with commission rates typically being higher during the first 12 months of the policy period. Revenue also includes interest income earned on commissions advanced to the division s agents.

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Unearned commissions comprise commission advances received from insurance carriers but not yet earned or collected. These advances are subject to repayment back to the carrier in the event that the policy lapses before the advanced commissions are earned and collected. Additionally, enrollment fees received are recorded as deferred revenue and amortized over the expected weighted average life of the policies sold which currently approximates 18 months. Deferred revenue is reported net of related policy acquisition costs, principally lead and marketing credits, which are capitalized and amortized over the same weighted average life, to the extent these deferred costs do not exceed the related gross deferred revenue. Any excess costs are expensed as incurred.

Commission Expense

Commission expense is based on the applicable rates applied to membership revenues billed or insurance commissions collected, and are recognized as incurred on a monthly basis until the underlying program member or insurance policy is terminated.

The Insurance Marketing Division advances agent commissions, up to nine months, for certain insurance programs. The advance commissions to our agents are funded partly by the insurance carriers we represent and partly by us. These commissions advanced to agents are reflected on our balance sheet as advanced agent commissions. Collection of the commissions advanced (plus accrued interest) is accomplished by withholding amounts earned by the agent on the policy upon which the advance was made. In the event of early termination of the underlying policy, the division seeks to recover the unpaid advance balance by withholding advanced and earned commissions on other policies sold by the agent. This division also has the contractual right to pursue other sources of recovery, including recovery from the agents managing the agent to whom advances were made.

Advanced agent commissions are reviewed and an allowance is provided for those balances where recovery is considered doubtful. This allowance requires judgment and is based primarily upon estimates of the recovery of future commissions expected to be earned by the agents with outstanding balances and, where applicable, the agents responsible for their management. Advances are written off when determined to be non-collectible.

The Retail Plans Division advances agent commissions for certain retail plan programs. The advance commissions to the Company s agents are funded by the Company and are reflected on the balance sheet as advanced agent commissions. Collection of the commissions advanced is accomplished by predetermined sales quotas that must be attained prior to the payment of additional commissions. In the event of early termination of the program, the division recovers the unpaid advance balance by withholding amounts earned by the agent on the memberships upon which the advance was made. In addition, certain membership persistency levels must be maintained.

Recent Accounting Pronouncements

None.

Recently Issued Accounting Pronouncements Not Yet Adopted

In July 2010, the FASB issued Accounting Standards Update No. 2010-20 (ASU 2010-20), *Receivables (Topic 310) Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. ASU 2010-20 requires disclosures about the nature of the credit risk in an entity s financing receivables, how that risk is incorporated into the allowance for credit losses, and the reasons for any changes in the allowance. Disclosure is required to be disaggregated at the level at which an entity calculates its allowance for credit losses. ASU 2010-20 was effective for the Company beginning December 31, 2010 but was extended to June 30, 2011 per ASU 2011-01. The adoption of this accounting standard is not expected to have a material impact on the Company s financial position, results of operations, cash flows and disclosures.

In January 2011, the FASB issued Accounting Standards Update No. 2011-01 (ASU 2011-01), *Receivables (Topic 310) Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20.* ASU 2011-01 defers the effective date of the disclosure requirements for public entities about troubled debt restructurings in Accounting Stands Update No. 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* to be concurrent with the effective date of the guidance for determining what constitutes a troubled debt restructuring, as presented in proposed Accounting Standards Update, *Receivables (Topic 310): Clarifications to Accounting for Troubled Debt Restructurings by Creditors.* ASU 2011-01 is effective for the Company beginning June 30, 2011. The adoption of this accounting standard is not expected to have a material impact on the Company s financial position, results of operations, cash flows and disclosures.

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In December 2010, the FASB issued Accounting Standards Update No. 2010-28 (ASU 2010-28), *Intangibles Goodwill and Other (Topic 350), When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts*. The amendments in this Update modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. ASU 2010-28 is effective for the Company beginning January 1, 2011 and is not expected to have a material impact on the Company s financial position, results of operations, cash flows and disclosures.

In December 2010, the FASB issued Accounting Standards Update No. 2010-29 (ASU 2010-29), *Business Combinations (Topic 805) Disclosure of Supplementary Pro Forma Information for Business Combinations.* ASU 2010-29 requires a public entity to disclose pro forma information for business combinations that occurred in the current reporting period. The disclosures include pro forma revenue and earnings of the combined business combinations that occurred during the year had been as of the beginning of the annual reporting period. If comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. The amendments in this update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010 effective for the Company September 30, 2011. The adoption of this accounting standard is not expected to have a material impact on the Company s financial position, results of operations, cash flows and disclosures.

Results of Operations

Introduction

We are a provider of consumer membership plans, healthcare savings membership plans and a marketer of individual major medical health insurance products. Through working with our wholesale and retail clients, we design and build membership plans that contain benefits aggregated from our vendors that appeal to our client s customers. For our major medical health insurance products, we offer and sell these products through a national network of independent agents.

The following table sets forth selected results of our operations for the three months ended December 31, 2010 and 2009. We operate in four reportable business segments: Wholesale Plans, Retail Plans, Insurance Marketing and Corporate. The Wholesale Plans operating segment includes the operations of our customized membership marketing plans primarily offered at rent-to-own retail stores. The Retail Plans operating segment includes the operations from our healthcare and membership savings plans designed to serve the markets other than rent to own. The Insurance Marketing operating segment offers and sells individual major medical health insurance products and related benefit plans. The Corporate operating segment includes compensation and other expenses for individuals performing services for administration of overall operations of the Company at its holding company level.

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The following information was derived and taken from our unaudited financial statements appearing elsewhere in this report.

	For the Three Months Ended December 31,		
($ in thousands)	**2010**	**2009**	**% Change**
Net revenues	$ 14,276	$ 13,303	7%
Direct costs	8,793	8,800	0%
Operating expenses	2,979	2,868	4%
Operating income	2,504	1,635	53%
Net other income (expense)	3	56	(95%)
Income before income taxes	2,507	1,691	48%
Income taxes, net	995	795	25%
Net income	$ 1,512	$ 896	69%

The following tables set forth revenue, gross margin and operating income by segment.

	For the Three Months Ended December 31,		
($ in thousands)	**2010**	**2009**	**% Change**
Net revenues by segment			
Wholesale Plans	$ 6,054	$ 5,138	18%
Retail Plans (a)	4,574	3,881	18%
Insurance Marketing	5,065	5,475	(7%)
Corporate (holding company)			
Intercompany Eliminations	(1,417)	(1,191)	19%
Total	$ **14,276**	$ **13,303**	**7%**
Gross margin by segment			
Wholesale Plans	$ 2,312	$ 1,220	90%
Retail Plans (a)	2,400	2,237	7%
Insurance Marketing	771	1,046	(26%)
Corporate (holding company)			
Total	$ **5,483**	$ **4,503**	**22%**
Operating income by segment			
Wholesale Plans	$ 1,810	$ 706	156%
Retail Plans (a)	1,238	935	32%
Insurance Marketing	36	256	(86%)
Corporate (holding company)	(580)	(262)	(122%)
Total	$ **2,504**	$ **1,635**	**53%**

(a) Gross of intercompany eliminations

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Discussion of Three Months Ended December 31, 2010 and 2009

Net revenues increased $1.0 million (a 7% increase) during the three months ended December 31, 2010 (the 2011 1st quarter), compared with the three months ended December 31, 2009 (the 2010 1st quarter) to $14.3 million from $13.3 million in 2009. The increase in net revenues was primarily due to:

- Growth in our Wholesale Plans Division of approximately $0.9 million attributable to additional rent-to-own locations offering our plans and an increase in member acceptance rates among existing clients. See the Segment Discussion Analysis below for additional information.
- Growth in our Retail Plans Division of approximately $0.7 million attributable to new business implemented beginning in the second quarter of 2010. See the Segment Discussion Analysis below for additional information.
- Our Insurance Marketing Division experienced a decrease of $0.4 million primarily attributable to two of our contracted insurance carriers that ceased sales of new major medical insurance policies. See the Segment Discussion Analysis below for additional information.
- Other decreases of $0.2 million.

Direct costs remained at $8.8 million during the 2011 and 2010 1st quarter. Although total direct cost did not change, there were changes within each Division as follows:

- Our Wholesale Plans Division direct costs decreased $0.2 million primarily attributable to a decline in our product service expense and waiver reimbursements liability. See the Segment Discussion Analysis below for additional information.
- Increase in our Retail Plans Division direct costs of $0.5 million attributable to new business implemented beginning in the second quarter of 2010. See the Segment Discussion Analysis below for additional information;
- Our Insurance Marketing Division experienced a decrease in direct costs of $0.1 million attributable to lower revenues. See the Segment Discussion Analysis below for additional information; and
- Other changes of $(0.3) million.

Operating expenses increased $0.1 million during the 2011 1st quarter to $3.0 million from $2.9 million in the 2010 1st quarter. The increase was attributable to increases for existing employee compensation and outside consulting expenses.

Other income decreased $0.5 primarily attributable to income earned from the early retirement of notes payable to related parties during the 2010 1st quarter.

Provision for income taxes, *net* increased by $0.2 million during the 2011 1st quarter to $1.0 million from $0.8 million in the 2010 1st quarter. The increase was attributable to an increase in pretax income.

Net income increased $0.6 million (a 69% increase) to approximately $1.5 million during the 2011 1st quarter compared to $0.9 million during the 2010 1st quarter.

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Segment Discussion Analysis
Wholesale Plans Division
Selected Operating Metrics

($ in thousands except member data)	For the Three Months Ended December 31, 2010	2009	% Change
Results of operations			
Net revenues	$ 6,054	$ 5,138	18%
Direct costs	3,742	3,919	(5%)
Operating expenses	502	513	(2%)
Operating income	$ 1,810	$ 706	156%
Percent of revenue			
Net revenues	100%	100%	
Direct costs	62%	76%	(14%)
Operating expenses	8%	10%	(2%)
Operating income	30%	14%	16%
Member count at December 31,	677,947	584,632	93,315

Net revenues increased $1.0 million (an 18% increase) during the 2011 1st quarter to $6.1 million from $5.1 million during the 2010 1st quarter. The increase in net revenues was related to the increase in the number of new rent-to-own locations offering our membership plans plus membership growth from existing locations.

Direct costs decreased $0.2 million (a 5% decrease) during the 2011 1st quarter to $3.7 million from $3.9 million during the 2010 1st quarter. The decrease was primarily attributable to lower product service expense resulting from lower repair and replacement cost for electronics. We enter into contractual arrangements to administer certain membership programs for clients, primarily in the rental-purchase industry. For approximately 3,100 (78%) of our point-of-sale locations the administration duties include reimbursing the client for certain expenses it incurs in the operation of the program. Those expenses are primarily related to product service expenses and the client s waiver of rental payments under defined circumstances including circumstances when the client s customer becomes unemployed for a stated period of time. It is our policy to reserve the necessary funds in order to reimburse our clients as those obligations become due in the future.

Operating expenses remained at $0.5 million during the 2011 1st quarter and the 2010 1st quarter as a result of approximately $0.04 million of compensation expense reclassified to the Corporate operating segment during the 2011 1st quarter.

Operating income increased $1.1 million (a 156% increase) during the 2011 1st quarter to $1.8 million from $0.7 million during the 2010 1st quarter.

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Retail Plans Operating Segment
Selected Operating Metrics

($ in thousands except member data)	For the Three Months Ended December 31, 2010	2009	% Change
Results of operations			
Net revenues (a)	$ 4,574	$ 3,881	18%
Direct costs	2,173	1,644	32%
Operating expenses	1,163	1,302	(11%)
Operating income (a)	$ 1,238	$ 935	32%
Percent of revenue			
Net revenues	100%	100%	
Direct costs	48%	42%	6%
Operating expenses	25%	34%	(9%)
Operating income	27%	24%	3%
Member count at December 31,	1,637,312	1,321,737	315,575

(a) Gross of intercompany eliminations

Net revenues increased $0.7 million (an 18% increase) during the 2011 1st quarter to $4.6 million from $3.9 million during the 2010 1st quarter. The increase in net revenues was attributable to new business implemented beginning in the second quarter of 2010.

Direct costs increased $0.6 million (a 32% increase) during the 2011 1st quarter to $2.2 million from $1.6 million during the 2010 1st quarter. The increase in direct costs was attributable to new business beginning in the second quarter of 2010.

Operating expenses decreased $0.1 million (an 11% decrease) to $1.2 million during the 2011 1st quarter from $1.3 million during the 2010 1st quarter. The decrease in operating expenses was primarily attributable to the reclassification of accounting and consulting fees of approximately $0.2 million to the Corporate operating segment during the 2011 1st quarter. Other operating expenses increased $0.1 million related to outside billing expenses for new business that beginning in the 2010 2nd quarter.

Operating income increased $0.3 million (a 32% increase) to $1.2 million during the 2011 1st quarter from $0.9 million in the 2010 1st quarter.

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Insurance Marketing Operating Segment

Selected Operating Metrics

($ in thousands except agent and policy data)	For the Three Months Ended December 31, 2010	2009	% Change
Results of operations			
Net revenues	$ 5,065	$ 5,475	(7%)
Direct costs	4,293	4,429	(3%)
Operating expenses	736	790	(7%)
Operating income (loss)	$ 36	$ 256	(86%)
Percent of revenue			
Net revenues	100%	100%	
Direct costs	85%	81%	4%
Operating expenses	15%	14%	1%
Operating income	1%	5%	(4%)
Number of Agents	7,607	6,218	1,389
Number of In-force Policies	25,199	23,964	1,235

Net revenues decreased $0.4 million (a 7% decrease) during the 2011 1st quarter to $5.1 million from $5.5 million during the 2010 1st quarter. The decrease in net revenues was attributable to carrier programs that have terminated of $1.0 million offset by an increase in active programs of $0.6 million.

Direct costs decreased $0.1 million (a 3% decrease) during the 2011 1st quarter to $4.3 million from $4.4 million during the 2010 1st quarter. The decrease in direct costs was attributable to the decrease in net revenues.

Operating expenses decreased $0.1 million (a 7% decrease) to $0.7 million during the 2011 1st quarter from $0.8 million during the 2010 1st quarter. The decrease in operating expenses was attributable to a decrease in outsourced data services, legal and consulting expense during the current fiscal quarter.

Operating income decreased $0.3 million (an 86% decrease) to $0.04 million during the 2011 1st quarter from $0.3 million in the 2010 1st quarter.

Corporate Operating Segment

Selected Operating Metrics

($ in thousands)	For the Three Months Ended December 31, 2010	2009	% Change
Results of operations			
Net revenues	$	$	
Direct costs			
Operating expenses	580	262	121%
Operating income (loss)	$ (580)	$ (262)	(121%)

Operating expenses increased $0.3 million (a 121% increase) to $0.6 million during the 2011 1st quarter from $0.3 million during the 2010 1st quarter. The increase was attributable to the reclassification of expenses from the Wholesale Plans and Retail Plans Division of approximately $0.2 million consisting of accounting, consulting and compensation expenses. The remaining $0.1 million was attributable to an increase in compensation expense for existing employees.

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OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements.

LIQUIDITY AND CAPITAL RESOURCES

We had unrestricted cash of $7.8 million and $5.4 million at December 31, 2010 and September 30, 2010, respectively. Our working capital was $7.5 million at December 31, 2010 compared to $5.7 million at September 30, 2010. The improvement of $1.8 million was due to the following:

Cash increased $2.4 million which was partially a result of net income;

Other accrued liabilities increased $0.9 million attributable to income taxes payable of $0.7 million and other accrued liabilities of $0.2 million;

Advanced agency and unearned commissions, net decreased $0.1 million primarily attributable to shortened advancing agent periods;

Waiver reimbursements liability decreased $0.2 million due to a reduction of product service and waiver reimbursements expenses; and

Cash provided by operating activities was $2.5 million for the three months ended December 31, 2010 compared to $1.3 million for the same period in 2009. The increase of $1.2 million was attributable to:

An increase in net income of $0.6 million;

Claims and other accrued liabilities, net increased $0.3 million primarily attributable to an increase for income taxes payable of $0.7 million offset by a decrease for other accrued liabilities of $0.4 million; and

Other increases of $0.3 million.

Cash provided by investing activities decreased by $0.3 million to $0.1 million for the three months ended December 31, 2010 from $0.4 million for the same 2009 period. The decrease of $0.3 million was primarily attributable to a decrease in restricted cash of $0.4 million resulting from the settlement of the States General legal proceedings on October 27, 2009.

Cash used in financing activities decreased $0.4 million to $0.2 million for the three months ended December 31, 2010 from $0.6 million for the same 2009 period. The decrease of $0.4 million resulted primarily from the acquisition of treasury stock on October 27, 2009.

We anticipate that our cash on hand, together with cash flow from operations, will be sufficient for the next 12 months and beyond to finance operations, make capital investments in the ordinary course of business, and pay indebtedness when due.

IMPACT OF INFLATION

Inflation has not had a material effect on us to date. However, the effects of inflation on future operating results will depend in part, on our ability to increase prices or lower expenses, or both, in amounts that offset inflationary cost increases.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three months ended December 31, 2010 we did not have any risks associated with market risk sensitive instruments or portfolio securities.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer and other members of our management are responsible primarily for establishing and maintaining disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities and Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S Securities and Exchange Commission. These controls and procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Furthermore, our Chief Executive Officer and Chief Financial Officer are responsible for the design and supervision of our internal controls over financial reporting that are then effected by and through our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management s Assessment of Internal Control Over Financial Reporting

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2010. Additionally, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) were effective as of December 31, 2010 in all material respects based on the criteria established in *Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission*.

Our Chief Executive Officer and Chief Financial Officer have concluded that the consolidated financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented in accordance with U. S. generally accepted accounting principles.

During the period covered by this report on Form 10Q, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Except as provided below, since our 2010 Annual Report for the year ended September 30, 2010 on Form 10-K there have been no new material legal proceedings, and there have been no material developments in legal proceedings reported by us in the Form 10-K. The following legal proceedings all involves the subsidiaries of Access Plans USA, Inc. which was acquired by us in a merger on April 1, 2009.

Zermeno v Precis, Inc. The case styled Manuela Zermeno, individually and on behalf of the general public; and Juan A. Zermeno, individually and on behalf of the general public v Precis, Inc., and Does 1 through 100, inclusive was filed on August 14, 2003 in the Superior Court of the State of California for the County of Los Angeles under case number BC 300788. The Zermeno plaintiffs are former members of the Care Entrée discount healthcare program who allege that they (for themselves and for the general public) are entitled to injunctive, declaratory, and equitable relief under Section 445 of the California Health and Safety Code. That Section governs medical referral services. The plaintiffs also sought relief under Section 17200 of the Business and Professions Code, California s Unfair Competition Law. On December 21, 2007, we received a favorable verdict based on the court s finding that the Plaintiffs did not have standing to sue since they were no longer customers of Precis. The plaintiffs appealed and on December 23, 2009 the Court of Appeals reversed the trial court s ruling on standing and remanded the case to the trial court for a ruling on the merits. On November 1, 2010 the Court issued a Statement of Decision in which it ruled that Section 445 applied to the Care Entrée program and that Section 445 had been violated. On January 21, 2011 the Court issued a judgment enjoining Defendants Precis, Inc. and The Capella Group Inc, and Defendants agents, employees and representatives, as of six months after the effective date of the injunction, from operating the Care

Entrée program in the State of California as it pertains to referring people to a physician, hospital, health-related facility, or dispensary for any form of medical care or treatment. The Judgment also provides that it does not prohibit Defendants from operating a program that complies with California law. The Judgment further provides that pursuant to the prior settlement agreement the injunctive relief is stayed pending appeal and the effective date of the injunction is the date the appeals process ends. Precis, Inc. and the Capella Group, Inc. have until March 25, 2011 to appeal the Judgment. An adverse outcome in this case would have a material affect our financial condition and would limit our ability (and that of other healthcare discount programs) to do business in California. We believe that we have complied with all California statues and regulations. Although we believe the Plaintiffs claims are without merit, we cannot provide any assurance regarding the outcome or results of this litigation.

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ITEM 1A. RISK FACTORS

Our risk factors are disclosed in its Annual Report on Form 10K for the year ended September 30, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OR PROCEEDS.

There are no items to report under this item.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

There are no items to report under this item.

ITEM 5. OTHER INFORMATION.

There are no items to report under this item.

ITEM 6. EXHIBITS

31.1	Certification Pursuant to Rule 13a-14(a) under the Securities Exchange act of 1934, as amended
31.2	Certification Pursuant to Rule 13a-14(a) under the Securities Exchange act of 1934, as amended.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Access Plans, Inc.

February 11, 2011

By: /s/ Danny Wright
Danny Wright
Chief Executive Officer
(Principal Executive Officer)

February 11, 2011

By: /s/ Brett Wimberley
Brett Wimberley
Chief Financial Officer
(Principal Financial Officer)