

**INTERIM REPORT  
FOR THE PERIOD ENDED  
MARCH 31, 2012**

**MAY 14, 2012**



**ALLIN CORPORATION**

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Federal I.D. No.  
25-1795265

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CUSIP No.  
019924 10 9

**ISSUER'S EQUITY SECURITIES:**

**COMMON STOCK**

**\$0.01 Par Value**

**22,500,000 Shares Authorized**

**9,346,268 Shares Issued and Outstanding**

**SERIES C REDEEMABLE PREFERRED STOCK**

**\$100.00 Liquidation Value**

**25,000 Shares Authorized**

**25,000 Shares Issued and Outstanding**

**SERIES G REDEEMABLE PREFERRED STOCK**

**\$10,000.00 Liquidation Value**

**150 Shares Authorized**

**119.571 Shares Issued and Outstanding**

# ALLIN CORPORATION

## INTERIM REPORT FOR THE PERIOD ENDED MARCH 31, 2012

May 14, 2012

All information contained in this Information and Disclosure Statement has been compiled to fulfill the disclosure requirements of Rule 15c2-11(a)(5) promulgated by the Securities and Exchange Act of 1934, as amended. The enumerated items and captions contained herein correspond to the format as set forth in the Rule.

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**Item 1 Exact name of the issuer and the address of its principal executive offices.**

ALLIN CORPORATION, a Delaware corporation (the “Company”). Based on the context of the section, the terms “we” and “our” may also be used in reference to Allin Corporation and its operations.

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**Item 2 Shares outstanding.**

Information as of the most recent fiscal quarter-end date, March 31, 2012, is presented in the following table:

<u>Title</u>	<u>Note</u>	<u>Shares Authorized</u>	<u>Shares Outstanding</u>	<u>Freely Tradable Shares</u>	<u>Number of Beneficial Shareholders</u>	<u>Number of Shareholders of Record</u>
<i>As of March 31, 2012</i>						
Common Stock	(A)	22,500,000	9,346,268	3,111,094	103	126
Series C Redeemable Preferred Stock		25,000	25,000	---	4	4
Series G Redeemable Preferred Stock		150	119,571	---	9	9

Notes:

- (A) The number of shares of common stock listed under “Freely Tradable Securities” in the above table excludes securities held by directors, officers, holders of 5% or more of the outstanding shares and stock held by employees subject to restrictions on trading. The estimated number of beneficial holders of shares of common stock differs from the number of record holders as beneficial holders excludes all but one record holder where control of the shares is held by one beneficial holder.

**Item 3 Interim financial statements.**

This Item 3 of the Company’s Interim Report for the Period Ended March 31, 2012 incorporates by reference the financial statements published through the OTC Disclosure and News Service under the name Interim Financial Statements for the Period Ended March 31, 2012 (“Interim Financial Statements-March 31, 2011”). The referenced Interim Financial Statements-March 31, 2012 includes the following information:

- 1) Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011
- 2) Consolidated Statements of Operations for the Three-Month Periods Ended March 31, 2012 and 2011
- 3) Consolidated Statements of Cash Flows for the Three-Month Periods Ended March 31, 2012 and 2011
- 4) Consolidated Statement of Changes in Shareholders’ Equity for the Three-Month Period Ended March 31, 2012 and the Year Ended December 31, 2011
- 5) Notes to Consolidated Financial Statements

The Table of Contents included in the Interim Financial Statements-March 31, 2012 provides the specific location where the information requested by this item can be found in the incorporated document.

**Item 4 Management’s discussion and analysis or plan of operation.**

*Management’s Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion and analysis by management provides information with respect to the financial condition and results of operations of the Company for the three-month periods ended March 31, 2012 and 2011. This discussion should be read in conjunction with the information contained in *Part C – Business Information, Item 8 – The nature of the issuer’s business* and *Item 9 – The nature of products or services offered*, and *Part D – Management Structure and Financial Information, Item 12 – Financial information for the issuer’s most recent fiscal period* and *Item 13 – Similar financial information for the two preceding fiscal years as the issuer or its predecessor has been in existence* in the Company’s Annual Report for the Period Ended December 31, 2011 published through the OTC Disclosure and News Service. Unless the context otherwise requires, all references herein to the “Company” refer to Allin Corporation and its subsidiaries. Management does not believe there are any seasonal aspects to the Company’s operations that would materially impact its financial conditions or results of operations.

In the following *Management’s Discussion and Analysis of Financial Condition and Results of Operations* and elsewhere in this Interim Report, words such as “expects,” “will,” “seek,” “continue,” “may,” “could,” “future” and other similar expressions, are intended to identify forward-looking information that involves risks and uncertainties. In addition, any statements that refer to expectations or other characterizations of future events or circumstances are forward-looking statements. Actual results and outcomes could differ materially as a result of important factors including, among other things, dependence on key personnel, general economic conditions, committed backlog, industry and customer concentration, project schedule delays by customers, risks associated with significant suppliers, fluctuations in operating results, competitive market conditions in the Company’s existing lines of business, geopolitical considerations, liquidity and credit risk, public market and trading issues and technological obsolescence, as well as other risks and uncertainties.

*Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011 and Year Ended December 31, 2011*

*Financial Condition*

The following tables provide a summary of key financial information from the Company’s Consolidated Statements of Cash Flows for the three-month periods ended March 31, 2012 and 2011, and key financial information from the Company’s Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011, as well as corresponding period-to-period percentage changes.

<i>(Dollars in thousands)</i>	<b><u>Three Months Ended</u></b>		<b><u>% Change</u></b>
	<b><u>March 31,</u></b>		
	<b><u>2012</u></b>	<b><u>2011</u></b>	
<b>Statement of Cash Flows Data:</b>			
Provided by (used for) operating activities	\$ 738	\$ (828)	189 %
Used for investing activities	(91)	(25)	(264) %
Used for financing activities	(137)	(137)	---
Net increase (decrease) in cash	510	(990)	151 %

<i>(Dollars in thousands)</i>	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>	<u>% Change</u> <u>2012 to 2011</u>
<b>Balance Sheet Data:</b>			
Cash	\$ 1,937	\$ 1,427	35 %
Current assets	5,718	6,182	(8) %
Total assets	7,059	7,446	(5) %
Bank lines of credit	275	275	--- %
Current liabilities	2,243	2,421	(7) %
Total liabilities	12,447	12,313	1 %
Shareholders' deficit	(5,388)	(4,867)	(10) %

The net change in cash during the first three months of 2012 was an increase of \$510,000. The Company recognized a net loss of \$385,000 for the three-month period ended March 31, 2012. The Company recorded non-cash expenses of \$77,000, including \$89,000 for depreciation of property and equipment and amortization of capitalized software development and a \$7,000 provision to increase the allowance for doubtful accounts receivable, offset by an \$18,000 income tax benefit for changes in estimates for deferred income taxes and a \$1,000 credit for expense associated with the fair value of share-based payments related to outstanding stock options. This resulted in net cash used of \$308,000 related to operations. Changes in working capital resulted in net cash provided of \$1,046,000 for the three-month period ended March 31, 2012. Major changes resulting in cash provided included decreases in inventory and costs in excess of billings of \$874,000 and \$888,000, respectively, and an increase in deferred revenue of \$213,000. Major working capital adjustments resulting in cash used included an increase in accounts receivable of \$730,000, a decreases in billings in excess of costs of \$117,000 and expenditures of \$163,000 for software development costs.

The net change in cash during the first three months of 2011 was a decrease of \$990,000. The Company recognized a net loss of \$912,000 for the three-month period ended March 31, 2011. The Company recorded non-cash expenses of \$130,000, including \$93,000 for depreciation of property and equipment and amortization of capitalized software development, a \$34,000 income tax provision for changes in estimates for deferred income taxes, a \$1,000 provision to increase the allowance for doubtful accounts receivable and \$2,000 of expense associated with the fair value of share-based payments related to outstanding stock options. This resulted in net cash used of \$782,000 related to operations. Changes in working capital resulted in net cash used of \$46,000 for the three-month period ended March 31, 2011. Major changes resulting in cash provided included a decrease in costs in excess of billings of \$190,000 and increases in billings in excess of costs and deferred revenue of \$318,000 and \$174,000, respectively. Major working capital adjustments resulting in cash used included decreases in accounts payable and accrued compensation and payroll taxes of \$305,000 and \$238,000, respectively, and expenditures of \$127,000 for software development costs.

Management believes that the significant working capital adjustments realized during these periods reflect the impact of large projects on the Company. The timing of significant expenditures made by the Company for materials for major projects, including computer hardware and interactive television equipment, as well as project milestone billing schedules, can result in significant period-to-period changes to working capital accounts, particularly accounts receivable, inventory, costs in excess of billings, accounts payable and billings in excess of costs.

Investing activities resulted in net cash used of \$91,000 and \$25,000, respectively, for the three month periods ended March 31, 2012 and 2011. Investing activities consisted primarily of capital expenditures including computer hardware and software for the Company's operations. A contributing factor to the increase in capital expenditures comparing the quarters was the 2012 purchase of software upgrades for the Company's accounting and time reporting systems. Financing activities resulted in net cash used of \$137,000 for each of the three-month periods ended March 31, 2012 and 2011 for payments of dividends on preferred stock.

Total assets declined by \$387,000 when comparing the Consolidated Balance Sheets of March 31, 2012 and December 31, 2011. There were significant changes to certain assets, including decreases of \$874,000 and \$888,000, respectively, in inventory and costs in excess of billings, which were partially offset by increases of \$510,000, \$723,000 and \$106,000, respectively, in cash, accounts receivable and software development costs.

Current assets decreased by \$464,000 when comparing the Company's Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011. Management believes the changes in these assets reflect the variability in working capital that can be expected as a result of the impact of large projects with significant milestone billings and requirements for purchases of significant amounts of inventory for project materials.

Comparing the Company's Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011, a decrease of \$178,000 was realized for current liabilities, primarily from a decrease of \$121,000 in billings in excess of costs. Total liabilities increased by \$134,000 when comparing the Consolidated Balance Sheets of March 31, 2012 and December 31, 2011, primarily due to an increase in the non-current portion of deferred revenue of \$308,000. Management believes the changes to billings in excess of costs and deferred revenue reflect the variability in working capital that can be expected as a result of the impact of large projects.

Shareholders' deficit increased by \$521,000 when comparing the Consolidated Balance Sheets of March 31, 2012 and December 31, 2011. The most significant factors contributing to the decrease were the net loss of \$385,000 recognized for the three months ended March 31, 2012 and the accrual of \$135,000 of dividends on preferred stock during the period.

### *Results of Operations*

The following table provides a summary of key financial information from the Company's Consolidated Statements of Operations for the three-month periods ended March 31, 2012 and 2011, as well as period-to-period percentage changes.

<i>(Dollars in thousands)</i>	<b><u>Three Months Ended</u></b>		<b><u>% Increase</u></b>
	<b><u>2012</u></b>	<b><u>2011</u></b>	
<b>Statement of Operations Data:</b>			
Revenue	\$3,062	\$1,976	55 %
Gross profit	1,496	1,150	30 %
Selling, general and administrative expenses	1,892	2,052	(8) %
Net loss	(385)	(912)	58 %

### *Revenue*

The following table sets forth revenue for the Company's operating segments for the three months ended March 31, 2012 and 2011 and period-to-period percentage changes for each segment.

<i>Revenue</i>	<b>Three Months Ended</b>	<b>Three Months Ended</b>	<b>Period-to-Period %</b>
<i>(Dollars in thousands)</i>	<b>March 31, 2012</b>	<b>March 31, 2011</b>	<b>Increase (Decrease)</b>
Consulting Services	\$ 1,270	\$ 1,058	20 %
Technology Platform Integration	1,417	727	95 %
Other	375	191	96 %
Consolidated Revenue	<u>\$ 3,062</u>	<u>\$ 1,976</u>	<u>55 %</u>

The Company's Ft. Lauderdale operations focus on the design, development, configuration and implementation of complex interactive media software applications and technology. The majority of Consulting Services and Technology Platform integration revenue is derived from these activities. Operations are concentrated among a small number of customers, primarily in the travel and leisure industry, and typically include large projects with concentrated periods of peak project activity. The Company also provides consulting services based on Microsoft technology through its Boston operations, which provide integrative application development and performance tuning, systems management and data migration, technical architecture design, website portal integration and user experience and branding design solutions to customers in a broad range of industries.

A significant portion of Consulting Services revenue has historically been derived from interactive television (“ITV”) services for newly built cruise ships, with services performed late in the construction schedule. The number of newly built ships entering service in 2011 and to date in 2012 has been low as compared to 2010 or 2009, as a result of a lull in new ship orders in 2008 and 2009, likely due to recessionary economic conditions during those years. The scheduling of these projects is subject to many factors beyond the Company’s control such as shipyard construction schedules for new ships. Consequently, significant variability in the levels of quarterly consulting services revenue can be expected. Consulting services revenue increased by \$212,000 comparing the three-month periods ended March 31, 2012 and 2011. During the first quarter of 2012, consulting services included peak project activity for one and early stage project activity for two ITV systems aboard new ships, and peak activity for both a system upgrade project and retrofit of a ship in service with an ITV system. During the first three months of 2011, consulting services included early stage project activity for two large shipboard ITV systems and peak activity for two system upgrades. However, there were no peak periods of activity for large projects during this period. The level of consulting services for the Boston operations were consistent when comparing the first quarters of 2012 and 2011. Management attributes the period-to-period increase in revenue to the higher level of activity on major ITV projects in the first quarter of 2012.

The Company realized a period-to-period increase of \$690,000 in revenue for the Technology Platform Integration segment for the three months ended March 31, 2012, as compared to the three months ended March 31, 2011. During the first three months of 2012, Technology Platform Integration revenue included a period of peak project activity involving the implementation of an ITV platform aboard the Costa *Fascinosa*, early stage ITV project activity for the Carnival *Breeze* and MSC *Divina*, a system upgrade project activity for the Celebrity *Summit*, and retrofit of the Costa *NeoRomantica* with the first DigiRF-HD™ technology platform. The Company’s DigiRF-HD™ solution offers many of the same modules, benefits and quality as Allin’s IP-based DigiHD™ system, but is delivered over radio frequency networks eliminating the requirement for delivery of high-definition content over an IP network. During the first three months of 2011, Technology Platform Integration revenue was limited to early stage project activity involving the implementation of interactive television platforms aboard the Carnival *Magic* and Costa *Favolosa*, system upgrade project activity for the Royal Caribbean *Freedom of the Seas* and *Liberty of the Seas*, and several small projects. As discussed above regarding related consulting services projects, management expects significant variability in the level of project activity in individual fiscal quarters due to the concentration of activity among large projects with scheduling constraints outside the Company’s control. Management attributes the significant period-to-period increase in Technology Platform Integration revenue primarily to the increase in major project activity resulting from this variability.

Revenue for the Other segment increased by \$184,000, when comparing the three-month periods ended March 31, 2012 and 2011. Management attributes the increase to several factors, including a period-to-period increase in sales of replacement components for technology platforms and a higher level of revenue for reimbursable expenses resulting from the increased levels of activity for consulting and technical platform integration projects. Management attributes the increase to the provision of technical resources on an outsourced services basis in which customer personnel manage the resources’ assignments in the first quarter of 2012. There was no revenue of this type in the first quarter of 2011.

As of March 31, 2012, the Company’s backlog for the Consulting Services and Technology Platform Integration segments was \$6,411,000, of which \$4,373,000 was expected to be realized during the remainder of 2012, \$1,499,000 in 2013, \$159,000 in each of the years 2014 through 2016 and \$62,000 in 2017. Actual revenue for these segments realized in the first three months of 2012 plus backlog expected to be realized over the remainder of 2012 represents 78% of 2011 revenue for these segments. A significant portion of the 2012 backlog relates to orders for systems aboard Carnival *Breeze*, Costa *Favolosa* and MSC *Divina*. Schedule delays or project cancellations could occur during the remainder of 2012 or during future periods. The level of committed backlog as of March 31, 2012 represents a significant increase of \$2,392,000 from the level as of December 31, 2011. Committed backlog was further enhanced in April 2012 with the receipt of orders for ITV systems for the Norwegian *Breakaway* and Norwegian *Getaway*. No assurance can be given that revenue for these segments will be realized in future periods at levels equal to or in excess of 2011 revenue.

### Cost of Sales and Gross Profit

The following table sets forth cost of sales for the Company's operating segments for the three-month periods ended March 31, 2012 and 2011 and period-to-period percentage changes for each segment.

<i>Cost of Sales</i>	<b>Three Months Ended March 31, 2012</b>	<b>Three Months Ended March 31, 2011</b>	<b>Period-to-Period % Increase (Decrease)</b>
<i>(Dollars in thousands)</i>			
Consulting Services	\$ 594	\$ 406	46 %
Technology Platform Integration	749	340	120 %
Other	223	80	179 %
Consolidated Cost of Sales	<u>\$ 1,566</u>	<u>\$ 826</u>	<u>90 %</u>

The Company realized an increase of \$188,000 for Consulting Services cost of sales, comparing the three-month periods ended March 31, 2012 and 2011. The period-to-period increase in cost of sales corresponded with the increase in revenue, but was higher in percentage terms. Independent contractor labor resources were used more frequently in the first quarter of 2012 than in the first quarter of 2011. Peak activity for significant projects in the first quarter of 2012 resulted in usage of a greater level of independent contractor resources to supplement the Company's Ft. Lauderdale-based consulting staff. The Boston operations also utilized a higher level of independent consultant labor in the first quarter of 2012 to facilitate project activity involving specialized technology skills and to supplement reduced personnel levels on its consulting staff. Independent contractor resources typically have higher hourly cost rates than internal resources. Management attributes the period-to-period increase in Consulting Services cost of sales as a percentage of revenue to the increase level of usage of independent contractors in the first quarter of 2012.

The increase in Technology Platform Integration cost of sales of \$409,000, comparing the three-month periods ended March 31, 2012 and 2011, corresponds with the period-to-period increase in Technology Platform Integration revenue, but is higher in percentage terms. Management attributes the increase primarily to the Company having more large projects with peak activity ongoing during the first three months of 2012. The increase in Technology Platform Integration cost of sales as a percentage of revenue is attributed to the introduction of the new DigiRF-HD technology platform in the first quarter of 2012. The introduction of new platforms requires different technology components which reduces the Company's purchasing efficiency in the short term as pricing may not benefit from the volume and history of prior transactions.

Cost of sales for the Other segment increased by \$143,000, comparing the three-month periods ended March 31, 2012 and 2011, consistent with the increase in revenue but higher in percentage terms. Management attributes the increase to the same factors as the increase in revenue, including increases in the level of equipment sales and reimbursable project expenses as well as the introduction of outsourced services engagements for technical resources. Reimbursable expenses are typically billed at cost, and a period-to-period increase will result in a larger percentage increase to cost of sales than to revenue.

The following table sets forth gross profit for the Company's operating segments for the three-month periods ended March 31, 2012 and 2011 and period-to-period percentage changes for each segment.

<i>Gross Profit</i>	<b>Three Months Ended March 31, 2012</b>	<b>Three Months Ended March 31, 2011</b>	<b>Period-to-Period % Increase (Decrease)</b>
<i>(Dollars in thousands)</i>			
Consulting Services	\$ 676	\$ 652	4 %
Technology Platform Integration	668	387	73 %
Other	152	111	37 %
Consolidated Gross Profit	<u>\$ 1,496</u>	<u>\$ 1,150</u>	<u>30 %</u>

Consulting Services gross profit increased by \$24,000 when comparing the three-month periods ended March 31, 2012 and 2011, consistent with the period-to-period increase in revenue, but lower in percentage terms. Management attributes the increase in gross profit to a higher level of activity on significant projects during the first three months of 2012, as discussed above. The decline in gross profit percentage resulted from increased usage of independent contractor labor resources during the first quarter of 2012 as compared to the first quarter of 2011.

The Technology Platform Integration segment realized a period-to-period increase in gross profit of \$281,000, when comparing the three months ended March 31, 2012 to the three months ended March 31, 2011. The change in gross profit is consistent with the corresponding increase in revenue and is attributable to an increase in significant project activity during the first quarter of 2012. As discussed above, 2012 project activity also included the introduction of the new DigiRF-HD ITV technology platform with the retrofit project on the Costa *NeoRomantica*. The introduction of new platforms reduces the Company's purchasing efficiency in the short term as pricing may not benefit from the volume and history of prior transactions.

Gross profit for the Other segment increased by \$31,000, comparing the three-month periods ended March 31, 2012 and 2011. As discussed above, management attributes the increase in gross profit during the first quarter of 2012 primarily to increases in the level of equipment sales and the introduction of outsourced services engagements for technical resources.

#### *Selling, General & Administrative Expenses*

The Company recorded \$1,892,000 in selling, general and administrative expenses during the three-month period ended March 31, 2012, including \$89,000 for depreciation and amortization and \$1,803,000 for other selling, general and administrative expenses. Selling, general and administrative expenses were \$2,052,000 during the three-month period ended March 31, 2011, including \$93,000 for depreciation and amortization and \$1,959,000 for other selling, general and administrative expenses. The period-to-period decrease in aggregate selling, general and administrative expense was \$160,000, or 8%.

The period-to-period decrease in other selling, general and administrative expenses was \$156,000, or 8%. The majority of the period-to-period decrease is primarily associated with compensation expense. The Company also experienced a reduction in its number of employees between the first quarters of 2011 and 2012. Also, Selling, general and administrative expenses include compensation, payroll taxes, benefits and workers compensation for the portion of employee time not directly associated with customer projects. During periods with a unusually low level of activity on significant projects such as the first quarter of 2011, a higher proportion of technical staff compensation remains in selling, general and administrative expenses than during periods with a higher level of project activity such as the first quarter of 2012. The Company also realized a significant reduction in employee recruitment costs when comparing the first quarters of 2012 and 2011.

#### *Net Loss*

The Company recorded a net loss of \$385,000 for the three-month period ended March 31, 2012, as compared to a net loss of \$912,000 for the three-month period ended March 31, 2011. The \$527,000 period-to-period improvement in profitability resulted from the increase in gross profit from operations of \$346,000 and the decrease in selling, general and administrative expenses of \$160,000. The factors resulting in the changes in gross profit from operations and selling, general and administrative expenses are discussed above.

#### *Liquidity and Capital Resources*

##### *Credit Facilities*

On October 1, 1998, the Company and S&T Bank, a Pennsylvania banking association, entered into a Loan and Security Agreement, pursuant to which S&T Bank agreed to extend the Company a revolving line of credit, (the "S&T Loan Agreement"). The S&T Loan Agreement has been renewed in each succeeding year and currently will expire on July 30, 2012. There were no changes to the terms governing maximum loan availability, covenants or interest rate under the 2011 renewal of the S&T Loan Agreement.

Borrowings may be made under the S&T Loan Agreement for general working capital purposes. The maximum borrowing availability under the S&T Loan Agreement is the lesser of \$3,500,000 or 80% of the aggregate gross amount of eligible trade accounts receivable aged ninety days or less from the date of invoice. Accounts receivable qualifying for inclusion in the borrowing base are net of any prepayments, progress payments, deposits or retention and must not be subject to any prior assignment, claim, lien, or security interest. As of March 31, 2012, maximum borrowing capacity under the S&T Loan Agreement was \$1,690,000, but there was no outstanding loan balance as of this date. There have been no borrowings under the S&T Loan Agreement during 2011 or to date during 2012.

Loans under the S&T Loan Agreement bear interest at the bank's prime interest rate plus one-half percent, unless such rate is below the minimum interest rate of 3.75%. During 2011 and to date in 2012, the interest rate under the S&T Loan Agreement was 3.75%. Interest payments on any outstanding loan balances are due monthly on the first day of the month. The principal balance of any borrowings will be due at maturity, although any outstanding principal balances may be repaid in whole or part at any time without penalty.

On February 14, 2008, the Company and its subsidiaries and S&T Bank entered into a Business Loan Agreement and a Promissory Note. Each of the Company and its subsidiaries and S&T Bank entered into Commercial Security Agreements, either coincident with the entry into the Business Loan Agreement or upon their organization if later. S&T Bank agreed to termination of the Commercial Security Agreements of subsidiaries either subsequently sold or merged into the parent corporation. The Business Loan Agreement, Promissory Note and Commercial Security Agreements are referred to collectively as the "S&T Straight Credit Line." The S&T Straight Credit Line has subsequently been renewed each year in conjunction with the S&T Loan Agreement. The current expiration date of the S&T Straight Credit is July 30, 2012. There were no changes to the terms governing loan availability, covenants or interest rate under the 2011 renewal of the S&T Straight Credit Line.

Under the S&T Straight Credit Line, the Company may request principal borrowings up to an aggregate amount of \$2,000,000. The principal balance of any borrowings will be due at maturity, although the Company may prepay a portion or all of any outstanding borrowings at any time during the term of the S&T Straight Credit Line. However, prepayment of principal will not reduce the aggregate principal borrowings and therefore will not create greater borrowing availability than that existing immediately prior to any prepayment. As of March 31, 2012, the Company had borrowed \$275,000 under the S&T Straight Credit Line. The outstanding balance has not subsequently changed. Loans under the S&T Straight Credit Line bear interest at S&T Bank's prime interest rate plus one-half percent unless such rate is below the minimum interest rate of 3.75%. During 2011 and to date in 2012, the interest rate under the S&T Straight Credit Line was 3.75%. Interest payments on any outstanding loan balances are due monthly on the thirtieth day of the month. Any unpaid interest balance will be due at maturity.

The Company recorded interest expense of \$3,000 and \$10,000, respectively, related to these credit facilities during the three months ended March 31, 2012 and the year ended December 31, 2011.

The S&T Loan Agreement and S&T Straight Credit Line include provisions granting S&T Bank security interests in certain assets of the Company, including its accounts receivable, equipment, lease rights for real property, and inventory. The Company and its subsidiaries, except Allin Holdings, are required to maintain depository accounts with S&T Bank, in which accounts the bank has a collateral interest.

The covenants included in the credit instruments are substantially consistent. The S&T Loan Agreement and S&T Straight Credit Line include various covenants that establish requirements for insurance coverage and financial accounting practices, audit rights, and prohibitions or limitations on certain transactions, dividends and stock purchases. The covenants relating to dividends and purchases of stock prohibit the Company from paying cash dividends or redeeming, purchasing or otherwise acquiring outstanding shares of any class of the Company's stock, except for dividends payable in the ordinary course of business on the Company's Series C and G preferred stock. The S&T Loan Agreement also includes a covenant requiring a cash flow to interest ratio of not less than 1.0 to 1.0. Cash flow is defined as operating income before depreciation, amortization and interest. The cash flow coverage ratio is measured for six-month periods ending June 30 and December 31. The Company received waivers of the cash flow covenant from S&T Bank for the six-month periods ended June 30, and December 31, 2011,

without which the Company would not have been in compliance. The Company was in compliance with all of the other covenants described above as of March 31, 2012.

The S&T Loan Agreement and S&T Straight Credit Line require that the Company deliver audited financial statements within 120 days of fiscal year end and include reporting requirements regarding monthly financial statements. The S&T Loan Agreement also requires reporting of additional financial information, including monthly accounts receivable and payable statements, and weekly borrowing base certificates. The Company met the specified deadline for the annual reporting requirement for the year ended December 31, 2011. The Company also met all weekly and monthly reporting requirements for 2011 and to date for 2012.

Events of default under the S&T Loan Agreement and S&T Straight Credit Line include, among others, failure of the Company to comply with the loan covenants unless waived by S&T Bank, failure to make required loan payments when due, false representations or statements, insolvency, defective collateralization, creditor or forfeiture proceedings, changes in ownership of 25% or greater of the Company's common stock and material adverse changes in the Company's business. If an event of default occurs, S&T Bank, at its option, may make all indebtedness under the S&T Loan Agreement and S&T Straight Credit Line immediately due and payable.

#### *Preferred Stock and Warrants*

As of March 31, 2012, the Company had outstanding 25,000 shares of Series C Redeemable Preferred Stock having a liquidation preference of \$100 per share and 119,571 shares of Series G Redeemable Preferred Stock having a liquidation preference of \$10,000 per share.

Series C and G preferred stock are of equivalent seniority for liquidation preference and have certain common features. There is no mandatory redemption date for the Series C and G preferred stock; however, the Company may redeem shares at any time. There are no sinking fund provisions applicable to the Series C and G preferred stock. The holders of shares of Series C and G preferred stock are entitled to receive, when and as declared by the Board of Directors out of funds legally available for the payment of dividends, cash dividends on each share of the Series C or G preferred stock at an annual rate equal to a percentage of the liquidation value thereof. The applicable percentage for dividends on the Series C and G preferred stock has been 4% since May 15, 2009, but will increase in increments of 2% in accordance with the schedule below unless the shares of Series C and G preferred stock are redeemed by the Company prior to such dates:

<b>Period</b>		<b>Percentage</b>
May 16, 2012	to May 15, 2014	6%
May 16, 2014	to May 15, 2017	8%
May 16, 2017	to May 15, 2019	10%
May 16, 2019	to Redemption Date	12%

Such dividends are payable quarterly in arrears on each February 15, May 15, August 15 and November 15 to the extent declared by the Board of Directors. To the extent that dividends are not paid on a particular dividend payment date, all such dividends will accrue and compound on a quarterly basis and will be paid on or before the redemption date, if any.

Arrearages of dividends accumulated from the respective issuances of Series C preferred stock in 1996 and Series G preferred stock in 2000 until May 15, 2009, when the terms of the Series C and G preferred stock were modified. There are no scheduled payment requirements for the dividends in arrears, which total \$5,178,000 and \$4,699,000, respectively, for Series C and G preferred stock. The Company does not expect to make any payment on the dividends in arrears within the next year. Consequently, the dividends in arrears of \$9,877,000 are reflected as the non-current portion of dividends payable on the Consolidated Balance Sheet as of March 31, 2012. Compound dividends are earned on the arrearages on an identical basis as dividends are earned on the liquidation values of the Series C and G preferred stock, and are included in the quarterly dividend payment requirements. As of March 31, 2012, the current portions of accrued but unpaid dividends on Series C and G preferred stock were \$50,000 and \$39,000, respectively.

The Company expects to continue to accrue dividends for the Series C and G preferred stock in a manner similar to its current practice. The Company has, to date, made all scheduled dividend payments for Series C and G preferred stock since the terms of the series were modified in 2009. Continued payment of dividends related to the Company's preferred stock is subject to legally available funds for the payment of dividends as prescribed by the Delaware General Corporation Law. Scheduled dividend payments may also be deferred for other reasons. The Company's Board of Directors pre-approves all payments of dividends. Assuming no redemption of Series C or G preferred stock, aggregate scheduled dividend payments for Series C and G preferred stock will be \$456,000 for the remainder of 2012. Since neither of the outstanding series of the Company's preferred stock are mandatorily redeemable, dividend payments could extend for an indefinite period beyond 2012.

On December 31, 2009, the Company issued warrants to purchase an aggregate of 8,541,268 shares of the Company's common stock to the holders of the Company's Series C and G preferred stock. The current exercise price of the warrants is \$0.15 per share. The number of shares for which the warrants may be exercised and the exercise price will be adjusted pursuant to the provisions set forth in the Form of Common Stock Warrant, upon the occurrence of a subdivision or combination, by stock split, reverse stock split or otherwise, of the Company's outstanding shares of common stock or a declaration of a dividend on common stock payable in common stock or securities convertible into common stock. In the event of a capital reorganization of the common stock or a consolidation or merger of the Company with or into another entity or the sale of all or substantially all of the Company's assets to another person, the warrant holders shall be entitled to receive upon exercise of the warrants the same kind and number of shares of common stock and other securities, cash or other property as would have been distributed to the holders had the warrants been exercised immediately prior to such reorganization, consolidation, merger or sale. Payment of the exercise price may be made in cash or shares of Series C or G preferred stock equal to the exercise price for the number of shares to be purchased upon exercise. If payment is made by delivery of shares of Series C or G preferred stock, the number of shares of such preferred stock so delivered must have an aggregate liquidation value plus accrued and unpaid dividends, if any, equal to the exercise price for the number of shares to be purchased upon exercise. The warrants will expire on December 31, 2024 unless exercised earlier.

On July 26, 2005, the purchasers of the Company's Series H Redeemable Preferred Stock, which series of preferred stock has since been redeemed, also received warrants to purchase an aggregate of 2,500,000 shares of common stock. These warrants have an exercise price of \$1.00 per share. The number of shares for which the warrants may be exercised and the exercise price will be adjusted on a weighted average basis in the event of a dilutive issuance as described in the Form of Common Stock Warrant. The warrants will expire July 26, 2020, unless exercised earlier.

#### *Capital Expenditures and Capitalized Software Development Costs*

Capital expenditures during the three months ended March 31, 2012 and the year ended December 31, 2011 were \$91,000 and \$109,000, respectively. Capital expenditures included purchases of computer hardware and software to upgrade the Company's technology infrastructure, and office furniture and equipment. A contributing factor to the high level of capital expenditures in the first quarter of 2012 was purchase of software upgrades for the Company's accounting and time reporting systems.

During the three months ended March 31, 2012 and the years ended December 31, 2011, capitalized software development costs of \$163,000 and \$458,000, respectively, were recorded related to platform extensions for the Company's suite of DigiMix™ software applications for the travel and leisure industry. Software development costs included purchased software, supplies, equipment, consulting services and the cost of internal labor. The capitalized costs for the developed software applications were incurred subsequent to the Company's determination that technical feasibility had been achieved for particular applications but prior to the introduction of the applications for customer operations. Following commercial introduction, capitalized software development costs are amortized over a three-year period. Subsequent to commercial introduction, development costs associated with the software applications are expensed. The Company expects to undertake additional software development activities during the remainder of 2012.

Aggregate capital expenditures and capitalized software development costs for 2012 are anticipated to be at a similar level as incurred in 2011. The Company expects to utilize funds generated from operations or available under credit facilities to meet the anticipated capital requirements.

#### *Purchase Commitments*

Information concerning outstanding purchase commitments is as follows:

<u>Vendor</u>	<u>Purchase Commitment Date</u>	<u>Purchase Commitment Amount</u> <i>(Dollars in thousands)</i>	<u>Purchase Commitment Fulfillment Deadline</u>	<u>Purchases as of March 31, 2012</u> <i>(Dollars in thousands)</i>
Advanced Media	May 2010	\$ 411	May 2012	\$ 379
Enseo	June 2011	\$ 1,040	July 2012	\$ ---
Enseo	August 2011	\$ 500	May 2012	\$ 500
Enseo	January 2012	\$ 378	May 2012	\$ ---
Enseo	April 2012	\$ 545	May 2012	\$ ---
Enseo	May 2012	\$ 357	January 2013	\$ ---
Enseo	May 2012	\$ 639	June 2013	\$ ---

Enseo, Inc. ("Enseo") was unable to deliver the equipment ordered in June 2011 by the originally anticipated fulfillment date of December 2011 due to a production schedule delay. The Company and Enseo subsequently agreed to extend the commitment fulfillment deadline to July 2012. The Company anticipates that it will be able to meet its outstanding purchase commitments by their respective deadlines utilizing funds generated by operations or available under its credit facilities. The Company anticipates utilizing the purchased ITV hardware for Technology Platform Integration customer projects or for information system product sales to customers.

Allin Interactive entered into a Master Purchase Agreement with Enseo, effective as of May 26, 2011, which identifies Enseo products that may be purchased and the related Enseo software that may be licensed for use with the products. Additional products and software may be added by mutual agreement of the parties. Once accepted by Enseo, orders are non-cancellable, non-refundable, and not returnable. However, the Enseo products are covered by a fourteen month warranty that they will meet product specifications. Sales are ex-works shipping point, at which time Enseo may bill for the product. For twelve months after any purchase, Enseo will not sell the relevant product or software to a third party at a price below that charged to Allin Interactive for similar order volumes or terms. The initial term of the agreement is seven years and Allin Interactive has rights to renew the agreement for one-year periods thereafter. The agreement does not specify minimum commitments for purchases of products.

#### *Available Funds*

The Company's cash balances may be diminished over the remainder of 2012 due to many factors, including the use of cash for operations, changes in working capital, capital expenditures, dividends on preferred stock and other factors.

#### *Financing Alternatives*

As part of its general business strategy, the Company may from time-to-time seek financial and strategic alternatives, including strategic acquisitions, partners and investors, or strategic divestitures. The Company may be required to consider other financing alternatives during the next twelve months or thereafter as a result of future business developments, including any acquisitions of businesses or assets, any shortfall of cash flows generated by future operations in meeting the Company's ongoing cash requirements, or the Company's inability to renew or replace the current credit facilities after their expiration in July 2012. Such financing alternatives could include selling additional equity or debt securities, obtaining long- or short-term credit facilities, or selling other operating assets. No assurance can be given, however, that the Company could obtain such financing on terms favorable to it,

or at all. Any sale of additional common stock or convertible equity or debt securities would result in additional dilution to the Company's stockholders.

#### *Off-Balance Sheet Arrangements*

As of March 31, 2012, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### **Item 5            Legal proceedings.**

The Company from time-to-time is involved in litigation incidental to the conduct of its business. Currently, there are no pending legal proceedings to which the Company or any of its subsidiaries is a party, or to which any of their respective properties is subject, for which any material adverse judgment is considered probable.

#### **Item 6            Defaults upon senior securities.**

Series C preferred stock earned dividends at the rate of 8% of the liquidation value thereof per annum from August 1996 through June 30, 2006. Accrued dividends as of June 30, 2006 compounded thereafter at a rate of 12% of the liquidation value thereof per annum until May 15, 2009. Series C preferred stock also earned current dividends at the rate of 12% of the liquidation value thereof per annum from July 1, 2006 through May 15, 2009. Dividends on Series C preferred stock accrued through June 30, 2006 were originally scheduled for payment within ten days of that date and dividends earned thereafter were originally scheduled for quarterly payments. The Company's management determined that meeting the scheduled payment within ten days of June 30, 2006 was inadvisable due to liquidity considerations and a restrictive covenant in the S&T Loan Agreement which then prohibited payment of dividends on Series C preferred stock. The Company indefinitely deferred payment of the dividends accrued as of June 30, 2006 and the quarterly dividend payments scheduled thereafter until such time as the restrictive bank covenant was eliminated, legally available funds were present and management determined that payment was advisable given the liquidity considerations of the Company. Dividends in arrears on Series C preferred stock aggregated \$5,178,000 as of May 15, 2009.

From its issuance in December 2000 through May 15, 2009, the redemption price for each share of Series G preferred stock was the liquidation value of the share, plus an amount that would result in an aggregate 25% compounded annual return on the liquidation value to the date of redemption after giving effect to all dividends paid through the date of redemption. Series G preferred stock earned dividends at the rate of 8% of the liquidation value thereof per annum from issuance until December 29, 2005, when the dividend rate increased to 12%. Dividends were payable quarterly in arrears on the first day of each calendar quarter and all scheduled quarterly payments were made from issuance through April 1, 2009. The Company recorded dividends of \$5,894,000 to accrue the liquidation premium for Series G preferred stock through May 15, 2009 after giving effect to dividends paid.

During 2009, the holders of the Series C and G preferred stock agreed to modifications to the terms of the series. See above under *Liquidity and Capital Resources – Preferred Stock and Warrants* for information concerning dividend accrual and payment terms which have been in effect since May 15, 2009 pursuant to the modifications. The Company paid cash consideration of \$1,500,000 on May 15, 2009 to the holders of Series G preferred stock. The consideration was allocated to the redemption of 30.429 shares of Series G Preferred (liquidation value of \$10,000 per share) and the payment of \$1,195,000 of the accrued premium-rate dividend due the holders of such Series G preferred stock. The allocation of a portion of the consideration to accrued dividends reduced the arrearage of dividends on Series G preferred stock as of May 15, 2009 to \$4,699,000.

Compound dividends are earned on the dividend arrearages on the Series C and G preferred stock on an identical basis as dividends are earned on the liquidation values, and are included in the quarterly dividend payments to the holders of the Series C and G preferred stock. Consequently, the dividends in arrears on these series of preferred stock have not changed since May 15, 2009. There are no scheduled payment requirements for the dividends arrearages and payment of these arrearages by the Company is not mandatory. Accrued but unpaid dividends on Series C and G preferred were \$5,229,000 and \$4,737,000, respectively, as of March 31, 2012. The

Company has, to date, made all scheduled dividend payments for Series C and G preferred stock since the terms of the series were modified in 2009.

**Item 7            Other information.**

*Entry into a Material Definitive Agreement*

On February 23, 2012, the Company published a Notice of Entry into a Material Definitive Agreement through the OTC Markets Disclosure and News Service, announcing that on February 20, 2012, the Company had entered into a new employment agreement with Dean C. Praskach, its Chief Financial Officer, Vice-President-Finance, Treasurer and Secretary. The employment agreement was included as Exhibit 37 to the Company's Annual Report for the Year Ended December 31, 2011 which was published through the OTC Disclosure and News Service on March 29, 2012. See the Notice of Entry into a Material Definitive Agreement and Exhibit 37 to the Company's Annual Report for the Year Ended December 31, 2011 on the OTC Disclosure and News Service for additional information regarding this agreement.

*Change in Control of Issuer*

On February 29, 2012, Paul Posner acquired securities of the Company owned by the estate of his father, Henry Posner, Jr., in a private transaction. The securities acquired by Mr. Posner consist of the following: 1,911,087 shares of common stock; warrants to purchase 1,800,000 shares of common stock with an exercise price of \$1.00 per share and an expiration date of July 26, 2020; warrants to purchase 4,905,703 shares of common stock with an exercise price of \$0.15 per share and an expiration date of December 31, 2024; 7,647.059 shares of Series C Redeemable Preferred Stock; and 90.0770 shares of Series G Redeemable Preferred Stock. Mr. Posner purchased the securities with a nine-year term loan for an aggregate purchase price of approximately \$1,131,000. Following the acquisition, Mr. Posner beneficially owns 54% of the voting common stock of the Company. Mr. Posner may be deemed to be a "control person" based on his beneficial ownership of the Company's securities; however, management of the Company does not consider Mr. Posner to be a control person.

**Item 8            Exhibits.**

See *Item 18 - Material Contracts.* and *Item 19 - Articles of Incorporation and Bylaws.* in the Company's Annual Report for the Period Ended December 31, 2011 published through the OTC Disclosure and News Service on March 29, 2012. There have been no exhibits published through the OTC Disclosure and News Service subsequent to the posting of the Company's Annual Report for the Period Ended December 31, 2011.

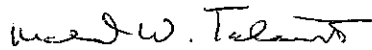
**Item 9. Certifications.**

*Certification of Chief Executive Officer*

I, Richard W. Talarico, certify that:

1. I have reviewed this Interim Report for the Period ended March 31, 2012 of Allin Corporation:
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 14, 2012




Richard W. Talarico  
Chief Executive Officer

*Certification of Chief Financial Officer*

I, Dean C. Praskach, certify that:

1. I have reviewed this Interim Report for the Period ended March 31, 2012 of Allin Corporation:
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 14, 2012



Dean C. Praskach  
Chief Financial Officer