SimplePons, Inc.
Form S-1
October 01, 2012

As filed with the Securities and Exchange Commission on October 1, 2012

Registration No. 333-_________

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SimplePons, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

7900

(Primary Standard Industrial Classification Code Number)

04-2893483

(I.R.S. Employer Identification Number)

220 Congress Park Drive

Suite 304

Delray Beach, FL 33445

(561) 330-3500

(Address, including zip code, and telephone number,

including area code, of registrant's principal executive offices)

Mr. Brian S. John

Chief Executive Officer

SimplePons, Inc.

220 Congress Park Drive

Suite 304

Delray Beach, FL 33445

(561) 330-3500

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

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with a copy to:

James M. Schneider, Esq.

Pearlman Schneider LLP

2200 Corporate Boulevard N.W., Suite 210

Boca Raton, Florida 33431

telephone (561) 362-9595

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As soon as practicable after this registration statement becomes effective

(Approximate date of commencement of proposed sale to the public)

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: S

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

Large accelerated filer £ Accelerated filer £ Non-accelerated filer £ Smaller reporting company S

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount To Be Registered**	**Proposed Maximum Offering Price Per Unit (4)**	**Proposed Maximum Aggregate Offering Price**	**Amount of Registration fee(5)**
Common stock, par value $0.01 per share (1)	33,452,498	$ 0.65	$ 21,744,124	$ 2,966
Common stock, par value $0.01 per share (2)	18,208,000	$ 0.65	$ 11,835,200	1,614
Common stock, par value $0.01 per share (3)	450,000	$ 1.00	$ 450,000	62
Total	52,110,498			$ 4,642

(1) Includes shares which are presently outstanding. (2) Represents shares of common stock issuable upon the exercise of common stock purchase warrants with an exercise price of $0.25 per share. (3) Represents shares of common stock issuable upon the exercise of common stock purchase warrants with an exercise price of $1.00 per share. (4) The offering price per share is estimated solely for purposes of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933 based on the average of the high and low sale price of the common stock as reported on the OTC Bulletin Board on September 7, 2012.

To the extent permitted by Rule 416, this registration statement also covers such additional number of shares of common stock as may be issuable as a result of the anti-dilution provisions of the warrants in the event of stock splits, stock dividends or similar transactions.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED OCTOBER 1, 2012

PROSPECTUS

SimplePons, Inc.

52,110,498 shares of common stock

This prospectus relates to periodic offers and sales of up to 52,110,498 shares of our common stock by the selling security holders, including 33,452,498 shares of our common stock which are presently outstanding and 18,658,000 shares of our common stock issuable upon the possible exercise of warrants with exercise prices ranging from $0.25 to $1.00 per share.

We will not receive any proceeds from the sale of the shares by the selling security holders. To the extent the warrants are exercised on a cash basis, we will receive proceeds of the exercise price.

Our common stock is quoted on the OTC Bulletin Board under the symbol "QPON." On September 7, 2012 the last reported sale price of our common stock was $0.65 per share.

For a description of the plan of distribution of these shares, please see page 29 of this prospectus.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 3 of this prospectus to read about the risks of investing in our common stock.

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

The date of this prospectus is ______, 2012

ABOUT THIS PROSPECTUS

You should only rely on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, when used in this prospectus the terms “SimplePons", "we"", "our" and similar terms refer to SimplePons, Inc., a Delaware corporation, and our wholly-owned subsidiary SimplePons Operations, Inc., a Delaware corporation (“SimplePons Operations”). In addition, unless specifically set forth to the contrary, “2011” refers to the period from February 7, 2011 (inception) through December 31, 2011, “2012” refers to the year ending December 31, 2012.

The information which appears on our website at www.simplepons.com is not part of this prospectus.

PROSPECTUS SUMMARY

About Us

SimplePons™ is a subscription-based e-commerce smartphone application (app), and savings deal book that offers consumers goods and services at substantially discounted prices, as well as buy one get one free offers from local and national merchants. SimplePons’ subscribers gain access to coupons offering savings that can be used throughout the calendar year at participating merchants and businesses in specific geographic regions, which we refer to as “geo territories”.

Our principal executive offices are located at 220 Congress Park Drive, Suite 304, Delray Beach, Florida 33445 and our telephone number is (561) 330-3500. Our fiscal year end is December 31.

SUMMARY OF THE OFFERING

This prospectus covers the resale of a total of 52,110,498 shares of our common stock by the selling security holders, including 33,452,498 shares of our common stock which are presently outstanding and 18,658,000 shares of our common stock issuable upon the possible exercise of warrants with exercise prices ranging from $0.25 to $1.00 per share.

We will not receive any proceeds from the resale of our shares by the selling security holders. To the extent the warrants are exercised on a cash basis, we will receive the exercise price of the warrants. We will pay all of the fees and expenses associated with registration of the shares covered by this prospectus.

Common Stock:

Outstanding Prior to this Offering: 86,970,870 shares of common stock on September 26, 2012. **Common Stock Reserved**: An aggregate of 34,173,705 shares of our common stock, including 25,323,705 shares of our common stock at exercise prices ranging from $0.25 to $1.00 per share, outstanding options under our 2011 Equity Compensation Plan to purchase an additional 8,450,000 shares of our common stock at exercise prices ranging from $0.275 to $0.75 per share and a convertible promissory note due to one of our officers which is convertible into 400,000 shares of our common stock. The resale of 18,658,000 shares issuable upon the exercise of the warrants are covered by this prospectus.

Common Stock

Outstanding After this Offering:

105,628,870 shares of common stock, assuming the issuance of 18,658,000 shares of our common stock upon the exercise of common stock purchase warrants at exercise prices ranging from $0.25 to $1.00 per share, the resale of which is covered by this prospectus, but giving no effect to the possible issuance of shares upon the exercise of options under our 2011 Equity Compensation Plan or the conversion of the note.

SELECTED FINANCIAL DATA

The following summary of our financial information for six months ended June 30, 2012 and 2011 and 2011 which have been derived from, and should be read in conjunction with, our financial statements included elsewhere in this prospectus**.**

Income Statement Data:

Six Months Ended June 30, 2012 February 7, 2011 (inception) to June 30, 2011 February 7, 2011 (inception) to December 31, 2011 (unaudited) (unaudited) Net revenue $18,629 $— $6,641 Gross profit 3,369 — 5,707 Total operating expenses 1,416,430 167,177 837,811 Net (loss) $(1,428,540) $(167,150) $(831,590)

Balance Sheet Data:

June 30, 2012 December 31, 2011 (unaudited) Working capital (deficit) $(214,466) $364,043 Cash $17,155 $120,768 Total current assets $247,016 $521,973 Total assets $408,505 $735,549 Total current liabilities $461,482 $157,930 Total liabilities $461,482 $157,930 Total stockholders' equity/(deficit) $(52,977) $577,619

RISK FACTORS

An investment in our common stock involves a significant degree of risk. You should not invest in our common stock unless you can afford to lose your entire investment. You should consider carefully the following risk factors and other information in this prospectus before deciding to invest in our common stock.

Risks Related to Our Business

WE ARE AN EARLY STAGE COMPANY WITH A VERY LIMITED OPERATING HISTORY ON WHICH TO EVALUATE OUR BUSINESS OR BASE AN INVESTMENT DECISION.

Our business prospects are difficult to predict because of our early stage of development, our unproven business strategy and our unproven product. We have generated minimal revenue since the inception of SimplePons Operations in February 2011. We face numerous risks and uncertainties in implementing our business plan. In particular, we have not proven that we can:

·develop our product offering in a manner that enables us to generate significant and consistent revenue, be profitable and/or meet our customers' requirements; · develop and maintain relationships with key customers and strategic partners that will be necessary to optimize the market value of our products and services; · raise sufficient capital in the public and/or private markets to, among other things, fund and/or expand our business until we generate sufficient cash flow to internally fund and/or expand our proposed business; or · respond effectively to competitive pressures.

If we are unable to accomplish these goals, our business is unlikely to succeed and you will lose your entire investment. Accordingly, you should consider our prospects in light of these risks, challenges and uncertainties.

OUR AUDITORS HAVE RAISED SUBSTANTIAL DOUBTS AS TO OUR ABILITY TO CONTINUE AS A GOING CONCERN.

Our financial statements have been prepared assuming we will continue as a going concern. Since the inception of SimplePons Operations in February 2011, we have experienced substantial and recurring losses from operations, which losses have caused an accumulated deficit of $2,260,130 at June 30, 2012. While we began generating minimal revenues in the fourth quarter of 2011, we continue to experience operating losses. We have been funding our business through sales of our securities. There are no assurances we will be able to continue to raise capital. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WE HAVE INCURRED NET LOSSES SINCE INCEPTION AND WE EXPECT OUR OPERATING EXPENSES TO INCREASE SIGNIFICANTLY IN THE FORESEEABLE FUTURE.

We do not generate sufficient revenues to pay our operating expenses. Many of our efforts to generate revenues from our business are new and unproven. In addition, we anticipate that our operating expenses will continue to increase in the foreseeable future as we continue to expand our marketing channels, expand our operations, hire additional employees and develop our technology platform. These efforts may prove more expensive than we currently anticipate, and there are no assurances we will be able to increase our revenues sufficiently to offset these higher expenses. We anticipate that we will continue to incur substantial losses in future periods until we are successful in significantly increasing our revenues and cash flow. There are no assurances that we will be able to increase our revenues and cash flow to a level which supports profitable operations and provides sufficient funds to pay our obligations. If we are unable to meet those obligations, we could be forced to cease operations in which event investors would lose their entire investment in our company.

WE WILL NEED ADDITIONAL FINANCING WHICH WE MAY NOT BE ABLE TO OBTAIN ON ACCEPTABLE TERMS, IF AT ALL. IF WE CANNOT RAISE ADDITIONAL CAPITAL AS NEEDED, OUR ABILITY TO CONTINUE OUR OPERATIONS AND/OR GROW OUR COMPANY COULD BE IN JEOPARDY.

Capital is needed for the effective development and expansion of our business. Our future capital requirements, however, depend on a number of factors, including our ability to internally grow our revenues, free cash flow and achieve significant and consistent profitability, manage our business and control our expenses. In order to implement our business strategy, we will need to raise additional capital. We do not have any firm commitments to provide any additional capital and we anticipate that we will have certain difficulties raising capital given the limited operating history of our company. Accordingly, we cannot assure you that additional working capital will be available to us upon terms acceptable to us, if at all. If we are subsequently unable to raise additional funds as needed, our ability to implement our business plan and grow our company will be in jeopardy and investors risk losing their entire investment.

IF WE FAIL TO RETAIN EXISTING MERCHANTS OR ADD NEW MERCHANTS, OUR REVENUE AND BUSINESS WILL BE HARMED.

The success of our business will depend on a number of factors including, but not limited to, our ability to attract and retain merchants that are prepared to offer products or services on compelling terms through our marketplace. We do not have long-term arrangements to guarantee the availability of deals that offer attractive quality, value and variety to consumers or favorable payment terms to us. We must continue to attract and retain merchants in order to increase revenue and achieve profitability. If we are unable to attract new merchants in numbers sufficient to materially grow our business, or if too many merchants are unwilling to offer products or services with compelling terms through our marketplace or offer favorable payment terms to us, we may sell fewer SimplePons and our operating results will be adversely affected.

WE CANNOT ASSURE YOU THAT WE WILL BE ABLE TO MANAGE THE GROWTH OF OUR ORGANIZATION EFFECTIVELY.

We currently expect to experience rapid growth in demand for our products if we are able to penetrate new markets. Any future successful growth and/or expansion of our business and product offerings will place significant demands on our management and our operational and financial resources. We will be required to manage multiple relations with various merchants, subscribers, technology licensors and other third parties. In the event of further growth of our operations or in the number of our third-party relationships, our information technology systems or our internal controls and procedures may not be adequate to support our operations. To effectively manage our proposed growth, we must continue to implement operational plans and strategies, improve and expand our infrastructure of people and information systems, and train and manage our employee base. There are no assurances our efforts will be effective.

WE MAY FACE INTELLECTUAL PROPERTY INFRINGEMENT OR OTHER CLAIMS AGAINST US OR OUR INTELLECTUAL PROPERTY THAT COULD BE COSTLY TO DEFEND AND RESULT IN OUR LOSS OF SIGNIFICANT RIGHTS.

Although we believe that our software and other trade secrets used in our operations do not infringe upon the rights of others, there are no assurances that a claim of infringement will not be made against us. In the event of infringement, we could, under certain circumstances, be required to obtain a license or modify aspects of the technology and trade secrets we developed or refrain from using same. We may not have the necessary financial resources to defend an infringement claim made against us or be able to successfully terminate any infringement in a timely manner, upon acceptable terms and conditions or at all. Failure to do any of the foregoing could have a material adverse effect on us and our financial condition. Moreover, if the technology or trade secrets we developed or use in our business are deemed to infringe upon the rights of others, we could, under certain circumstances, become liable for damages, which could have a material adverse effect on us and our financial condition.

OUR EXECUTIVE OFFICERS, WHO COMPRISE THE MAJORITY OF OUR EMPLOYEES, DO NOT DEVOTE 100% OF THEIR TIME TO OUR COMPANY.

Our executive officers have other business interests in addition to their duties and responsibilities at our company. Messrs. John and Miller, executive officers and members of our board of directors, each devote approximately 90% of their time to our company, and Mr. Scott, our Chief Financial Officer, devotes approximately 60% of his time to our company. The time spent on other business activities by these executive officers and directors of our company could detract from their efforts on our behalf.

Risk Related to Our Common Stock

OUR COMMON STOCK IS CURRENTLY QUOTED ON THE OTC BULLETIN BOARD, BUT TRADING IN THE SECURITIES IS LIMITED.

Currently, our common stock is quoted on the OTC Bulletin Board. The market for these securities is extremely limited and there are no assurances an active market for either security will ever develop.

PROVISIONS OF OUR CERTIFICATE OF INCORPORATION AND BYLAWS MAY DELAY OR PREVENT A TAKE-OVER WHICH MAY NOT BE IN THE BEST INTERESTS OF OUR STOCKHOLDERS.

Provisions of our certificate of incorporation and bylaws may be deemed to have anti-takeover effects, which include when and by whom special meetings of our stockholders may be called, and may delay, defer or prevent a takeover attempt. In addition, certain provisions of the Delaware General Corporation Law also may be deemed to have certain anti-takeover effects which include that control of shares acquired in excess of certain specified thresholds will not possess any voting rights unless these voting rights are approved by a majority of a corporation's disinterested stockholders.

Further, our certificate of incorporation authorizes the issuance of up to 5,000,000 shares of preferred stock with such rights and preferences as may be determined from time to time by our board of directors in their sole discretion. Our board of directors may, without stockholder approval, issue series of preferred stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our common stock.

THE TRADABILITY OF OUR COMMON STOCK IS LIMITED UNDER THE PENNY STOCK REGULATIONS WHICH MAY CAUSE THE HOLDERS OF OUR COMMON STOCK DIFFICULTY SHOULD THEY WISH TO SELL THE SHARES.

Because the quoted price of our common stock is less than $5.00 per share, our common stock is considered a “penny stock,” and trading in our common stock is subject to the requirements of Rule 15g-9 under the Securities Exchange Act of 1934. Under this rule, broker/dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. The broker/dealer must make an individualized written suitability determination for the purchaser and receive the purchaser’s written consent prior to the transaction.

SEC regulations also require additional disclosure in connection with any trades involving a “penny stock,” including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and its associated risks. These requirements severely limit the liquidity of securities in the secondary market because few broker or dealers are likely to undertake these compliance activities and this limited liquidity will make it more difficult for an investor to sell his shares of our common stock in the secondary market should the investor wish to liquidate the investment. In addition to the applicability of the penny stock rules, other risks associated with trading in penny stocks could also be price fluctuations and the lack of a liquid market.

ALL OF OUR OUTSTANDING COMMON SHARES ARE “RESTRICTED SECURITIES” AND WE HAVE OUTSTANDING OPTIONS, WARRANTS AND A CONVERTIBLE NOTE TO PURCHASE APPROXIMATELY 40% OF OUR CURRENTLY OUTSTANDING COMMON STOCK.

At September 26, 2012 we had 86,970,870 shares of common stock outstanding together with outstanding options and warrants to purchase an aggregate of 25,323,705 shares of common stock at exercise prices of between $0.25 and $1.00 per share together with a note which is convertible into 400,000 shares of our common stock. All our outstanding shares of common stock at September 26, 2012, are "restricted securities" and we have included 33,452,498 of those shares, as well as 18,658,000 shares underlying outstanding warrants. Future sales of restricted common stock under Rule 144 or otherwise could negatively impact the market price of our common stock. In addition, in the event of the exercise of the warrants and/or options and/or convertible note, the number of our outstanding common stock will increase by approximately 40%, which will have a dilutive effect on our existing stockholders.

CERTAIN OF OUR OUTSTANDING WARRANTS CONTAIN CASHLESS EXERCISE PROVISIONS WHICH MEANS WE WILL NOT RECEIVE ANY CASH PROCEEDS UPON THEIR EXERCISE.

At September 26, 2012 we have common stock warrants outstanding to purchase an aggregate of 1,148,000 shares of our common stock with an exercise price of $0.25 per share which are exercisable on a cashless basis. This means that the holders, rather than paying the exercise price in cash, may surrender a number of warrants equal to the exercise price of the warrants being exercised. It is possible that the warrant holders will utilize the cashless exercise feature which will deprive us of additional capital which might otherwise be obtained if the warrants did not contain a cashless feature.

IF THE SELLING SECURITY HOLDERS ALL ELECT TO SELL THEIR SHARES OF OUR COMMON STOCK AT THE SAME TIME, THE MARKET PRICE OF OUR SHARES MAY DECREASE.

It is possible that the selling security holders will offer all of the shares for sale. Further, because it is possible that a significant number of shares could be sold at the same time hereunder, the sales, or the possibility thereof, may have a depressive effect on the market price of our common stock.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “likely,” “aim,” “will,” “would,” “could,” and similar expression identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and future events and financial trends that we believe may affect our financial condition, results of operation, business strategy and financial needs. Forward-looking statements include, but are not limited to, statements about our:

• limited operating history, • ability to continue as a going concern, • history of losses and need to raise additional capital, • ability to retain and add merchants, • ability to effectively compete, • ability to manage the growth of our company, • potential infringement of intellectual property rights of others, • limited trading market for our common stock and the applicability of the penny stock rules, and • ability to use the anti-takeover provisions of our articles and bylaws.

You should read thoroughly this prospectus and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements including those made in Risk Factors appearing elsewhere in this prospectus. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this prospectus, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is quoted in the OTC Bulletin Board under the symbol “QPON.” The reported high and low last sale prices for the common stock are shown below for the periods indicated. The quotations reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions. The historical share prices in this table have been adjusted to give effect to the forward stock split of our common stock in December 2011.

High Low 2010 First quarter ended March 31, 2010 $2.40 $0.50 Second quarter ended June 30, 2010 $1.125 $0.375 Third quarter ended September 30, 2010 $0.85 $0.10 Fourth quarter ended December 31, 2010 $2.00 $0.10 2011 First quarter ended March 31, 2011 $1.20 $1.00 Second quarter ended June 30, 2011 $0.275 $0.275 Third quarter ended September 30, 2011 $0.275 $0.275 Fourth quarter ended December 31, 2011 (1) $4.00 $0.20 2012 First quarter ended March 31, 2012 $3.50 $0.55 Second quarter ended June 30, 2012 $1.00 $0.22

(1) We acquired SimplePons Operations in the reverse merger on November 1, 2011.

The last sale price of our common stock as reported on the OTC Bulletin Board on September 7, 2012 was $0.65 per share. As of September 26, 2012, there were approximately 174 record owners of our common stock.

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Dividend Policy

We have never paid cash dividends on our common stock. Under Delaware law, we may declare and pay dividends on our capital stock either out of our surplus, as defined in the relevant Delaware statutes, or if there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. If, however, the capital of our company, computed in accordance with the relevant Delaware statutes, has been diminished by depreciation in the value of our property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, we are prohibited from declaring and paying out of such net profits and dividends upon any shares of our capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired.

Future sales under Rule 144

At September 26, 2012 we had 86,970,870 outstanding shares of common stock, all of which are “restricted securities” under Rule 144 of the Securities Act of 1933. We have included 33,452,498 of these shares in the registration statement of which this prospectus is a part. In general, under Rule 144, as currently in effect, a person, or person whose shares are aggregated, who is not our affiliate or has not been an affiliate during the prior three months and owns shares that were purchased from us, or any affiliate, at least six months previously, is entitled to make unlimited public resales of such shares provided there is current public information available at the time of the resales. A person, or persons whose shares are aggregated, who are affiliates of the issuer and own shares that were purchased from us, or any affiliate, at least six months previously is generally entitled to sell within any three month period, a number of shares of common stock that does not exceed 1% of the then outstanding shares of common stock, subject to manner of sale provisions, notice requirements and the availability of current public information about the issuer.

The ability of our stockholders to rely upon Rule 144, however, is limited by our former status as a shell company. Prior to the reverse merger with SimplePons Operations in November 2011, we were considered a “shell company” under Federal securities laws. As such, our stockholders are not able to rely on Rule 144 for the sale of shares of our common stock until a period of 12 months has lapsed from the date “Form 10 information” was filed by us with the SEC reflecting our exit from shell status. This information was contained in a Current Report on Form 8-K filed on November 7, 2011. If less than 12 months has elapsed since we ceased being a “shell company”, then only registered securities can be sold pursuant to Rule 144. Lastly, any shares held by affiliates, including shares received in any registered offering, will be subject to the resale restrictions of Rule 144(i).

Future sales of restricted common stock under Rule 144 or otherwise or of the shares which we are registering under this prospectus could negatively impact the market price of our common stock. We are unable to estimate the number of shares that may be sold in the future by our existing stockholders or the effect, if any, that sales of shares by our stockholders will have on the market price of our common stock prevailing from time to time.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2012. The table should be read in conjunction with the financial statements and related notes included elsewhere in this prospectus.

June 30, 2012 Long term liabilities $— Preferred stock, $0.01 par value, 5,000,000 shares authorized, 0 shares outstanding — Common stock, $0.01 par value, 400,000,000 shares authorized, 79,570,870 shares outstanding 795,709 Additional paid-in capital 1,411,444 Accumulated deficit (2,260,130) Total stockholders' equity/(deficit) (52,977) Total capitalization $(52,977)

USE OF PROCEEDS

We will not receive any proceeds upon the sale of shares of common stock by the selling security holders. Any proceeds that we receive from the exercise of the outstanding warrants, if exercised on a cash basis, will be used by us for general working capital. The actual allocation of proceeds realized from the exercise of the warrants will depend upon the amount and timing of such exercises, our operating revenues and cash position at such time and our working capital requirements. There can be no assurances that any of the outstanding warrants will be exercised on a cash basis, if at all.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENTS

AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations for the six months ended June 30, 2012 and 2011 and should be read in conjunction with the financial statements and the notes to those statements that are included elsewhere in this prospectus. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth under the Risk Factors, Cautionary Notice Regarding Forward-Looking Statements and Business sections in this prospectus. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expres forward-looking statements.

Overview

SimplePons™ is a subscription-based e-commerce smartphone application (app), and savings book that offers consumers goods and services at substantially discounted prices, as well as buy one get one free offers (BOGO) from local and national merchants. Using technology, we are committed to building valuable consumer-centric content on a social platform with the focus of enhancing consumer experience and developing profitable consumer acquisition partnerships with merchants.

Our subscribers gain annual access to savings at participating merchants and businesses in specific geographic regions, which we refer to as "geo territories." We have established relationships with merchants in 18 geo-territories, including in Florida, South Carolina, Indiana, and Virginia with plans to expand nationwide subject to the availability of sufficient capital.

As we grow, we plan to establish the following initiatives:

•building unique subscriber profiles for enhancing consumer experience, •developing an e-commerce platform for customized savings, •leveraging on the popularity of social networking to create consumer-focused content, •using QR (quick response) codes and relevant search/mobile technologies for e-coupon redemption and targeted marketing, and •establishing focused corporate and institutional partnerships for more effective subscriber acquisition.

We believe we offer our subscribers a unique value proposition in providing immediate savings with focused and relevant promotions. Our app subscribers enjoy the convenience of having their coupon book available through their smartphones.

We face a number of challenges in continuing to grow our business, including additional development of our apps and related technology to support our sales, the proper staffing size of our company and cost effective methods to market our products and our ability to raise sufficient working capital. During the first quarter of 2012 we expanded our workforce to help with our expansion into new geo territories which resulted in increased salary and overhead expenses. As a result of a our lack of liquidity and streamlining of our business strategy, during the second quarter of 2012 we reallocated certain of our resources, eliminated 14 positions and have begun to establish relationships with channel partners to market our products to their existing clients engaged in fundraising sales of similar and complimentary products within various organizations. We will pay a flat fee per book or app to the channel partner which will provide us with the opportunity to increase our sales while controlling our salary expense in future periods.

Lastly, like many small early stage businesses, our revenues are not sufficient to pay our operating expenses. To date, we have relied on capital raised through the sale of our securities to provide funding for our operations. While we have raised $385,000 in net proceeds from the sale of our securities subsequent to June 30, 2012, our expenses are increasing even with our efforts to control our expenses. Even if we are successful in increasing our revenues from these expected sales, we will still need to raise additional working capital. We do not have any firm commitments to provide the additional capital which is needed and there are no assurances that we will be able to secure capital on terms acceptable to us, if at all. Our ability to significantly increase our revenues and successfully raise additional working capital is key to our ability to continue as a going concern. If we are not successful in both of these efforts, we may be forced to significantly curtail some or all of our operations.

Going Concern

We incurred net losses of $2,260,130 from inception through June 30, 2012 and a net loss of $1,428,540 for the six months ended June 30, 2012. The report of our independent registered public accounting firm on our financial statements for the period of inception (February 7, 2011) through December 31, 2011 contains an explanatory paragraph regarding our ability to continue as a going concern based upon our net loss and cash used in operations. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. There are no assurances we will be successful in our efforts to generate revenues or report profitable operations or to continue as a going concern, in which event investors would lose their entire investment in our company.

Results of Operations

Six months ended June 30, 2012 as compared to the period from February 7, 2011 (inception) to June 30, 2011

Our revenues during the three and six months ended June 30, 2012 represent revenues from the sale of our discount coupon books. Our costs of good sold represents the costs of printing the books. During the three months ended June 30, 2012 we had a negative gross profit margin of 64% as compared to a gross margin of 18% for the six months ended June 30, 2012 and a gross profit margin of 85% for the first quarter of 2012. The decline in our gross margin in the second quarter of 2012 is attributable to an impairment for obsolete inventory of $12,492. Based upon non-binding indications of purchases we have received from a number of organizations and companies who typically engage in fundraising activities in those periods, we anticipate our revenue will increase during the third and fourth quarters of 2012 as we launch our 2013 books. There are no assurances, however, that our expectations are correct.

Our total operating expenses for the three months and six months ended June 30, 2012 increased substantially from the 2011 periods. The following factors were primarily attributable to this increase:

• Salary expense increased 457% and 1,108% in the three and six months ended June 30, 2012 from the periods in 2011. As described elsewhere herein, at the end of June 2012 we eliminated 14 salaried employees and decreased our salary expense by approximately $32,000 per month. We expect, however, that our salary expense may increase in future periods depending on the degree to which we expand our business as we anticipate adding an additional software engineer and a director of sales and marketing in the future at a cost of approximately $18,000 per month.
• Consulting expense increased 191% and 178% in the three and six months ended June 30, 2012 from the 2011 periods. Consulting expense relates to agreements we entered into with a variety of consultants and which costs are being amortized over the term of the agreements. • Selling, general and administrative, or SG&A expense principally includes rent, travel, commissions, professional fees, promotional, entertainment and advertising expenses, market research, fundraising expenses and other overhead expenses excluding salary expense. The principal increases in SG&A expenses in the three and six months ended June 30, 2012 from the periods in 2011 included increases stock-based consulting expenses, option expense, travel and entertainment expenses, rent, and costs associated with books distributed as promotional materials. We expect that our SG&A will continue to increase in future periods as our business expands although at this time we are not able to quantify the expected increase.

Depreciation and amortization expense increased for the three and six months ended June 30, 2012 as result of placing our website and mobile applications in service.

Total other income/(expense) for the three and six months ended June 30, 2012 includes $14,800 of liquidated damages which we have accrued as a result of our failure to timely file a registration statement related to a private placement of our securities which closed during the second quarter of 2012.

2011

As of December 31, 2011, we had exited development stage and begun generating revenues. Our operating expenses for the period from inception (February 7, 2011) through December 31, 2011 consisted primarily of salary expense, consulting fees, legal and professional fees and selling, general and administrative expenses.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate sufficient cash to satisfy its needs for cash. We do not have any commitments for capital expenditures during the next 12 months nor do we have any external sources of capital. Our working capital is not sufficient to fund our operations over the next 12 months and permit us to satisfy our obligations as they become due. At June 30, 2012 we had working capital deficit of $214,466 as compared to working capital of $364,043 at December 31, 2011. Our decrease of working capital of approximately 159% is primarily attributable to decreases in cash, inventory and prepaid expenses and other current assets, offset by an increases in accounts payable and accrued expenses, accrued salary officers, liquidated damages and convertible notes payable – related party. The decrease in our inventory at June 30, 2012 from December 31, 2011 reflects the write off of obsolete inventory of $12,492 and books that were given away for promotional purposes. We have begun receiving our new inventory in August 2012.

The increase in our accounts payable and accrued expenses and accrued officers salaries at June 30, 2012 is directly attributable to our lack of liquidity. We are delaying the payment of certain obligations to third parties and our executive officers which have accrued the bulk of the compensation due them under the terms of their employment agreements. In addition, during the second quarter of 2012 the lack of sufficient liquidity has adversely impacted our ability to implement our business plan. As discussed above, subsequent to June 30, 2012 we have raised additional capital which has alleviated to a degree our lack of liquidity.

Net cash used in operating activities was approximately $605,000 for the six months ended June 30, 2012 as compared to net cash used in operating activities of approximately $86,600 for the period of February 7, 2011 (inception) to June 30, 2011. In the six months ended June 30, 2012 cash was used to fund our operating loss of $1,428,540 which was partially offset by an increase in depreciation expense and amortization expense of $24,538 impairment of inventory in the amount of $12,492, stock compensation for common stock issued to consultants of $275,000, stock option expense for options issued to employees and officers of $164,070, decrease in accounts receivable of $820, a decrease in prepaid expense of $66,559 mainly from the amortization of prepaid insurance, decrease in deposits of $ 212 and inventory of $16,261, an increase in liquidated damages of $14,800 for our failure to file a registration statement in a timely manner, an increase in accounts payable of $92,008 mainly attributable to unpaid legal, professional and consulting fees, and an increase of $156,743 for accrued salary owed to executive officers. Subsequent to June 30, 2012 certain of our executive officers received $111,000 of their accrued salary, however, these officers have continued to accrue salaries for the third quarter of 2012.

For the period of February 7, 2011 (inception) to June 30, 2011 cash was used to fund our loss from operations of $167,150 which was partial offset by an increase depreciation expense and amortization expense of $6,250, stock compensation for common stock issued to consultants of $80,156, an increase in prepaid expense of $50,550, an increase in accounts payable of $7,176 mainly attributable to unpaid legal, professional and consulting bills, and an increase of $37,500 for accrued salary owed to executive officers.

Net cash used in operating activities for the period of inception (February 7, 2011) through December 31, 2011 primarily consisted of our net loss adjusted for certain non-cash items such as depreciation and stock based compensation as well as changes in working capital.

Net cash used in investing activities was approximately $47,500 for the six months ended June 30, 2012 as compared to approximately $34,400 for the period of February 7, 2011 (inception) to June 30, 2011 reflects our website development investments and purchase of trademarks and additional equipment.

Net cash used in investing activities for the period of inception (February 7, 2011) through December 31, 2011 primarily consisted of the costs associated with registering a trademark, and other costs for the startup of the SimplePons business.

Net cash provided by financing activities for the six months ended June 30, 2012 was approximately $549,000 and reflects proceeds from the sale of our securities and a note to a related party. Net cash provided by financing activities for the period of February 7, 2011 (inception) to June 30, 2011 was approximately $482,000 and reflects proceeds from the sale of securities.

Net cash provided by financing activities for the period of inception (February 7, 2011) through December 31, 2011 represented proceeds to us from the sale of securities in a private placement.

Critical Accounting Policies

Website Development

We have adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 350 *Intangible-Goodwill and Other*. Costs incurred in the planning stage of a website are expensed, while costs incurred in the development stage are capitalized and amortized over the estimated three year life of the asset.

Stock-Based Compensation

We recognize compensation costs to employees under FASB ASC No. 718, *Compensation – Stock Compensation*. Under FASB ASC No. 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share based compensation arrangements include stock options, restricted share plans, performance based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

Equity instruments issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB ASC No. 505, *Equity Based Payments to Non-Employees.* In general, the measurement date is when either a performance commitment, as defined, is reached or the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB ASC.

Recent Accounting Pronouncements

The recent accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Off Balance Sheet Arrangements

As of the date of this prospectus, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have any obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

Change of Auditors

On November 1, 2011, we dismissed Rothstein, Kass & Company, P.C. as our independent registered public accounting firm and engaged Webb & Company, P.A. as our independent registered public accounting firm. Rothstein, Kass & Company, P.C. has served as our independent registered public accounting firm since January 14, 2004 and audited our financial statements for the years ended December 31, 2010, 2009, 2008, 2007, 2006, 2005, 2004 and 2003. The dismissal of Rothstein, Kass & Company, P.C. was approved by our board of directors on November 1, 2011. Rothstein, Kass & Company, P.C. did not resign or decline to stand for re-election.

Neither the report of Rothstein, Kass & Company, P.C. dated March 28, 2011 on our balance sheets as of December 31, 2010 and 2009 and the related statements of operations, stockholders’ equity (deficit), and cash flows for the years ended December 31, 2010 and 2009 nor the report of Rothstein, Kass & Company, P.C. dated April 12, 2010 on our balance sheets as of December 31, 2009 and 2008 and the related statements of operations, stockholders’ equity (deficit), and cash flows for the years ended December 31, 2009 and 2008 contained an adverse opinion or a disclaimer of opinion, nor was either such report qualified or modified as to uncertainty, audit scope, or accounting principles, except that both such reports raised substantial doubts on our ability to continue as a going concern.

During our two most recent fiscal years and the subsequent interim period preceding our decision to dismiss Rothstein, Kass & Company, P.C. we had no disagreements with the firm on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure which disagreement if not resolved to the satisfaction of Rothstein, Kass & Company, P.C. would have caused it to make reference to the subject matter of the disagreement in connection with its report.

During our two most recent fiscal years and the subsequent interim period prior to retaining Webb & Company, P.A. (1) neither we nor anyone on our behalf consulted Webb & Company, P.A. regarding (a) either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements or (b) any matter that was the subject of a disagreement or a reportable event as set forth in Item 304(a)(1)(iv) and (v), respectively, of Regulation S-K, and (2) Webb & Company, P.A. did not provide us with a written report or oral advice that they concluded was an important factor considered by us in reaching a decision as to accounting, auditing or financial reporting issue.

OUR BUSINESS

Overview

SimplePons™ is a subscription-based e-commerce smartphone application (app), and savings deal book that offers consumers goods and services at substantially discounted prices, as well as buy one get one free offers (BOGO) from local and national merchants. SimplePons' subscribers gain access to coupons offering savings that can be used throughout the calendar year at participating merchants and businesses in specific geographic regions, which we refer to as "geo territories".

Our business model leverages a traditional printed coupon book with a smartphone app that provides mobile access to all the discount coupons in our savings deal book. We believe the future of the coupon business to be in this mobile technology as a result of what we believe to be increased consumer sophistication, price efficiencies and superior ease of use. We believe the geo-location feature of our smartphone app enables subscribers to quickly search for available savings deal locations. Visitors and subscribers are able to browse and buy the SimplePons' electronic deals for their smartphone app or SimplePons savings deal books from our website at www.simplepons.com.

We believe we offer our subscribers a unique value proposition: the subscriber can recoup the entire cost of the app or savings deal book typically after using one or two coupons and then continues to enjoy additional savings. In addition, unlike traditional printed coupon books, our app subscribers enjoy the benefit of having their coupon book available through their smartphones.

The SimplePons deal book retails in two formats: traditional print format and an electronic format available as a smartphone app downloadable from the iTunes App Store. We are initially focusing on direct sales in connection with fundraising activities by schools, youth groups, sports teams and religious organizations. In the future, subject to, among other factors, sufficient available funds, we may explore and utilize multiple channels.

Our operating subsidiary was formed in February 2011 and through September 30, 2011 it was a development stage company. During the third quarter of 2011 we launched the beta version of our website at www.simplepons.com and completed our first smartphone app for the iPhone. We launched our app for use on Android smartphones in May 2012.

Our Strategy

Our objective is to combine communication technology with a traditional, time-proven business model – discount coupons – and become a key promotional tool to drive customers to merchant's doors.

Key elements of our strategy include the following, all of which are subject to availability of sufficient working capital:

• *Establish a technology platform. We expect to invest in developing a flexible platform that* can better target promotions and increase redemption and subscription rates while providing marketing information to merchants. Our updated website is currently on a test server and we expect to launch it during the third quarter of 2012. • *Grow our subscriber base. Our goal is to acquire and retain subscribers by delivering* value, convenience and savings. We plan to invest in subscriber acquisition via various online marketing tools such as keyword search marketing, email, and social media sites such as Facebook and Twitter. In addition, we believe that our platform will further drive subscriber growth by word-of-mouth promotion. • *Grow the number of merchants we feature. To increase merchant growth we expect to* make investments in building merchant relationships. As of the end of August 2012, we have in excess of 2,000 merchants. • *Increase the number and variety of our products we offer. We expect to distribute in the* next 12 months targeted or market-specific coupon books and offer "super deals" that are a "daily deal" style component with limited time offers In addition, we expect to introduce new products that include bundles of "free deals" for users to try and establish business to business affiliate relationships with the travel industry which we expect will generate additional revenue based upon a percentage of the bookings originated by these relationships. • *Increase the number of markets we serve. Our initial geographic focus has been Florida* and we are currently within 18 geo territories including Florida, Indiana, Virginia and South Carolina. Based upon our internal research, we believe there are approximately 175 additional geo territories nationwide with demographics favorable to our business model. We expect to continue to expand our geo territories over the next 12 months. • *Develop multiple sales channels. Historically, community and charitable organizations* have been a primary distribution channel for printed discount coupon books. Our fundraising platform enables these organizations to conduct entire fundraising campaigns electronically, thus eliminating the need for door to door selling, physical coupon books, counting orders and collecting cash or checks. We will seek to partner with affiliates who will display, promote and distribute our subscription based smartphone app to their users in exchange for a share of the revenue generated from sales of our smartphone app. We will also explore brick and mortar cross-promotion, private label bundles and corporate partnerships to derive sales.

SimplePons - our smartphone app and savings deal book

The smartphone app and deal book include coupons for fine and casual dining, fast food restaurants as well as recreational activities and entertainment venues contained within a specific geo territory. All our coupons offer significant value: typically 50% off or buy-one-get-one free. Our goal is to have in excess of 100 merchants with more than 300 deals in each geo territory to provide true value to our subscribers.

Ours is a subscription-based revenue model, with no charge to merchants, wherein we sell our territory-specific app or deal book, typically for $20 per year. We also have the ability to upsell subscribers multiple ways, including new geo territories, customized books and super deals.

Subject to the availability of sufficient working capital, over the next 12 months we intend to invest in several product enhancements, including subscriber profile creation, such as a listing of favorites, affiliate link generators, and widget generators to track sales.

Our Merchants

SimplePons targets local and national merchants for each geo territory. Merchants are obtained through a combination of direct sales and telemarketing. Our merchant agreements detail the terms of all coupons or discounts offered for a specific period of time which is generally one year.

To date, we have agreements with in excess of 2,000 merchants, including local businesses and regional and national chains such as Burger King, Jiffy Lube, Carvel, Omaha Steaks, and Honey Baked Ham. To date, our deal books comprise approximately 90% local merchants and approximately 10% regional and national merchants. We expect this mix to evolve as we gain a national footprint and develop our technology to provide better feedback to merchants regarding their customers and couponing initiatives. We believe that a strong base of national merchants will assist us to accelerate our growth by providing a foundation for rapid expansion into new geo territories.

Sales

Initially, our sales efforts were based upon an in-house team of sales representatives. In an effort to conserve our cash resources, during the first quarter of 2012 we eliminated the majority of our in-house sales team and began establishing relationships with channel partners to market our products to their existing clients engaged in fundraising sales of similar and complimentary products within various organizations. As of the date hereof, we have signed one year agreements with two channel partners, one for Miami-Dade County, Florida and the second for Brevard County, Florida and the areas of Naples and Ft. Myers, Florida. Under the terms of these agreement, we will pay a flat fee of per book or app to the channel partner for each book or app which has been sold by the distributor.

Competition

We expect competition in e-commerce generally, and group buying in particular, to continue to increase because there are no significant barriers to entry. We believe that our major competitors include Entertainment Promotions and Enjoy the City in the printed discount coupon sector and Groupon and Living Social from the daily deal sector. We also compete against other Internet sites that are focused on specific communities or interests and offer coupons or discount arrangements related to such communities or interests, as well as traditional offline coupon and discount services, newspapers, magazines and other traditional media companies who provide coupons and discounts on products and services. Most of our competitors are well-established companies that have substantially greater brand recognition, established merchant base, infrastructure and financial resources than we have. There are no assurances we will ever effectively compete in our target market.

Intellectual property

We regard our domain name, trademarks, trade secrets and similar intellectual property as valuable to our business, and rely on trademark and copyright law, trade secret protection and confidentiality or license agreements with our employees, partners and others to protect our proprietary rights. We have applied for federal trademark on SimplePons™. We own the rights to the domain name www.simplepons.com. However, as with phone numbers, we do not have and cannot acquire any property rights in an Internet address. The regulation of domain names in the United States and in other countries is also subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we might not be able to maintain our domain names or obtain comparable domain names, which could harm our business. There can be no assurance that the steps taken by us will be adequate to prevent misappropriation or infringement of our proprietary property.

Regulation

We are subject to a number of domestic laws and regulations that affect companies conducting business on the Internet, many of which are still evolving and could be interpreted in ways that could harm our business. In the United States, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims. These regulations and laws may involve taxation, tariffs, subscriber privacy, data protection, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. Any adverse legal or regulatory developments could substantially harm our business.

Many states have passed laws requiring notification to subscribers when there is a security breach of personal data. There are also a number of legislative proposals pending before the U.S. Congress and various state legislative bodies concerning data protection. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data practices, which could have an adverse effect on our business. Furthermore, the Digital Millennium Copyright Act has provisions that limit, but do not necessarily eliminate, our liability for linking to third-party websites that include materials that infringe copyrights or other rights, so long as we comply with the statutory requirements of this act. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Employees

In addition to our three executive officers, at September 26, 2012, we had five full time employees.

Our properties

Our principal executive offices are located in approximately 3,200 square feet of office space which we lease from an unaffiliated third party under the terms of a three year agreement expiring in December 2014. Under the terms of the lease, the annual base rent and our share of the operating expenses will range from approximately $60,000 in year one to approximately $62,000 in year three.

Legal proceedings

We are not a party to any pending or threatened litigation.

Our History

From our incorporation in 1985 through 1999, we operated under the name Procept, Inc., as a biotechnology company engaged in the development and commercialization of novel drugs with a product portfolio focused on infectious diseases and oncology. During fiscal 2000, we closed our research facilities and out-licensed products which had been under development by us for several years.

In January 2000, we acquired Heaven's Door Corporation, a company that provided products and services over the Internet. Effective with the acquisition of Heaven's Door, our name was changed from Procept, Inc. to HeavenlyDoor.com, Inc. At the same time, Procept, Inc. became the new name of our subsidiary, Pacific Pharmaceuticals, Inc., a company engaged in the development of cancer therapies, which we acquired in March 1999. After a sustained period of deterioration in the Internet and technology sectors and related capital markets, we decided, in the fourth quarter of 2000, to discontinue the pursuit of our Internet strategy. Shortly thereafter, we entered into an agreement to sell all of our Web-based assets and Internet operations and ceased our Internet activities. In connection with this agreement, we changed our name, on December 31, 2000, from HeavenlyDoor.com, Inc. to Paligent Inc.

From 2001 until the transaction with IFLC, we were a shell company as that term is defined in the Securities Act of 1933.

On November 29, 2006, we acquired IFLC, then known as International Fight League, Inc., a privately held Delaware corporation, pursuant to an agreement and plan of merger, dated as of August 25, 2006, by and among us, our wholly owned subsidiary, and IFLC. Immediately following the merger, we changed our name to International Fight League, Inc. and continued to operate the business of organizing and promoting a mixed martial arts sports league under the name “International Fight League.” We discontinued our operations during the quarter ended September 30, 2008, and on September 15, 2008, our wholly-owned subsidiary, IFLC, through which we conducted our operations and which held substantially all of our assets, voluntarily filed a petition for reorganization relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. IFLC’s bankruptcy case was docketed as *In re IFL Corp.*, Case No. 08-13589 (MG).

On November 17, 2008, IFLC sold substantially all of its assets to HD Net for $650,000 in cash plus the assumption of certain of IFLC’s obligations, pursuant to a sale under Section 363 of the Bankruptcy Code which was approved by the Court on October 28, 2008. In connection with the sale of substantially all of our assets to HD Net, the assets sold included the name “International Fight League,” our corporate name. After confirmation of the plan filed with the bankruptcy court and the sale to HD Net, we had no ongoing business operations. Upon the closing of this transaction, we became a “shell company” as that term is defined under federal securities laws.

On January 11, 2010, Insurance Marketing Solutions LLC purchased 730,941 shares of our Series A Convertible Preferred Stock pursuant to the terms of a Series A Preferred Stock Purchase Agreement. The Series A Preferred Stock was convertible into an aggregate of 1,827,353, shares of our common stock. This transaction resulted in a change of control of our company. All shares of our Series A Preferred Stock have subsequently been converted into common stock.

In November 2011 we acquired SimplePons Operations in a reverse merger. At closing, in exchange for all of the issued and outstanding capital stock of SimplePons Operations we issued the holders of those shares 74,890,000 shares of the our common stock, which, after giving effect to the stock repurchase described below, represented approximately 97.4% of our outstanding common stock. At closing, we also issued the SimplePons Operations’ stockholders who were also warrant holders common stock purchase warrants to purchase 20,010,000 shares of our common stock at an exercise price of $0.25 per share in exchange for identical three year warrants to purchase SimplePons Operations’ common stock which were held by the warrant holders immediately prior to closing. Upon the closing of the reverse merger, our sole officer and director resigned and simultaneously with the reverse merger a new board of directors and new officers were appointed. In connection with the reverse merger, we exited shell status and our business and operations are now those of SimplePons Operations. At closing of the reverse merger, SimplePons Operations entered into a stock repurchase agreement with our then principal stockholder and an affiliate of our then sole officer and director, pursuant to which SimplePons Operations purchased 2,024,706 shares of our common stock for $335,000. Following such purchase, these shares were cancelled and returned to the status of authorized but unissued shares of our common stock.

In December 2011, we changed our name to SimplePons, Inc. In December 2011, we also effected a forward stock split of all of the outstanding shares of our common stock at a ratio of two for one (2:1). All share and per share information in this prospectus gives effect to this stock split.

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MANAGEMENT

The following table provides information on our executive officers and directors:

Name Age Positions Brian S. John 44 Chairman of the Board, President and Chief Executive Officer Richard A. Miller 44 Chief Operating Officer, Vice President, Secretary and Director Martin Scott 44 Chief Financial Officer

Brian S. John has been a member of the Chairman of the board of directoh="9%">4,102   3,951   4,112

Diluted
3,958   4,108   3,962   4,118
Dividends declared per common share
$- $- $0.95 $0.88

WAL-MART STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Amounts in millions)

	July 31, 2008	July 31, 2007	January 31, 2008
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,907	$ 6,073	$ 5,499
Receivables	3,226	2,767	3,654
Inventories	35,382	34,184	35,180
Prepaid expenses and other	3,311	2,915	2,760
Current assets of discontinued operations	708	448	492
Total current assets	49,534	46,387	47,585
Property and equipment, at cost	126,698	116,648	122,642
Less accumulated depreciation	(31,591)	(26,771)	(28,771)
Property and equipment, net	95,107	89,877	93,871
Property under capital leases	5,740	5,515	5,736
Less accumulated amortization	(2,645)	(2,448)	(2,594)
Property under capital leases, net	3,095	3,067	3,142
Goodwill	16,400	14,655	16,071
Other assets and deferred charges	2,755	2,959	2,841
Non-current assets of discontinued operations	4	4	4
Total assets	$ 166,895	$ 156,949	$ 163,514
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Commercial paper	$ 4,347	$ 8,117	$ 5,040
Accounts payable	29,933	27,748	30,370
Dividends payable	1,927	1,794	-
Accrued liabilities	15,607	14,025	15,724
Accrued income taxes	555	168	1,000
Long-term debt due within one year	2,180	3,176	5,913
Obligations under capital leases due within one year	324	189	316
Current liabilities of discontinued operations	31	33	91
Total current liabilities	54,904	55,250	58,454
Long-term debt	34,168	27,966	29,799
Long-term obligations under capital leases	3,544	3,594	3,603
Deferred income taxes and other	5,410	5,449	5,111
Minority interest	2,076	2,404	1,939
Commitments and contingencies	-	-	-
Shareholders' equity:			
Common stock and capital in excess of par value	3,986	3,412	3,425
Retained earnings	57,883	55,414	57,319

Accumulated other comprehensive income	4,924	3,460	3,864
Total shareholders' equity	66,793	62,286	64,608
Total liabilities and shareholders' equity	$ 166,895	$ 156,949	$ 163,514

WAL-MART STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in millions)

	Six Months Ended July 31, 2008	Six Months Ended July 31, 2007
Cash flows from operating activities:		
Net income	$ 6,471	$ 5,778
(Income) loss from discontinued operations, net of tax	(66)	120
Income from continuing operations	6,405	5,898
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	3,366	3,060
Other operating activities	315	101
Changes in certain assets and liabilities, net of effects of acquisitions:		
Decrease in accounts receivable	578	255
Decrease (increase) in inventories	95	(64)
Decrease in accounts payable	(150)	(1,134)
Decrease in accrued liabilities	(626)	(1,918)
Net cash provided by operating activities	9,983	6,198
Cash flows from investing activities:		
Payments for property and equipment	(5,074)	(6,971)
Proceeds from disposal of property and equipment	492	319
Investment in international operations, net of cash acquired	(74)	(467)
Other investing activities	129	(61)
Net cash used in investing activities	(4,527)	(7,180)
Cash flows from financing activities:		
(Decrease) increase in commercial paper, net	(639)	5,487
Proceeds from issuance of long-term debt	4,648	3,818
Payment of long-term debt	(4,061)	(5,435)
Dividends paid	(1,878)	(1,811)
Purchase of Company stock	(2,184)	(2,484)
Other financing activities	(85)	(435)
Net cash used in financing activities	(4,199)	(860)
Effect of exchange rates on cash	115	169
Net increase (decrease) in cash and cash equivalents	1,372	(1,673)
Cash and cash equivalents at beginning of year (1)	5,569	7,767
Cash and cash equivalents at end of period (2)	$ 6,941	$ 6,094

(1) Includes cash and cash equivalents of discontinued operations of $70 million and $49 million at January 31, 2008 and 2007, respectively.

(2) Includes cash and cash equivalents of discontinued operations of $34 million and $21 million at July 31, 2008 and 2007, respectively.

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WAL-MART STORES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Basis of Presentation

The Condensed Consolidated Balance Sheets of Wal-Mart Stores, Inc. and its subsidiaries (the “Company”) as of July 31, 2008 and 2007, the related Condensed Consolidated Statements of Income for the three and six months ended July 31, 2008 and 2007, and the related Condensed Consolidated Statements of Cash Flows for the six-month periods ended July 31, 2008 and 2007, are unaudited. The Condensed Consolidated Balance Sheet as of January 31, 2008, is derived from the audited financial statements at that date.

In the opinion of management, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Such adjustments are of a normal recurring nature. Interim results are not necessarily indicative of results for a full year.

The condensed consolidated financial statements and notes thereto are presented in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) and do not contain certain information included in the Company’s Annual Report to Shareholders for the fiscal year ended January 31, 2008. Therefore, the interim condensed consolidated financial statements should be read in conjunction with that Annual Report to Shareholders.

General Liability and Workers’ Compensation Change in Estimate

Liabilities associated with general liability and workers’ compensation claims against the Company are estimated by considering the Company’s historical claims experience, including frequency and severity of claims, and certain actuarial assumptions. In estimating our liability for such claims, we periodically analyze our historical trends, including loss development, and apply appropriate loss development factors to the incurred costs associated with the claims. During the last few years, we have enhanced how we manage claims. As a result, our loss experience with respect to such claims has improved and the actuarially determined ultimate loss estimates, primarily for fiscal year 2004 through 2007 claims, were reduced during the quarter ended July 31, 2007. The reductions in ultimate loss estimates resulted primarily from improved claims handling experience, which impacts loss development factors and other actuarial assumptions. Due to the beneficial change in estimate of our ultimate losses, accrued liabilities for general liability and workers’ compensation claims were reduced by $196 million after tax, resulting in an increase in net income per basic and diluted common share from continuing operations of $0.05 for the three and six months ended July 31, 2007.

NOTE 2. Net Income Per Common Share

Basic net income per common share is based on the weighted-average number of outstanding common shares. Diluted net income per common share is based on the weighted-average number of outstanding shares adjusted for the dilutive effect of stock options and other share-based awards. The dilutive effect of outstanding stock options and restricted stock was 13 million and 11 million shares for the three and six months ended July 31, 2008, respectively, and 6 million shares for the three and six months ended July 31, 2007. The Company had approximately 1 million and 59 million option shares outstanding at July 31, 2008 and 2007, respectively, which were not included in the diluted net income per share calculation because their effect would be antidilutive.

NOTE 3. Inventories

The Company values inventories at the lower of cost or market as determined primarily by the retail method of accounting, using the last-in, first-out (“LIFO”) method for substantially all of the Walmart U.S. segment’s merchandise inventories. The Sam's Club segment's merchandise and merchandise in our distribution warehouses are valued based on the weighted-average cost using the LIFO method. Inventories of foreign operations are primarily valued by the retail method of accounting, using the first-in, first-out ("FIFO") method. At July 31, 2008 and 2007, our inventories valued at LIFO approximate those inventories as if they were valued at FIFO.

NOTE 4. Certain Long-term Debt Transactions

In April 2008, the Company issued $1.0 billion of 4.250% Notes Due 2013 and $1.5 billion of 6.200% Notes Due 2038. Beginning on October 15, 2008, the Company will pay interest on the notes of each series on April 15 and October 15 of each year. Interest started accruing on such notes on April 15, 2008. The 2013 notes will mature on April 15, 2013 and the 2038 notes will mature on April 15, 2038. The notes of each such series are senior, unsecured and unsubordinated obligations of Wal-Mart Stores, Inc.

In May 2008, Wal-Mart Stores, Inc. entered into a term loan facility with a syndicate of banks. Pursuant to that facility, the Company borrowed ¥220 billion to refinance outstanding debt of its wholly-owned subsidiary, The Seiyu, Ltd., that was scheduled to mature in December, 2008. Borrowings under such facility are senior, unsecured obligations of Wal-Mart Stores, Inc. and generally bear interest at a floating rate equal to the one, three or six month London Interbank Offered Rate plus a spread of 0.35%. Such debt matures on June 26, 2011. The amount of such debt in United States dollars as reflected on the Company's Condensed Consolidated Balance Sheets at July 31, 2008 was approximately $2.1 billion. The facility is designated as a hedge of the Company's net investment in Japan.

NOTE 5. Fair Value Measurements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value within generally accepted accounting principles ("GAAP") and expands required disclosures about fair value measurements. In November 2007, the FASB provided a one year deferral for the implementation of SFAS 157 for nonfinancial assets and liabilities. The Company adopted SFAS 157 on February 1, 2008, as required. The adoption of SFAS 157 did not have a material impact on the Company's financial condition and results of operations.

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. As of July 31, 2008, the Company held certain derivative asset and liability positions that are required to be measured at fair value on a recurring basis. The majority of the Company's derivative instruments related to receive fixed-rate, pay floating-rate interest rate swaps and receive fixed-rate, pay fixed-rate cross-currency interest rate swaps. The fair values of these interest rate swaps have been measured in accordance with Level 2 inputs in the fair value hierarchy, and as of July 31, 2008, are as follows (asset/(liability)):

(Amounts in millions)	Notional Amount July 31, 2008	Fair Value July 31, 2008
Receive fixed-rate, pay floating-rate interest rate swaps designated as fair value hedges	$ 5,195	$ 209
Receive fixed-rate, pay fixed-rate cross-currency interest rate swaps designated as net investment hedges (Cross-currency notional amount: GBP 795 at 7/31/2008)	1,250	(137)
Total	$ 6,445	$ 72

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities–Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits companies to measure many financial instruments and certain other items at fair value at specified election dates. The Company adopted SFAS 159 on February 1, 2008. Since the Company has not utilized the fair value option for any allowable items, the adoption of SFAS 159 did not have a material impact on the Company's financial condition and results of operations.

NOTE 6. Segments

The Company is engaged in the operations of retail stores located in all 50 states of the United States, Argentina, Brazil, Canada, Japan, Puerto Rico and the United Kingdom and through majority-owned subsidiaries in Central

America and Mexico. The Company operates in China and India through joint ventures. The Company identifies segments in accordance with the criteria set forth in Statement of Financial Accounting Standards No. 131, “Disclosures about Segments of an Enterprise and Related Information,” and is primarily based on the operations of the Company that our chief operating decision maker regularly reviews to analyze performance and allocate resources among business units of the Company.

The Walmart U.S. segment includes the Company’s mass merchant concept in the United States under the “Wal-Mart” or “Walmart” brand, as well as walmart.com. The Sam’s Club segment includes the warehouse membership clubs in the United States, as well as samsclub.com. The International segment consists of the Company’s operations outside of the 50 United States. The amounts under the caption “Other” in the table below relating to operating income are unallocated corporate overhead items.

The Company measures the profit of its segments as “segment operating income,” which is defined as income from continuing operations before net interest expense, income taxes and minority interest and excludes unallocated corporate overhead. At February 1, 2008, the Company reclassified certain unallocated corporate expenses to be included within each segment’s measurement of segment operating income. As a result, all prior year measurements of segment operating income have been restated for comparative purposes.

Net sales by operating segment were as follows (amounts in millions):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2008	2007	2008	2007
Net Sales:				
Walmart U.S.	$ 64,053	$ 59,013	$ 123,126	$ 114,450
International	25,261	21,600	49,198	41,227
Sam's Club	12,284	11,377	23,396	21,700
Total Company	$ 101,598	$ 91,990	$ 195,720	$ 177,377

Segment operating income and the reconciliation to income from continuing operations before income taxes and minority interest are as follows (amounts in millions):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2008	2007	2008	2007
Operating Income:				
Walmart U.S.	$ 4,715	$ 4,256	$ 9,077	$ 8,235
International	1,202	1,032	2,244	1,908
Sam's Club	432	445	818	815
Other	(552)	(450)	(1,034)	(852)
Operating income	$ 5,797	$ 5,283	$ 11,105	$ 10,106
Interest expense, net	(456)	(404)	(952)	(794)
Income from continuing operations before income taxes and minority interest	$ 5,341	$ 4,879	$ 10,153	$ 9,312

Goodwill is recorded on the Condensed Consolidated Balance Sheets in the operating segments as follows (amounts in millions):

	July 31, 2008	July 31, 2007	January 31, 2008
International	$ 16,095	$ 14,350	$ 15,766
Sam’s Club	305	305	305
Total goodwill	$ 16,400	$ 14,655	$ 16,071

The change in the International segment's goodwill since January 31, 2008, primarily resulted from foreign currency exchange rate fluctuations in the Japanese yen and Mexican peso, offset by an adjustment to allocate goodwill for the sale of Gazeley Limited (“Gazeley”), an ASDA commercial property development subsidiary in the United Kingdom.

The change in the International segment's goodwill since July 31, 2007, resulted from the final purchase price allocation of the Company's investment in Bounteous Company Ltd. ("BCL"), the acquisition of substantially all of the outstanding common and preferred shares of our Japanese subsidiary, The Seiyu Ltd., foreign currency exchange rate fluctuations in the Japanese yen, Mexican peso and Chinese yuan renminbi and purchase price adjustments related to continuing the repurchase of Walmex shares throughout the period, offset by an adjustment to allocate goodwill for the sale of Gazeley.

NOTE 7. Comprehensive Income

Comprehensive income is net income plus certain other items that are recorded directly to shareholders’ equity. Amounts included in accumulated other comprehensive income for the Company’s derivative instruments and minimum pension liabilities are recorded net of the related income tax effects. Comprehensive income was $4.0 billion and $7.5 billion for the three and six months ended July 31, 2008, respectively. Comprehensive income was $3.7 billion and $6.7 billion for the three and six months ended July 31, 2007, respectively.

NOTE 8. Common Stock Dividends

On March 6, 2008, the Company’s Board of Directors approved an increase in annual dividends to $0.95 per share. The annual dividend will be paid in four quarterly installments on April 7, 2008, June 2, 2008, September 2, 2008, and January 2, 2009, to holders of record on March 14, May 16, August 15 and December 15, 2008, respectively.

NOTE 9. Income and Other Taxes

The Company's effective tax rate was 34.2% for the three months ended July 31, 2008. The Company expects the fiscal 2009 annual effective tax rate to be approximately 34% to 35%. Significant factors that could impact the annual effective tax rate include management's assessment of certain tax matters and the composition of taxable income between domestic and international operations.

In determining the quarterly provision for income taxes, the Company uses an estimated annual effective tax rate based on forecasted annual income and permanent items, statutory tax rates and tax planning opportunities in the various jurisdictions in which the Company operates. The impact of significant discrete items is separately recognized in the quarter in which they occur.

The Company adopted the provisions of FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes,” (“FIN 48”) effective February 1, 2007. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

In the normal course of its business, the Company provides for uncertain tax positions, and the related interest and penalties, and adjusts its unrecognized tax benefits, accrued interest and penalties accordingly. During the second quarter of fiscal 2009, unrecognized tax benefits related to continuing operations decreased by $65 million and accrued interest decreased by $13 million. For the first six months of fiscal 2009, unrecognized tax benefits related to continuing operations decreased by $20 million and accrued interest increased by $5 million. As of July 31, 2008, the Company’s unrecognized tax benefits relating to continuing operations were $848 million, of which $575 million would, if recognized, affect the Company’s effective tax rate.

Additionally, at April 30, 2008 the Company had unrecognized tax benefits of up to $1.8 billion which, if recognized, would be recorded as discontinued operations. Of this, $63 million was recognized in discontinued operations during the second quarter of fiscal year 2009 from the successful resolution of a tax contingency related to McLane Company, Inc., a former Wal-Mart subsidiary. The balance of $1.7 billion at July 31, 2008 relates to a worthless stock deduction which the Company has now claimed for the Company’s fiscal year 2007 disposition of its German operations. The Company cannot predict with reasonable certainty if this matter will be resolved within the next twelve months.

During the next twelve months, it is reasonably possible that tax audit resolutions could reduce unrecognized tax benefits by $140 million to $260 million, either because our tax positions are sustained on audit or because the Company agrees to their disallowance. The Company does not expect any such audit resolutions to cause a significant change in its effective tax rate. As of July 31, 2008, there were no material changes to the amount of unrecognized tax benefits or the related accrued interest and penalties reported in continuing operations.

The Company classifies interest on uncertain tax benefits as interest expense and income tax penalties as operating, selling, general and administrative costs. At July 31, 2008, before any tax benefits, the Company had $232 million of accrued interest and penalties on unrecognized tax benefits.

The Company is subject to income tax examinations for its U.S. federal income taxes generally for the fiscal years 2007 and 2008, with fiscal years 2004 through 2006 remaining open for a limited number of U.S. income tax positions. Non-U.S. income taxes are subject to income tax examination for the tax years 2002 through 2008. State and local income taxes are open for examination for the fiscal years 2004 through 2007 generally and for the fiscal years 1997 through 2003 for a limited number of positions.

Additionally, the Company is subject to tax examinations for payroll, value added, sales-based and other taxes. A number of these examinations are ongoing and, in certain cases, have resulted in assessments from the taxing authorities. Where appropriate, the Company has made accruals for these matters which are reflected in the Company's condensed consolidated financial statements. While these matters are individually immaterial, a group of related matters, if decided adversely to the Company, may result in liability material to the Company's financial condition or results of operations.

NOTE 10. Legal Proceedings

The Company is involved in a number of legal proceedings. In accordance with Statement of Financial Accounting Standards No. 5, “Accounting for Contingencies,” the Company has made accruals with respect to these matters, where appropriate, which are reflected in the Company's condensed consolidated financial statements. The Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company's shareholders. The matters, or groups of related matters, discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in liability material to the Company's financial condition or results of operations.

Wage-and-Hour Class Actions: The Company is a defendant in numerous cases containing class-action allegations in which the plaintiffs are current and former hourly associates who allege that the Company forced or encouraged them to work “off the clock,” failed to provide rest breaks or meal periods, or otherwise failed to pay them correctly. The complaints generally seek unspecified monetary damages, injunctive relief, or both. Class or collective-action certification has yet to be addressed by the court in a majority of these cases. In the majority of wage-and-hour class actions filed against the Company in which the courts have addressed the issue, class certification has been denied. The Company cannot reasonably estimate the possible loss or range of loss that may arise from these lawsuits, except as noted below.

One of the class-action lawsuits described above is Savaglio v. Wal-Mart Stores, Inc., a class-action lawsuit in which the plaintiffs allege that they were not provided meal and rest breaks in accordance with California law, and seek monetary damages and injunctive relief. A trial on the plaintiffs' claims for monetary damages concluded on December 22, 2005. The jury returned a verdict of approximately $57 million in statutory penalties and $115 million in punitive damages. In June 2006, the judge entered an order allowing some, but not all, of the injunctive relief sought by the plaintiffs. On December 27, 2006, the judge entered an order awarding the plaintiffs an additional amount of approximately $26 million in costs and attorneys’ fees. The Company believes it has substantial factual and legal defenses to the claims at issue, and on January 31, 2007, the Company filed its Notice of Appeal.

In another of the class-action lawsuits described above, Braun/Hummel v. Wal-Mart Stores, Inc., a trial was commenced in September 2006, in Philadelphia, Pennsylvania. The plaintiffs allege that the Company failed to pay class members for all hours worked and prevented class members from taking their full meal and rest breaks. On October 13, 2006, the jury awarded back-pay damages to the plaintiffs of approximately $78 million on their claims for off-the-clock work and missed rest breaks. The jury found in favor of the Company on the plaintiffs’ meal-period claims. On November 14, 2007, the trial judge entered a final judgment in the approximate amount of $188 million, which included the jury’s back-pay award plus statutory penalties, prejudgment interest and attorneys’ fees. The Company believes it has substantial factual and legal defenses to the claims at issue, and on December 7, 2007, the Company filed its Notice of Appeal.

In another of the class-action lawsuits described above, Braun v. Wal-Mart Stores, Inc., a trial commenced on September 24, 2007, in the First Judicial District Court for Dakota County, Minnesota, on the plaintiffs’ claims that class members worked off the clock and were not provided meal and rest breaks in accordance with Minnesota law. Testimony concluded on December 11, 2007. On June 30, 2008, the trial judge issued an Order awarding the class approximately $6.5 million in compensatory and liquidated damages. The judge also set the plaintiffs’ claims for punitive damages and statutory penalties for trial on October 20, 2008, but invited the parties to seek an immediate appeal of the findings made thus far. On July 29, the Company filed a petition with the Minnesota Court of Appeals requesting immediate appeal. No ruling has been received. The Company believes that it has substantial factual and legal defenses to the claims at issue. The Company cannot reasonably estimate the possible loss or range of loss that may arise from this litigation.

Another of the class-action lawsuits described above, Hale v. Wal-Mart Stores, Inc., is scheduled for jury trial beginning on April 6, 2009, in the Circuit Court of Jackson County, Missouri. The plaintiffs allege that class members worked off the clock and were not provided meal and rest breaks in accordance with Missouri law, and seek monetary damages in an unspecified amount, plus interest and attorneys' fees. The trial court granted class certification in November 2005 and the certification was affirmed by the Missouri Court of Appeals in June 2007. The Company believes that it has substantial factual and legal defenses to the claims at issue. The Company cannot reasonably estimate the possible loss or range of loss that may arise from this litigation.

Another of the class-action lawsuits described above, Carter v. Wal-Mart Stores, Inc., is scheduled for jury trial beginning in April 2009 in the Court of Common Pleas of Colleton County, South Carolina. The plaintiffs allege that class members worked off the clock and were not provided meal and rest breaks in accordance with South Carolina law, and seek monetary damages in an unspecified amount, plus statutory penalties, punitive damages, interest, and attorneys' fees. The trial court granted class certification in May 2005. The Company believes that it has substantial factual and legal defenses to the claims at issue. The Company cannot reasonably estimate the possible loss or range of loss that may arise from this litigation.

Exempt Status Cases: The Company is currently a defendant in four putative class actions in which the plaintiffs seek class certification of various groups of salaried managers and challenge their exempt status under state and federal laws. In one of those cases (Sepulveda v. Wal-Mart Stores, Inc.), class certification was denied by the trial court on May 5, 2006. On April 25, 2008, a three-judge panel of the United States Court of Appeals for the Ninth Circuit affirmed the trial court's ruling in part and reversed it in part, and remanded the case for further proceedings. On May 16, 2008, the Company filed a petition seeking review of that ruling by a larger panel of the court. Class certification has not been addressed in the other cases. The Company cannot reasonably estimate the possible loss or range of loss that may arise from these lawsuits.

Gender Discrimination Cases: The Company is a defendant in Dukes v. Wal-Mart Stores, Inc., a class-action lawsuit commenced in June 2001 and pending in the United States District Court for the Northern District of California. The case was brought on behalf of all past and present female employees in all of the Company's retail stores and warehouse clubs in the United States. The complaint alleges that the Company has engaged in a pattern and practice of discriminating against women in promotions, pay, training and job assignments. The complaint seeks, among other things, injunctive relief, front pay, back pay, punitive damages and attorneys' fees. On June 21, 2004, the district court issued an order granting in part and denying in part the plaintiffs' motion for class certification. The class, which was certified by the district court for purposes of liability, injunctive and declaratory relief, punitive damages and lost pay, subject to certain exceptions, includes all women employed at any Wal-Mart domestic retail store at any time since December 26, 1998, who have been or may be subjected to the pay and management track promotions policies and practices challenged by the plaintiffs. The class as certified currently includes approximately 1.6 million present and former female associates.

The Company believes that the district court's ruling is incorrect. On August 31, 2004, the United States Court of Appeals for the Ninth Circuit granted the Company's petition for discretionary review of the ruling. On February 6, 2007, a divided three-judge panel of the Court of Appeals issued a decision affirming the district court's certification order. On February 20, 2007, the Company filed a petition asking that the decision be reconsidered by a larger panel of the court. On December 11, 2007, the three-judge panel withdrew its opinion of February 6, 2007, and issued a revised opinion. As a result, Wal-Mart's Petition for Rehearing En Banc was denied as moot. Wal-Mart filed a new Petition for Rehearing En Banc on January 8, 2008. If the Company is not successful in its appeal of class certification, or an appellate court issues a ruling that allows for the certification of a class or classes with a different size or scope, and if there is a subsequent adverse verdict on the merits from which there is no successful appeal, or in the event of a negotiated settlement of the litigation, the resulting liability could be material to the Company's financial condition or results of operations. The plaintiffs also seek punitive damages which, if awarded, could result in the payment of additional amounts material to the Company's financial condition or results of operations. However, because of the uncertainty of the outcome of the appeal from the district court's certification decision, because of the uncertainty of the balance of the proceedings contemplated by the district court, and because the Company's liability, if any, arising from the litigation, including the size of any damages award if plaintiffs are successful in the litigation or any negotiated settlement, could vary widely, the Company cannot reasonably estimate the possible loss or range of loss that may arise from the litigation.

The Company is a defendant in a lawsuit that was filed by the Equal Employment Opportunity Commission ("EEOC") on August 24, 2001, in the United States District Court for the Eastern District of Kentucky on behalf of Janice Smith and all other females who made application or transfer requests at the London, Kentucky, distribution center from 1998 to the present, and who were not hired or transferred into the warehouse positions for which they applied. The complaint alleges that the Company based hiring decisions on gender in violation of Title VII of the 1964 Civil Rights Act as amended. The EEOC can maintain this action as a class without certification. The EEOC seeks back pay and front pay for those females not selected for hire or transfer during the relevant time period, plus compensatory and punitive damages and injunctive relief. The EEOC has asserted that the hiring practices in question resulted in a shortfall of 245 positions. The claims for compensatory and punitive damages are capped by statute at $300,000 per shortfall position. The amounts of back pay and front pay that are being sought have not been specified.

Hazardous Materials Investigations: On November 8, 2005, the Company received a grand jury subpoena from the United States Attorney's Office for the Central District of California, seeking documents and information relating to the Company's receipt, transportation, handling, identification, recycling, treatment, storage and disposal of certain merchandise that constitutes hazardous materials or hazardous waste. The Company has been informed by the U.S. Attorney's Office for the Central District of California that it is a target of a criminal investigation into potential violations of the Resource Conservation and Recovery Act ("RCRA"), the Clean Water Act and the Hazardous Materials Transportation Statute. This U.S. Attorney's Office contends, among other things, that the use of Company trucks to transport certain returned merchandise from the Company's stores to its return centers is prohibited by RCRA because those materials may be considered hazardous waste. The government alleges that, to comply with RCRA, the Company must ship from the store certain materials as “hazardous waste” directly to a certified disposal facility using a certified hazardous waste carrier. The Company contends that the practice of transporting returned merchandise to its return centers for subsequent disposition, including disposal by certified facilities, is compliant with applicable laws and regulations. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

Additionally, the U.S. Attorney's Office in the Northern District of California has initiated its own investigation regarding the Company's handling of hazardous materials and hazardous waste and the Company has received administrative document requests from the California Department of Toxic Substances Control requesting documents and information with respect to two of the Company's distribution facilities. Further, the Company also received a subpoena from the Los Angeles County District Attorney's Office for documents and administrative interrogatories requesting information, among other things, regarding the Company's handling of materials and hazardous waste. California state and local government authorities and the State of Nevada have also initiated investigations into these matters. The Company is cooperating fully with the respective authorities. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

NOTE 11. Recent Accounting Pronouncements

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand the effects of the derivative instruments on an entity’s financial position, financial performance and cash flows. The Company will adopt SFAS 161 on February 1, 2009. The Company is currently assessing the potential impact of SFAS 161 on its financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (“SFAS 162”). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. SFAS 162 is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. SFAS 162 is not expected to have an impact on our financial condition, results of operations or cash flows.

In June 2008, the FASB issued Staff Position EITF 03-06-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-06-1"). FSP EITF 03-06-1 provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method in SFAS No. 128, "Earnings per Share". FSP EITF 03-06-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those years and requires all prior-period earnings per share data to be adjusted retrospectively. FSP EITF 03-06-1 is effective for the Company on February 1, 2009. The Company is currently assessing the potential impact of FSP EITF 03-06-1 on its financial statements.

NOTE 12. Discontinued Operations

As previously reported, in July 2006 the Company agreed to dispose of its German operations to Metro AG. The Company reported the disposal as discontinued operations and recorded a loss of $863 million during the second quarter ended July 31, 2006. An additional loss of $55 million on the disposal was recorded to discontinued operations in the third quarter of fiscal 2007 as a result of various closing adjustments. In addition, the Company recognized a tax benefit of $126 million related to this transaction in the third quarter of fiscal 2007. The Company also recorded a second quarter fiscal 2008 charge of $153 million to discontinued operations related to the settlement of a post-closing adjustment and certain other indemnification obligations associated with this disposition.

During fiscal 2009, the Company disposed of Gazeley, an ASDA commercial property development subsidiary in the United Kingdom. Consequently, the results of operations associated with Gazeley are presented as discontinued operations in our Condensed Consolidated Statements of Income and Condensed Consolidated Balance Sheets for all periods presented. The cash flows related to this operation were insignificant. The Company has estimated the gain from the sale of Gazeley to be approximately $200 million, after tax, which is subject to further analysis of the investment basis and foreign currency translation gains; determination of the fair value of the reporting unit; and subject to any closing adjustments or indemnification obligations. The Company’s operations in the United Kingdom are consolidated using a December 31 fiscal year-end. Since the sale of Gazeley closed in July 2008, the Company will record the gain to discontinued operations in the third quarter of fiscal 2009.

In addition, the Company recorded a $63 million benefit to discontinued operations for the three months ended July 31, 2008, from the successful resolution of a tax contingency related to McLane Company, Inc., a former Wal-Mart subsidiary.

NOTE 13. Subsequent Event

On August 5, 2008, the Company issued ¥25 billion of its Japanese Yen Bonds - First Series (2008), which bear interest at the rate of 1.72% per annum and mature on August 5, 2011, ¥25 billion of its Japanese Yen Bonds - Second Series (2008), which bear interest at the rate of 2.01% per annum and mature on August 5, 2013, and ¥50 billion of its Japanese Yen Floating Rate Bonds - First Series (2008), which bear interest at a per annum rate equal to the six-month London Interbank Offered Rate for deposits in Japanese yen (as applicable from interest period to interest period) plus 0.50 per cent and mature on August 5, 2013. The bonds of each series are denominated and payable in Japanese yen and are designated as a hedge of the Company's net investment in Japan. Interest is payable on the bonds of each series on each February 5 and August 5 prior to maturity and on the maturity date, commencing on February 5, 2009. The bonds of each series are senior, unsecured and unsubordinated obligations of Wal-Mart Stores, Inc. Based on an exchange rate equal to the noon buying rate quoted by the Federal Reserve Bank of New York for August 5, 2008, which was $1.00 = ¥108.20, the United States dollar equivalent of the aggregate original principal amount of all such bonds was $924 million, the ¥25 billion original principal amount of the Japanese Yen Bonds - First Series (2008) was equivalent to $231 million, the ¥25 billion original principal amount of the Japanese Yen Bonds - Second Series (2008) was equivalent to $231 million, and the ¥50 billion original principal amount of the Japanese Yen Floating Rate Bonds - First Series (2008) was the equivalent of $462 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion relates to Wal-Mart Stores, Inc. and its consolidated subsidiaries and should be read in conjunction with our condensed consolidated financial statements as of July 31, 2008, and the period then ended and accompanying notes included under Part I, Item 1, of this Quarterly Report on Form 10-Q, as well as our condensed consolidated financial statements as of January 31, 2008, and for the year then ended, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report to Shareholders for the year ended January 31, 2008, and included as an exhibit to our Annual Report on Form 10-K for the year ended January 31, 2008.

We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of the Company as a whole.

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, we discuss segment operating income and comparable store sales. Segment operating income refers to income from continuing operations before net interest expense, income taxes and minority interest and excludes unallocated corporate overhead. At February 1, 2008, the Company reclassified certain unallocated corporate expenses to be included within each segment's measurement of operating income. As a result, all prior year measurements of segment operating income have been restated for comparative purposes.

Comparable store sales is a measure which indicates the performance of our existing stores by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. Comparable store sales is also referred to as "same-store" sales by others within the retail industry. The method of calculating comparable store sales varies across the retail industry. As a result, our calculation of comparable store sales is not necessarily comparable to similarly titled measures reported by other companies.

During fiscal 2008, the Company reviewed its definition of comparable store sales for consistency with other retailers. For fiscal 2009, beginning February 1, 2008, the Company has revised its definition of comparable store sales to include sales from stores and clubs open for the previous 12 months, including remodels, relocations and expansions. Changes in store format continue to be excluded from comparable store sales when the conversion is accompanied by a relocation or by an expansion that results in a change in square footage of more than five percent. Since the impact of this revision is inconsequential, the Company did not restate comparable store sales results for previously reported fiscal periods.

Company Performance Metrics

Management uses a number of metrics to assess the Company’s performance including:

- Total sales and comparable store sales;
- Operating income;
- Diluted net income per common share from continuing operations;
- Return on investment; and
- Free cash flow.

Total Sales
(Amounts in millions)

	Three Months Ended July 31,						Six Months Ended July 31,					
	2008	Percent of Total	Percent Change	2007	Percent of Total	Percent Change	2008	Percent of Total	Percent Change	2007	Percent of Total	Perc Cha
Net Sales:												
Walmart U.S.	$ 64,053	63.0%	8.5%	$ 59,013	64.1%	6.5%	$ 123,126	62.9%	7.6%	$ 114,450	64.6%	6
International	25,261	24.9%	16.9%	21,600	23.5%	15.7%	49,198	25.1%	19.3%	41,227	23.2%	17
Sam's Club	12,284	12.1%	8.0%	11,377	12.4%	8.6%	23,396	12.0%	7.8%	21,700	12.2%	7
Total Company	$ 101,598	100.0%	10.4%	$ 91,990	100.0%	8.8%	$ 195,720	100.0%	10.3%	$ 177,377	100.0%	8

Our total net sales increased by 10.4% and 10.3% for the three and six months ended July 31, 2008, respectively, when compared to corresponding periods in the prior year. Those increases resulted from our global store expansion programs and comparable store sales increases. Foreign currency exchange rates had a $1.1 billion and $2.4 billion favorable impact on the International segment’s net sales for the three and six months ended July 31, 2008, respectively. For the three and six months ended July 31, 2007, foreign currency exchange rates had a favorable impact of $1.0 billion and $1.6 billion, respectively, on the International segment’s net sales.

Comparable Store Sales

	Without Fuel Three Months Ended July 31,		With Fuel Three Months Ended July 31,		Fuel Impact Three Months Ended July 31,	
	2008	2007	2008	2007	2008	2007
Walmart U.S.	4.6%	1.2%	4.6%	1.2%	0.0%	0.0%
Sam's Club	3.7%	5.9%	7.2%	6.5%	3.5%	0.6%
Total U.S.	4.5%	1.9%	5.0%	2.0%	0.5%	0.1%

	Without Fuel Six Months Ended July 31,		With Fuel Six Months Ended July 31,		Fuel Impact Six Months Ended July 31,	
	2008	2007	2008	2007	2008	2007
Walmart U.S.	3.7%	0.6%	3.7%	0.6%	0.0%	0.0%
Sam's Club	3.7%	5.3%	6.9%	5.4%	3.2%	0.1%

Total U.S.	3.7%	1.3%	4.2%	1.3%	0.5%	0.0%

Comparable store sales in the United States, including fuel sales, increased 5.0% for the second quarter of fiscal 2009 compared to 2.0% for the second quarter of fiscal 2008. For the six months ended July 31, 2008, comparable store sales in the United States, including fuel sales, increased 4.2% compared to 1.3% for the corresponding period in the prior year. Comparable store sales in fiscal 2009 were higher than fiscal 2008 due to strength in grocery, health and wellness, and entertainment categories, as well as increases in customer traffic and average transaction size per customer. The information regarding comparable store sales excluding fuel sales is included in the information above to permit investors to understand the effect of fuel sales on the comparable club sales for our Sam's Club segment and comparable stores sales in the United States for the periods shown.

Operating Income
(Amounts in millions)

	Three Months Ended July 31,						Six Months Ended July 31,					
	2008	Percent of Total	Percent Change	2007	Percent of Total	Percent Change	2008	Percent of Total	Percent Change	2007	Percent of Total	Percent Change
Operating Income:												
Walmart U.S.	$ 4,715	81.3%	10.8%	$ 4,256	80.6%	3.8%	$ 9,077	81.7%	10.2%	$ 8,235	81.5%	3.0%
International	1,202	20.7%	16.5%	1,032	19.5%	5.1%	2,244	20.2%	17.6%	1,908	18.9%	9.9%
Sam's Club	432	7.5%	-2.9%	445	8.4%	11.5%	818	7.4%	0.4%	815	8.1%	15.3%
Other	(552)	-9.5%	22.7%	(450)	-8.5%	16.6%	(1,034)	-9.3%	21.4%	(852)	-8.5%	-0.1%
	$ 5,797	100.0%	9.7%	$ 5,283	100.0%	3.7%	$ 11,105	100.0%	9.9%	$ 10,106	100.0%	5.4%

Operating income growth compared to net sales growth is a meaningful metric to share with investors because it indicates how effectively we manage costs and leverage expenses. Our objective is to grow operating income faster than net sales. For the second quarter of fiscal 2009, our operating income increased 9.7% when compared to the prior year, while net sales increased by 10.4% over the same period. For the individual segments, our Walmart U.S. segment met this target; however, our International and Sam’s Club segments did not. The International segment fell short of this objective due to the impact of foreign currency exchange rate fluctuations. For the Sam’s Club segment, the negative impact from growth in the lower-margin fuel business on gross profit as a percentage of segment net sales (our “gross margin”) contributed to falling short of this objective.

For the six months ended July 31, 2008, our operating income increased by 9.9% when compared to the prior year, while net sales increased by 10.3% over the same period. For the individual segments, our Walmart U.S. segment met the target of growing operating income faster than net sales; however, our International and Sam’s Club segments did not. The International segment fell short of this objective due to the impact of foreign currency fluctuations and accruals for certain legal matters. For the Sam’s Club segment, the negative impact from growth in the lower-margin fuel business in the current year period on the segment’s gross margin and the excise tax refund of $39 million recorded in the prior year contributed to falling short of this objective.

Diluted Income per Common Share from Continuing Operations

	Three Months Ended July 31,		Six Months Ended July 31,	
	2008	2007	2008	2007
Diluted income per common share from continuing operations	$ 0.86	$ 0.75	$ 1.62	$ 1.43

Diluted earnings per share from continuing operations increased 14.7% for the three months ended July 31, 2008, compared to the prior year period as a result of a 9.3% increase in income from continuing operations and the impact of share repurchases reducing the number of weighted average shares outstanding.

Diluted earnings per share from continuing operations increased 13.3% for the six months ended July 31, 2008, compared to the prior year period as a result of an 8.6% increase in income from continuing operations and the impact of share repurchases reducing the number of weighted-average shares outstanding.

Return on Investment

Management believes return on investment ("ROI") is a meaningful metric to share with investors because it helps investors assess how efficiently Wal-Mart is employing its assets. ROI was 19.3% for the twelve months ended July 31, 2008 and 2007.

We define ROI as adjusted operating income (operating income plus interest income, depreciation and amortization and rent expense) for the fiscal year or trailing twelve months divided by average invested capital during that period. We consider average invested capital to be the average of our beginning and ending total assets of continuing operations plus accumulated depreciation and amortization less accounts payable and accrued liabilities for that period, plus a rent factor equal to the rent for the fiscal year or trailing twelve months multiplied by a factor of eight.

ROI is considered a non-GAAP financial measure under the SEC's rules. We consider return on assets ("ROA") to be the financial measure computed in accordance with generally accepted accounting principles that is the most directly comparable financial measure to ROI as we calculate that financial measure. ROI differs from ROA (which is income from continuing operations before minority interest for the fiscal year or the trailing twelve months divided by average of total assets of continuing operations for the period) because ROI: adjusts operating income to exclude certain expense items and add interest income; adjusts total assets from continuing operations for the impact of accumulated depreciation and amortization, accounts payable and accrued liabilities; and incorporates a factor of rent to arrive at total invested capital.

Although ROI is a standard financial metric, numerous methods exist for calculating a company's ROI. As a result, the method used by management to calculate ROI may differ from the method other companies use to calculate their ROI. We urge you to understand the method used by another company to calculate its ROI before comparing our ROI to that of the other company.

The calculation of ROI along with a reconciliation to the calculation of ROA, the most comparable GAAP financial measurement, is as follows:

(Amounts in millions)		Twelve Months Ended July 31, 2008		Twelve Months Ended July 31, 2007
Calculation of Return on Investment				
NUMERATOR				
Operating Income (1)	$	22,933	$	21,001
+ Interest Income (1)		271		318
+ Depreciation and Amortization (1)		6,623		5,877
+ Rent (1)		1,723		1,512
= Adjusted Operating Income	$	31,550	$	28,708
DENOMINATOR				
Average Total Assets of Continuing Operations (2)		161,340		149,576
+ Average Accumulated Depreciation and Amortization (2)		31,728		27,340
- Average Accounts Payable (2)		28,841		26,887
- Average Accrued Liabilities (2)		14,816		13,516
+ Rent * 8		13,784		12,096
= Invested Capital	$	163,195	$	148,609
ROI		19.3%		19.3%
Calculation of Return on Assets				
NUMERATOR				
Income From Continuing Operations Before Minority Interest (1)	$	13,804	$	12,902
DENOMINATOR				
Average Total Assets of Continuing Operations (2)	$	161,340	$	149,576
ROA		8.6%		8.6%

CERTAIN BALANCE SHEET DATA		As of July 31, 2008		As of July 31, 2007		As of July 31, 2006
Total Assets of Continuing Operations (1)	$	166,183	$	156,497	$	142,654
Accumulated Depreciation and Amortization (1)		34,236		29,219		25,460

Accounts Payable (1)	29,933	27,748	26,025
Accrued Liabilities (1)	15,607	14,025	13,007

(1) Based on continuing operations only; therefore, this excludes the impact of our South Korean and German operations, which were sold in fiscal 2007 and the impact of Gazeley which will be reflected as a sale in the third quarter of fiscal 2009, all of which are classified as discontinued operations for all periods presented. Total assets as of July 31, 2008, 2007 and 2006 in the table above exclude assets of discontinued operations of $712 million, $452 million and $2,136 million, respectively.

(2) The average is calculated by adding the account balance at the end of the current period to the account balance at the end of the prior period and dividing by 2.

Free Cash Flow

We define free cash flow as net cash provided by operating activities in the period minus payments for property and equipment made in the period. We generated positive free cash flow of $4.9 billion for the six months ended July 31, 2008, compared to a deficit of $773 million in the prior year. The significant increase in our free cash flow is the result of our improved inventory management as well as reduced capital expenditures in connection with our planned slowing of store expansion in the United States.

Free cash flow is considered a non-GAAP financial measure under the SEC's rules. Management believes, however, that free cash flow is an important financial measure for use in evaluating the Company's financial performance, which measures our ability to generate additional cash from our business operations. Free cash flow should be considered in addition to, rather than as a substitute for, net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity.

Additionally, our definition of free cash flow is limited, in that it does not represent residual cash flows available for discretionary expenditures due to the fact that the measure does not deduct the payments required for debt service and other contractual obligations. Therefore, we believe it is important to view free cash flow as a measure that provides supplemental information to our entire statement of cash flows.

The following table reconciles net cash provided by operating activities, a GAAP measure, to free cash flow, a non-GAAP measure.

	Six Months Ended July 31,	
(Amounts in millions)	2008	2007
Net cash provided by operating activities	$ 9,983	$ 6,198
Payments for property and equipment	(5,074)	(6,971)
Free cash flow	$ 4,909	$ (773)
Net cash used in investing activities	$ (4,527)	$ (7,180)
Net cash used in financing activities	$ (4,199)	$ (860)

Results of Operations

The following discussion of our Results of Operations is based on our continuing operations and excludes any results or discussion of our discontinued operations.

Consolidated

Three Months Ended July 31, 2008

Our total net sales increased by 10.4% and 8.8% for the second quarter of fiscal 2009 and fiscal 2008, respectively, when compared to the previous year. Those increases resulted from our global store expansion programs and comparable store sales increases. During the second quarter of fiscal 2009 and 2008, foreign currency exchange rates had a $1.1 billion and $1.0 billion favorable impact, respectively, on the International segment's net sales, which contributed to the increase in the International segment's net sales as a percentage of total Company net sales.

Our gross margin increased from 23.3% for the second quarter of fiscal 2008 to 23.6% in the second quarter of fiscal 2009. This increase is primarily due to lower inventory shrink and less markdown activity as a result of improved inventory management in our Walmart U.S. segment. However, our Sam's Club and International segments experienced declines in gross margin largely due to the negative impact of growth in the lower-margin fuel business.

Operating, selling, general and administrative expenses ("operating expenses") as a percentage of net sales increased 0.3 percentage points compared to the corresponding period in fiscal 2008. Operating expenses for the three months ended July 31, 2007, were favorably affected by the change in estimated losses associated with our general liability and workers' compensation claims, which reduced accrued liabilities for such claims by $298 million before tax, partially offset by pre-tax charges of $100 million for certain legal and other contingencies. The net favorable impact of these items reduced our operating expenses as a percentage of net sales in fiscal 2008 by 0.2 percentage points. Otherwise, operating expenses as a percentage of net sales increased in the second quarter of fiscal 2009 primarily due to higher bonus expenses for store associates and increased corporate expenses compared to the corresponding quarter in fiscal 2008. Corporate expenses have increased primarily due to our long-term transformation projects to enhance our information systems for merchandising, finance and human resources. We expect these increased expenses from the transformation projects to continue for the foreseeable future.

Membership and other income, which includes a variety of income categories such as Sam's Club membership fee revenues, tenant lease, financial services and recycling income, increased 5.9% in the second quarter of fiscal 2009 from the prior year quarter due to continued growth in our financial services area and increases in recycling income resulting from our sustainability efforts. Membership and other income for the second quarter of fiscal 2008 includes recognition of $63 million in pre-tax gains from the sale of certain real estate properties.

Interest, net, increased 12.9% in the second quarter of fiscal 2009 when compared with the same period last year largely due to higher borrowing levels during the three months ended July 31, 2008, partially offset by lower short-term interest rates.

Our effective income tax rate from continuing operations decreased from 34.4% for the second quarter of fiscal 2008 to 34.2% for the second quarter of fiscal 2009, due to changes in the mix of taxable income among our domestic and international operations.

Six Months Ended July 31, 2008

Our total net sales increased by 10.3% and 8.6% for the six months ended July 31, 2008 and 2007, respectively. Those increases resulted from our global store expansion programs and comparable store sales increases. During the first six months of fiscal 2009 and 2008, foreign currency exchange rates had a $2.4 billion and $1.6 billion favorable impact, respectively, on the International segment's net sales, which contributed to the increase in the International segment's net sales as a percentage of total Company net sales.

Our gross margin increased from 23.4% for the six months ended July 31, 2007 to 23.6% in the six months ended July 31, 2008. This increase is primarily due to lower inventory shrink and less markdown activity as a result of improved inventory management in our Walmart U.S. segment. The effect of these benefits in comparison to the prior year period was partially offset by the $97 million excise tax refund recorded in the six months ended July 31, 2007.

Operating expenses as a percentage of net sales increased 0.3 percentage points compared to the corresponding period in fiscal 2008. Operating expenses for the six months ended July 31, 2007, were favorably affected by the change in estimated losses associated with our general liability and workers' compensation claims, which reduced accrued liabilities for such claims by $298 million before tax, partially offset by pre-tax charges of $183 million for certain legal and other contingencies. The net favorable impact of these items reduced our operating expenses as a percentage of net sales in the comparable fiscal 2008 period by 0.1 percentage points. Otherwise, operating expenses as a percentage of net sales increased in the six months ended July 31, 2008, primarily due to higher bonus expenses for store associates and increased corporate expenses compared to the corresponding period in fiscal 2008. Corporate expenses have increased primarily due to our long-term transformation projects to enhance our information systems for merchandising, finance and human resources. We expect these increased expenses from the transformation projects to continue for the foreseeable future.

Membership and other income increased 12.1% for the first six months of fiscal 2009 from the prior year due to continued growth in our financial services area and increases in recycling income resulting from our sustainability efforts. Membership and other income for the six months ended July 31, 2007, includes recognition of $63 million in pre-tax gains from the sale of certain real estate properties.

Interest, net, increased 19.9% in the first six months of fiscal 2009 when compared with the same period last year largely due to higher borrowing levels during the six months ended July 31, 2008, partially offset by lower short-term interest rates.

Our effective income tax rate from continuing operations decreased from 34.5% for the first six months of fiscal 2008 to 34.4% for same period in the current year, due to changes in the mix of taxable income among our domestic and international operations.

Walmart U.S. Segment

Three Months Ended July 31, 2008
(Amounts in millions)

	Segment net	Segment operating	Segment operating

Three months ended July 31,	Segment net sales	sales increase from prior fiscal year second quarter	Segment operating income	income increase from prior fiscal year second quarter	income as a percentage of segment net sales
2008	$ 64,053	8.5%	$ 4,715	10.8%	7.4%
2007	59,013	6.5%	4,256	3.8%	7.2%

The net sales increase for the Walmart U.S. segment in the second quarter of fiscal 2009 resulted from our continued expansion activities, strength in the grocery, health and wellness, and entertainment categories and a comparable store sales increase of 4.6%. Comparable store sales for the second quarter of fiscal 2009 increased primarily due to an increase in average transaction size per customer as well as an increase in customer traffic in our comparable stores.

Gross margin increased 0.6 percentage points during the second quarter of fiscal 2009 due to lower inventory shrink and less markdown activity as a result of improved inventory management.

Operating expenses as a percentage of segment net sales for the second quarter of fiscal 2009 increased 0.3 percentage points compared to the corresponding period in fiscal 2008. Operating expenses for the second quarter of fiscal 2008 were favorably affected by the change in estimated losses associated with our general liability and workers' compensation claims, which reduced accrued liabilities for such claims by $274 million pre-tax, partially offset by $72 million in pre-tax charges for certain legal and other contingencies. The net favorable impact of these items reduced our operating expenses as a percentage of segment net sales in fiscal 2008 by 0.3 percentage points. Otherwise, operating expenses as a percentage of segment net sales were comparable with the prior year.

Other income for the three months ended July 31, 2008, decreased from the prior year's quarter due to the recognition of $63 million in pre-tax gains from the sale of certain real estate properties recorded in the prior year. Otherwise, other income increased as a result of continued growth in our financial services area and increases in recycling income.

Six Months Ended July 31, 2008
(Amounts in millions)

Six months ended July 31,	Segment net sales	Segment net sales increase from prior fiscal year period	Segment operating income	Segment operating income increase from prior fiscal year period	Segment operating income as a percentage of segment net sales
2008	$ 123,126	7.6%	$ 9,077	10.2%	7.4%
2007	114,450	6.1%	8,235	3.0%	7.2%

The net sales increase for the Walmart U.S. segment in the first six months of fiscal 2009 resulted from our continued expansion activities, strength in the grocery, health and wellness, and entertainment categories and a comparable store sales increase of 3.7%. Comparable store sales for the first half of fiscal 2009 increased primarily due to an increase in average transaction size per customer, as well as an increase in customer traffic in our comparable stores.

Gross margin increased 0.4 percentage points for the first six months of fiscal 2009 due to lower inventory shrink and less markdown activity as a result of improved inventory management, partially offset by the $46 million excise tax refund recorded in the first six months of fiscal 2008.

Operating expenses as a percentage of segment net sales for the six months ended July 31, 2008, increased 0.3 percentage points compared to the corresponding period in fiscal 2008. Operating expenses for the first six months of fiscal 2008 were favorably affected by the change in estimated losses associated with our general liability and workers' compensation claims, which reduced accrued liabilities for such claims by $274 million, partially offset by pre-tax charges of $145 million for certain legal and other contingencies. The net favorable impact of these items reduced our operating expenses as a percentage of segment net sales in fiscal 2008 by 0.1 percentage points. Otherwise, operating expenses as a percentage of segment net sales in the first six months of fiscal 2009 increased primarily due to higher bonus expenses for store associates and increased utilities expenses when compared to the corresponding period in fiscal 2008.

Other income increased for the first six months of fiscal 2009 from the prior year period due to continued growth in our financial services area and increases in recycling income resulting from our sustainability efforts. Other income for the six months ended July 31, 2007, includes recognition of $63 million in pre-tax gains from the sale of certain real estate properties.

International Segment

At July 31, 2008, our International segment was comprised of wholly-owned operations in Argentina, Brazil, Canada, Japan, Puerto Rico and the United Kingdom, the operation of joint ventures in China and India and the operations of majority-owned subsidiaries in Central America and Mexico.

Three Months Ended July 31, 2008
(Amounts in millions)

Three months ended July 31,	Segment net sales	Segment net sales increase from prior fiscal year second quarter	Segment operating income	Segment operating income increase from prior fiscal year second quarter	Segment operating income as a percentage of segment net sales
2008	$ 25,261	16.9%	$ 1,202	16.5%	4.8%
2007	21,600	15.7%	1,032	5.1%	4.8%

The second quarter fiscal 2009 increase in the International segment's net sales primarily resulted from net sales growth from existing units, our international expansion program and the favorable impact of changes in foreign currency exchange rates of $1.1 billion during second quarter fiscal 2009.

In second quarter fiscal 2009, gross margin was down 0.1 percentage point due to the growth in lower-margin fuel sales in the United Kingdom and the transition to the every day low pricing strategy in our stores in Japan.

Operating expenses as a percentage of segment net sales were relatively consistent with the second quarter of fiscal 2008 largely due to strong underlying improvements in the United Kingdom, Japan, Brazil and China, partially offset by accruals for certain legal matters.

Other income as a percentage of segment net sales increased 0.1 percentage point for the three months ended July 31, 2008, compared to the prior year due to the sale of certain real estate properties in Canada.

Operating income for the three months ended July 31, 2008, was favorably impacted by changes in foreign currency exchange rates of $41 million.

Six Months Ended July 31, 2008
(Amounts in millions)

Six months ended July 31,	Segment net sales	Segment net sales increase from prior fiscal year period	Segment operating income	Segment operating income increase from prior fiscal year period	Segment operating income as a percentage of segment net sales
2008	$ 49,198	19.3%	$ 2,244	17.6%	4.6%
2007	41,227	17.0%	1,908	9.9%	4.6%

The increase in the International segment's net sales during the first six months of fiscal 2009 resulted primarily from net sales growth from existing units, our international expansion program and the favorable impact of changes in foreign currency exchange rates of $2.4 billion during the first six months of fiscal 2009.

In the first half of fiscal 2009, gross margin decreased 0.1 percentage point due to the growth in lower-margin fuel sales in the United Kingdom and the transition to the every day low pricing strategy in our stores in Japan.

Operating expenses as a percentage of segment net sales were relatively consistent with the corresponding period in the prior year largely due to strong underlying improvements in the United Kingdom, Canada, Brazil and Mexico, partially offset by accruals for certain legal matters.

Other income as a percentage of segment net sales increased 0.1 percentage point for the six months ended July 31, 2008, compared to the prior year period due to the sale of certain real estate properties in Canada.

Operating income for the six months ended July 31, 2008, was favorably impacted by changes in foreign currency exchange rates of $87 million.

Sam's Club Segment

Three Months Ended July 31, 2008
(Amounts in millions)

Three months ended July 31,	Segment net sales	Segment net sales increase from prior fiscal year second quarter	Segment operating income	Segment operating income increase (decrease) from prior fiscal year second quarter	Segment operating income as a percentage of segment net sales
2008	$ 12,284	8.0%	$ 432	(2.9%)	3.5%
2007	11,377	8.6%	445	11.5%	3.9%

Growth in net sales for the Sam's Club segment in the second quarter of fiscal 2009 resulted from a comparable club sales increase of 7.2% in the second quarter of fiscal 2009 and continued expansion activities. Comparable club sales in the second quarter of fiscal 2009 increased primarily due to higher growth rates in food and consumables, as well as an increase in both member traffic and average transaction size. In addition, fuel sales had a positive impact of 3.5 percentage points on comparable club sales in the second quarter of fiscal 2009.

Gross margin decreased 0.2 percentage points during the second quarter of fiscal 2009 primarily due to the negative impact on gross margin from growth in the lower-margin fuel business.

Operating expenses as a percentage of segment net sales increased slightly in the second quarter of fiscal 2009 compared to the second quarter of fiscal 2008. Operating expenses for the three months ended July 31, 2007, were favorably affected by the change in estimated losses associated with our general liability and workers' compensation claims, which reduced accrued liabilities for such claims by $21 million, partially offset by pre-tax charges of $5 million for certain legal contingencies. Otherwise, operating expenses as a percentage of segment net sales decreased compared to the prior year quarter.

Membership and other income, which includes membership, recycling, tenant lease, financial services and a variety of other income categories, increased in the second quarter of fiscal 2009. Membership income, which is recognized over the term of the membership, was consistent with the prior year quarter.

Six Months Ended July 31, 2008
(Amounts in millions)

Six months ended	Segment	Segment net sales increase from prior fiscal year	Segment operating	Segment operating income increase from prior fiscal	Segment operating income as a percentage of segment

July 31,		net sales	period		income	year period	net sales
2008	$	23,396	7.8%	$	818	0.4%	3.5%
2007		21,700	7.2%		815	15.3%	3.8%

Growth in net sales for the Sam's Club segment for the first half of fiscal 2009 resulted from a comparable club sales increase of 6.9% for the first half of fiscal 2009 and continued expansion activities. Comparable club sales for the first half of fiscal 2009 increased primarily due to higher growth rates in food and consumables, as well as an increase in both member traffic and average transaction size. In addition, fuel sales had a positive impact of 3.2 percentage points on comparable club sales in the first six months of fiscal 2009.

Gross margin decreased 0.2 percentage points during the first half of fiscal 2009 due to the negative impact on gross margin from growth in the lower-margin fuel business and the $39 million excise tax refund recorded in the first six months of fiscal 2008.

Operating expenses as a percentage of segment net sales decreased for the first half of fiscal 2009 when compared to the first half of fiscal 2008 primarily due to lower property tax expenses in the current year. In addition, operating expenses for the six months ended July 31, 2007, were favorably affected by the change in estimated losses associated with our general liability and workers' compensation claims, which reduced accrued liabilities for such claims by $21 million, partially offset by pre-tax charges of $15 million for certain legal contingencies. Otherwise, operating expenses as a percentage of segment net sales were comparable with the prior year period.

Membership and other income, which includes membership, recycling, tenant lease, financial services and a variety of other income categories, increased in the first six months of fiscal 2009. Membership income, which is recognized over the term of the membership, increased slightly for the first half of fiscal 2009.

Unit Data By Segment
Square Footage in Thousands

	July 31, 2008		July 31, 2007		January 31, 2008	
	Units	Square Footage	Units	Square Footage	Units	Square Footage
Walmart U.S.						
Discount Stores	915	99,198	1,033	110,500	971	104,561
Supercenters	2,572	479,388	2,349	438,870	2,447	456,516
Neighborhood Markets	143	6,009	124	5,232	132	5,552
Total Walmart U.S.	3,630	584,595	3,506	554,602	3,550	566,629
Sam's Club	594	78,719	585	77,339	591	78,236
United States Total	4,224	663,314	4,091	631,941	4,141	644,865
International						
Argentina	24	4,047	15	2,614	21	3,789
Brazil	318	25,200	297	23,834	313	24,958
Canada	309	37,345	290	33,739	305	36,590
Central America	468	7,885	430	7,467	457	7,822
Trust-Mart - China	100	17,343	101	17,653	101	17,653
Wal-Mart - China	106	19,620	84	15,628	101	18,738
Japan	392	26,274	393	28,975	394	26,425
Mexico	1,074	59,061	930	52,657	1,023	56,804
Puerto Rico	55	4,027	54	3,829	54	3,829
United Kingdom	346	28,130	337	27,046	352	27,868
Total International	3,192	228,932	2,931	213,442	3,121	224,476
Grand Total	7,416	892,246	7,022	845,383	7,262	869,341

Liquidity and Capital Resources

Overview

Cash flows provided by operating activities supply us with a significant source of liquidity. The increase in cash flows provided by operating activities for the six months ended July 31, 2008, was primarily attributable to increased net income and improved inventory management. Selected cash flow data for the six month periods ended July 31, 2008 and 2007 and current assets and liabilities for the periods then ended, are as follows:

(Amounts in millions)	Six Months Ended July 31, 2008	Six Months Ended July 31, 2007
Net cash provided by operating activities	$ 9,983	$ 6,198
Purchase of Company stock	(2,184)	(2,484)
Dividends paid	(1,878)	(1,811)
Proceeds from issuance of long-term debt	4,648	3,818
Payment of long-term debt	(4,061)	(5,435)

(Decrease) increase in commercial paper, net	(639)	5,487
Current assets	$ 49,534	$ 46,387
Current liabilities	54,904	55,250

Future Expansion

In June 2008, the Company revised its capital expenditure forecast for the current fiscal year ending January 31, 2009. Capital expenditures for fiscal year 2009 are expected to fall within a range of $13.0 billion to $14.0 billion.

Working Capital

Current liabilities exceeded current assets at July 31, 2008, by $5.4 billion, an improvement of $5.5 billion from January 31, 2008. Our ratio of current assets to current liabilities was 0.9 at July 31, 2008, and 0.8 at July 31, 2007 and at January 31, 2008. We generally have a working capital deficit due to our efficient use of cash in funding operations and in providing returns to shareholders in the form of share repurchases and payment of dividends.

Company Share Repurchase Program

From time to time, we have repurchased shares of our common stock under a $15.0 billion share repurchase program authorized by our Board of Directors on May 31, 2007. Under the share repurchase program, there is no expiration date or other restriction limiting the period over which we can make our share repurchases under the program, which will expire only when and if we have repurchased $15.0 billion of our shares under the program. Any repurchased shares are constructively retired and returned to unissued status. We consider several factors in determining when to execute the share repurchases, including among other things, our current cash needs, our capacity for leverage, our cost of borrowings and the market price of our common stock. At July 31, 2008, approximately $6.3 billion remained of the $15.0 billion authorization.

Capital Resources

Management believes that cash flows from operations and proceeds from the sale of commercial paper will be sufficient to finance seasonal buildups in merchandise inventories and meet other cash requirements. If our operating cash flows are not sufficient to pay dividends and to fund our capital expenditures, we anticipate compensating for any shortfall in funding these expenditures with a combination of commercial paper and long-term debt. We plan to refinance existing long-term debt as it matures and may desire to obtain additional long-term financing for other corporate purposes. We anticipate no difficulty in obtaining long-term financing in view of our credit rating and favorable experiences in the debt market in the recent past.

To monitor our credit rating and our capacity for long-term financing, we consider various qualitative and quantitative factors. We monitor the ratio of our debt to total capitalization as support for our long-term financing decisions. At July 31, 2008 and 2007 and January 31, 2008, the ratio of our debt to total capitalization was approximately 40.0%, 40.9% and 40.9%, respectively. For the purpose of this calculation, debt is defined as the sum of commercial paper, long-term debt due within one year, obligations under capital leases due within one year, long-term debt and long-term obligations under capital leases. Total capitalization is defined as debt plus shareholders' equity. Our ratio of debt to our total capitalization decreased in the second quarter of fiscal 2009 due to lower commercial paper outstanding and the increase to our total shareholders' equity resulting from a 12.0% increase in net income for the six months ended July 31, 2008, compared to the corresponding period in the prior year.

We also use the ratio of adjusted cash flow from operations to adjusted average debt as a metric to review leverage. Adjusted cash flow from operations, the numerator in the calculation, is defined as net cash provided by operating activities of continuing operations plus two-thirds of operating rent expense less capitalized interest expense for the trailing twelve months. Adjusted average debt, the denominator in the calculation, is defined as average debt plus eight times average operating rent expense. Average debt is the simple average of beginning and ending commercial paper, long-term debt due within one year, obligations under capital leases due within one year, long-term debt and long-term obligations under capital leases. Average operating rent expense is the simple average of operating rent expense over the current and prior twelve month periods. We believe this metric is useful to investors as it provides them with a tool to measure our leverage. This metric was 44% and 39% for the twelve months ended July 31, 2008 and 2007, respectively. The increase in the metric is primarily due to the increase in net cash flow from continuing operations.

The ratio of adjusted cash flow to adjusted average debt is considered a non-GAAP financial measure under the SEC's rules. The most recognized directly comparable GAAP measure is the ratio of net cash flow provided by operating activities of continuing operations for the current year to average total debt (which excludes any effect of operating leases or capitalized interest), which was 55% and 47% for the twelve months ended July 31, 2008 and 2007, respectively.

A detailed calculation of the adjusted cash flow from operations to adjusted average debt is set forth below along with a reconciliation to the corresponding measurement calculated in accordance with generally accepted accounting principles.

(Amounts in millions)	Twelve Months Ended July 31, 2008	Twelve Months Ended July 31, 2007
Calculation of adjusted cash flow from operations to average debt		
Numerator		
Net cash provided by operating activities of continuing operations	$ 24,139	$ 19,495
+ Two-thirds current period operating rent expense (1)	1,149	1,008
– Current year capitalized interest expense	126	158
Adjusted cash flow from operations	$ 25,162	$ 20,345
Denominator		
Average debt (2)	$ 43,803	$ 41,764
Eight times average operating rent expense (3)	12,940	10,908
Average debt	$ 56,743	$ 52,672
Adjusted cash flow from operations to average debt (4)	44%	39%
Calculation of cash flows from operating activities of continuing operations to average debt		
Numerator		
Net cash provided by operating activities of continuing operations	$ 24,139	$ 19,495
Denominator		
Average debt (2)	$ 43,803	$ 41,764
Cash flows from operating activities of continuing operations to average debt	55%	47%
Selected Financial Information		
Current period operating rent expense	$ 1,723	$ 1,512
Prior period operating rent expense	1,512	1,215
Current period capitalized interest	126	158

Certain Balance Sheet Information	July 31, 2008	July 31, 2007	July 31, 2006
Commercial paper	$ 4,347	$ 8,117	$ 6,072
Long-term debt due within one year	2,180	3,176	6,235

Obligations under capital leases due within one year		324		189		196
Long-term debt		34,168		27,966		24,099
Long-term obligations under capital leases		3,544		3,594		3,883
Total debt	$	44,563	$	43,042	$	40,485

(1) 2/3 X $1,723 for the twelve months ended July 31, 2008 and 2/3 X $1,512 for the twelve months ended July 31, 2007.
(2) ($44,563 + $43,042)/2 for the twelve months ended July 31, 2008 and ($43,042 + $40,485)/2 for the twelve months ended July 31, 2007.
(3) 8 X (($1,723+ $1,512)/2) for the twelve months ended July 31, 2008 and 8 X (($1,512 + $1,215)/2) for the twelve months ended July 31, 2007.
(4) The calculation of the ratio as defined.

Certain Long-term Debt Transactions

In April 2008, the Company issued $1.0 billion of 4.250% Notes Due 2013 and $1.5 billion of 6.200% Notes Due 2038. Beginning on October 15, 2008, the Company will pay interest on the notes of each series on April 15 and October 15 of each year. Interest started accruing on such notes on April 15, 2008. The 2013 notes will mature on April 15, 2013 and the 2038 notes will mature on April 15, 2038. The notes of each such series are senior, unsecured and unsubordinated obligations of Wal-Mart Stores, Inc.

In May 2008, Wal-Mart Stores, Inc. entered into a term loan facility with a syndicate of banks. Pursuant to that facility, the Company borrowed ¥220 billion to refinance outstanding debt of its wholly-owned subsidiary, The Seiyu, Ltd., that was scheduled to mature in December, 2008. Borrowings under such facility are senior, unsecured obligations of Wal-Mart Stores, Inc. and generally bear interest at a floating rate equal to the one, three or six month London Interbank Offered Rate plus a spread of 0.35%. Such debt matures on June 26, 2011. The amount of such debt in United States dollars as reflected on the Company's Condensed Consolidated Balance Sheets at July 31, 2008 was approximately $2.1 billion. The facility is designated as a hedge of the Company's net investment in Japan.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risks relating to our operations result primarily from changes in interest rates and changes in currency exchange rates. Our market risks at July 31, 2008 are similar to those disclosed in our Form 10-K for the year ended January 31, 2008.

The information concerning market risk under the sub-caption "Market Risk" of the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 36 of the Annual Report to Shareholders for the year ended January 31, 2008 that is an exhibit to our Annual Report on Form 10-K for the year ended January 31, 2008, is hereby incorporated by reference into this Quarterly Report on Form 10-Q.

Item 4. Controls and Procedures

We maintain a system of disclosure controls and procedures that are designed to provide reasonable assurance that information, which is required to be timely disclosed, is accumulated and communicated to management in a timely fashion. In designing and evaluating such controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management is necessarily required to use judgment in evaluating controls and procedures. Also, we have had investments in certain unconsolidated entities. Because we did not control or manage those entities, our controls and procedures with respect to those entities were substantially more limited than those we maintain with respect to our consolidated subsidiaries.

In the ordinary course of business, we review our system of internal control over financial reporting and make changes to our systems and processes to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems and automating manual processes.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

There has been no change in our internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

I. SUPPLEMENTAL INFORMATION: We discuss certain legal proceedings pending against us in Part I of this Quarterly Report on Form 10-Q under the caption "Item 1. Financial Statements," in Note 10 to our condensed consolidated financial statements, which is captioned "Legal Proceedings," and refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and, where known, the relief sought. We provide the following additional information concerning those legal proceedings which sets forth the name of the lawsuit, the court in which the lawsuit is pending and the date on which the petition commencing the lawsuit was filed. In each lawsuit's name, the letters "WM" refer to Wal-Mart Stores, Inc.

Wage-and-Hour Class Actions: Adcox v. WM, US Dist. Ct. ("USDC"), Southern Dist. of TX, 11/9/04; Alix (f/k/a Gamble) v. WM, Supreme Ct. of the State of NY, County of Albany, 12/7/01; Armijo v. WM, 1st Judicial Dist. Ct., Rio Arriba County, NM, 9/18/00; Bailey v. WM, Marion County Superior Ct. IN, 8/17/00; Barnett v. WM, Superior

Ct. of WA, King County, 9/10/01; Basco v. WM, USDC, Eastern Dist. of LA, 9/5/00; Bayardo v. WM, USDC, Dist. of NV, 3/19/07; Blackstock v. WM, State Ct. of Chatham County, GA, 4/27/06; Braun v. WM, 1st Judicial Dist. Ct. Dakota County MN, 9/12/01; Braun/Hummel v. WM, Ct. of Common Pleas, Philadelphia County, PA, 3/20/02 / 8/30/04; Brogan v. WM , Superior Ct. of NH, Strafford County, 2/17/05; Brogan v. WM, USDC, Southern Dist. of WV, 4/3/07; Brown v. WM, 14th Judicial Circuit Ct., Rock Island, IL, 6/20/01; Brown v. WM, USDC, Eastern Dist. of NY, 4/5/07; Campbell v. WM, USDC, Dist. of NV, 9/20/06; Carter v. WM, Ct. of Common Pleas, Colleton County, SC, 7/31/02; Cole v. WM, USDC, Dist. of MT, Central Div., 1/13/06; Connatser v. WM, USDC, Western Dist. of TN, 4/4/07; Curless v. WM, USDC, Dist. of WY, 10/26/05; Deas v. WM, USDC, Eastern Dist. of VA, 4/3/06; Evans v. WM, USDC, Dist. of SC, 01/9/07; Gilles v. WM, USDC, Southern Dist. of IN, 3/31/06; Green v. WM, USDC, S. Dist. of FL, 11/6/06; Grey v. WM, USDC, Dist. of KS, 7/14/06; Gross v. WM, Circuit Ct., Laurel County, KY, 9/29/04; Hale v. WM, Circuit Ct., Jackson County, MO, 8/15/01; Hall v. WM, USDC, Dist. of NV, 8/12/05; Henderson v. WM, USDC, Dist. of NV, 12/6/06; Hicks v. WM, USDC, Eastern Dist. of TX, 4/3/07; Holcomb v. WM, State Ct. of Chatham County, GA, 3/28/00; Husidic v. WM, USDC, Southern Dist. of IA, 9/14/06; Iliadis v. WM, Superior Ct. of NJ, Middlesex County, 5/30/02; Jackson v. WM, Superior Ct. of DE, New Castle County, 4/4/05; Jackson v. WM, USDC, Dist. of ID, 2/3/06; King v. WM, USDC, Eastern Dist. of PA, 4/13/07; Kraemer v. WM, USDC, Dist. of ND, 11/15/06; Kuhlmann v. WM, Circuit Ct., Milwaukee County, WI, 8/30/01; Lerma v. WM, Dist. Ct., Cleveland County, OK, 8/31/01; Lopez v. WM, 23rd Judicial Dist. Ct. of Brazoria County, TX, 6/23/00; Luce v. WM, Circuit Ct., Brown County, SD, 5/11/05; Mathies v. WM, USDC, Dist. of OR, 3/30/07; McFarlin v. WM, Superior Ct. of AK at Anchorage, 4/7/05; Montgomery v. WM, USDC, Southern Dist. of MS, 12/30/02; Moore v. WM, USDC, Dist. of OR, 12/7/05; Mussman v. WM, IA Dist. Ct., Clinton County, 6/5/01; Nagy v. WM, Circuit Ct. of Boyd County, KY, 8/29/01; Nolan v. WM, USDC, Northern Dist. of OH, Eastern Div., 4/4/06; Olinger v. WM, USDC, Eastern Dist. of MI, 9/14/06; Parrish v. WM, Superior Ct., Chatham County, GA, 2/17/05; Pedro v. WM, USDC, Dist. of MA, 4/4/07; Penn v. WM, USDC, Eastern Dist. of LA, 9/15/06; Phelps v. WM, USDC, Southern Dist. of IL, 4/4/07; Pickett v. WM, Circuit

Court, Shelby County, TN, 10/22/03; Poha v. WM, USDC, Dist. of HI, 11/1/05; Pritchett v. WM, Circuit Ct. of Jefferson County, AL, 2/17/05; Richardson v. WM, USDC, Dist. of NV, 4/4/07; Robinson v. WM, USDC, Southern Dist. of MS, 3/5/07; Salvas v. WM, Superior Ct., Middlesex County, MA, 8/21/01; Sarda v. WM, Circuit Ct., Washington County, FL, 9/21/01; Savaglio v. WM, Superior Ct. of CA, Alameda County, 2/6/01; Scott v. WM, Circuit Ct. of Saginaw County, MI, 9/26/01; Smith/Ballard v. WM, USDC, Northern Dist. of CA, 3/16/06; Smith v. WM, USDC, Western Dist. of WI, 4/2/07; Stafford v. WM, USDC, Dist. of NE, 12/8/05; Whitacre v. WM, USDC, Dist. of NV, 6/15/07; Willey v. WM, Dist. Ct. of Wyandotte County, KS, 9/21/01; Williams v. WM, Superior Ct. of CA, Alameda County, 3/23/04; Williams v. WM, USDC, Dist of UT, Central Div., 1/20/06; Williams v. WM, USDC, Western Dist. of NC, 3/23/06; Winters v. WM, Circuit Ct., Holmes County, MS, 5/28/02; Woods v. WM, USDC, Dist. of ME, 1/12/06; Works v. WM, Circuit Ct., Miller County, AR, 5/18/05.

Exempt Status Cases: Salvador v. WM and Sam’s West, Inc., USDC, Central Dist. of CA, Western Div., 12/22/05; Sepulveda v. WM, USDC, Central Dist. of CA, Western Div., 1/14/04; Matlock v. WM and Claims Management, Inc., USDC, Northern Dist. of TX, 8/7/07; Patel v. WM., USDC, Middle Dist. of AL, 5/6/08.

Gender Discrimination Cases: Dukes v. WM, USDC, Northern Dist. of CA, San Francisco Div., 6/19/01; 9th Circuit Ct. of Appeals, San Francisco, CA, 8/26/04; EEOC (Smith) v. WM, USDC, Eastern Dist. of KY, London Div., 8/31/01.

II. ENVIRONMENTAL MATTERS: Item 103 of SEC Regulation S-K requires disclosure of certain environmental matters. The following matters are disclosed in accordance with that requirement:

The District Attorney for Solano County, California, has alleged that the Company's store in Vacaville, California, failed to comply with certain California statutes regulating hazardous waste and hazardous materials handling practices. Specifically, the County is alleging that the Company improperly disposed of a limited amount of damaged or returned product containing dry granular fertilizer and pesticides on or about April 3, 2002. The parties are currently negotiating toward a resolution of this matter. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

The District Attorney for Orange County, California, has alleged that the Company's store in Foothill Ranch, California, failed to comply with certain California statutes regulating hazardous waste and hazardous materials handling practices. Specifically, the County is alleging that the Company improperly disposed of a limited amount of damaged product containing dry granular pesticide on or about January 24, 2005. The parties are currently negotiating toward a resolution of this matter. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

The U.S. Environmental Protection Agency (“EPA”) approached a grocery industry group to resolve issues relating to refrigerant-handling practices and to reduce the use of ozone-depleting refrigerants in refrigeration equipment. The Company then approached the EPA independently to address these issues, and proposed a plan for removing ozone-depleting refrigerants from certain types of refrigeration equipment. The parties are currently negotiating a resolution of this matter. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

On February 1, 2007, the Company received from the EPA a request pursuant to Section 114(a) of the Federal Clean Air Act seeking detailed information regarding all non-essential products containing ozone-depleting substances including products such as Loony String which the Company may have sold or distributed since January 1, 2002. On March 8, 2007, the EPA issued a revised request for information in which it limited its request to string products including Loony String, Silly String and Fiesta String, and covering the period from 2004 to the present. The

Company submitted an initial response to the EPA on May 8, 2007, and is continuing to gather the requested information. The Company is cooperating fully with the EPA regarding this matter. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company's financial condition or results of operations.

In January 2007, Wal-Mart Puerto Rico, Inc. became aware that the U.S. Army Corps of Engineers ("USACE") was concerned about alleged violations of a permit issued by that agency in 2003, for the fill of 0.23 acres of a creek and its contiguous wetlands during the construction of the Wal-Mart Store in Caguas, Puerto Rico. On January 19, 2007, Wal-Mart Puerto Rico responded to these issues in writing. On January 25, 2007, the USACE issued a formal Notice of Non-Compliance to Wal-Mart Puerto Rico regarding this matter. Wal-Mart Puerto Rico filed a formal response and is currently implementing mitigation measures and working with the USACE to resolve the matter. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company's financial condition or results of operations.

On November 8, 2005, the Company received a grand jury subpoena from the United States Attorney's Office for the Central District of California, seeking documents and information relating to the Company's receipt, transportation, handling, identification, recycling, treatment, storage and disposal of certain merchandise that constitutes hazardous materials or hazardous waste. The Company has been informed by the U.S. Attorney's Office for the Central District of California that it is a target of a criminal investigation into potential violations of the Resource Conservation and Recovery Act (“RCRA”), the Clean Water Act and the Hazardous Materials Transportation Statute. This U.S. Attorney's Office contends, among other things, that the use of Company trucks to transport certain returned merchandise from the Company's stores to its return centers is prohibited by RCRA because those materials may be considered hazardous waste. The government alleges that, to comply with RCRA, the Company must ship from the store certain materials as “hazardous waste” directly to a certified disposal facility using a certified hazardous waste carrier. The Company contends that the practice of transporting returned merchandise to its return centers for subsequent disposition, including disposal by certified facilities, is compliant with applicable laws and regulations. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

Additionally, the U.S. Attorney's Office in the Northern District of California has initiated its own investigation regarding the Company's handling of hazardous materials and hazardous waste and the Company has received administrative document requests from the California Department of Toxic Substances Control requesting documents and information with respect to two of the Company's distribution facilities. Further, the Company also received a subpoena from the Los Angeles County District Attorney's Office for documents and administrative interrogatories requesting information, among other things, regarding the Company's handling of materials and hazardous waste. California state and local government authorities and the State of Nevada have also initiated investigations into these matters. The Company is cooperating fully with the respective authorities. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

On March 28, 2008, the Company received a Notice of Violation from the Missouri Department of Natural Resources (“Department”) alleging various violations of Missouri hazardous waste laws and regulations in connection with the activities of a third-party contractor with whom the Company had contracted for recycling services. The Department alleges that the Company provided certain items to the contractor for recycling that should have been managed as hazardous waste. The U. S. Environmental Protection Agency ("EPA") has inspected the contractor's facilities, and both the EPA and the U.S. Attorney’s Office for the Western District of Missouri are conducting investigations. The Company has submitted a response to the Notice of Violation and is cooperating with these authorities. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

The Company has received a Notice of Probable Violation from the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (the “Administration”) dated May 29, 2008, in connection with certain shipments of batteries that were made during October and November 2006. The Administration alleges failure to maintain appropriate records; failure to mark packages correctly; failure to package batteries with protection to prevent short circuits; and failure to provide proper training for employees. The Company is cooperating with the Administration in this matter. While management cannot predict the ultimate outcome of this matter, management does not believe the outcome will have a material effect on the Company’s financial condition or results of operations.

Item 1A. Risk Factors

The risks described in Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended January 31, 2008, could materially and adversely affect our business, financial condition and results of operations. The risk factors discussed in that Form 10-K do not identify all risks that we face because our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

From time to time, we repurchase shares of our common stock under a $15.0 billion share repurchase program authorized by our Board of Directors on May 31, 2007, and publicly announced on June 1, 2007. This program does not have any expiration date. Share repurchase activity for the second quarter of fiscal 2009 was as follows:

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (billions)
May 1-31, 2008	6,529,200	$ 56.87	6,529,200	$ 6.8
June 1-30, 2008	2,670,000	$ 58.63	2,670,000	$ 6.6
July 1-31, 2008	5,510,115	$ 57.56	5,510,115	$ 6.3
Total	14,709,315		14,709,315	$ 6.3

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Shareholders' Meeting was held on June 6, 2008, in Fayetteville, Arkansas.

Election of Directors

At that meeting, the shareholders elected for one-year terms all persons nominated for election as directors as set forth in the Company's proxy statement dated April 22, 2008. The following table sets forth the vote of the shareholders at the meeting with respect to the election of directors:

	For	Against or Withheld	Abstentions
Aida M. Alvarez	3,615,585,559	28,174,571	31,790,735
James W. Breyer	3,617,175,924	26,705,919	31,669,022
M. Michele Burns	3,533,785,945	105,573,156	36,191,764
James I. Cash Jr.	3,605,964,266	38,005,795	31,580,804
Roger C. Corbett	3,614,703,513	29,227,959	31,619,393
Douglas N. Daft	3,615,286,676	28,666,667	31,597,522
David D. Glass	3,596,708,054	47,080,206	31,762,605
Gregory B. Penner	3,589,956,418	53,281,303	32,313,144
Allen I. Questrom	3,615,354,975	28,541,281	31,654,609
H. Lee Scott, Jr.	3,605,561,593	37,823,963	32,165,309
Arne M. Sorenson	3,614,606,953	28,889,616	32,054,296
Jim C. Walton	3,598,641,648	45,355,203	31,554,014
S. Robson Walton	3,601,945,981	42,450,038	31,154,846
Christopher J. Williams	3,616,885,000	27,154,516	31,511,349
Linda S. Wolf	3,616,420,782	27,814,822	31,315,261

Company Proposals

The shareholders voted upon and approved the Company's Management Incentive Plan, as amended and restated. The vote on the proposal was as follows:

For	Against	Abstentions
3,578,330,311	58,233,321	38,987,233

The shareholders also voted upon and approved ratification of Ernst & Young LLP as the Company's independent accountants. The vote on the proposal was as follows:

For	Against	Abstentions
3,629,085,976	15,176,214	31,288,675

Shareholder Proposals

The shareholders voted upon and rejected a shareholder proposal regarding an amendment to the Company's equal employment opportunity policy. The vote on the proposal was as follows:

For	Against	Abstentions	Broker Non-Votes
207,447,045	3,099,219,511	100,269,667	268,614,642

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The shareholders voted upon and rejected a shareholder proposal regarding pay-for-superior-performance. The vote on the proposal was as follows:

For	Against	Abstentions	Broker Non-Votes
431,108,655	2,940,286,639	35,540,929	268,614,642

The shareholders then voted upon and rejected a shareholder proposal regarding a policy on recoupment of senior executive compensation. The vote on the proposal was as follows:

For	Against	Abstentions	Broker Non-Votes
183,913,925	3,157,939,166	65,083,132	268,614,642

The shareholders also voted upon and rejected a shareholder proposal regarding establishing a human rights committee of the Company's board of directors. The vote on the proposal was as follows:

For	Against	Abstentions	Broker Non-Votes
68,793,538	3,146,237,203	191,905,482	268,614,642

The shareholders also voted upon and rejected a shareholder proposal regarding an advisory vote on executive compensation. The vote on the proposal was as follows:

For	Against	Abstentions	Broker Non-Votes
567,353,727	2,742,965,148	96,617,348	268,614,642

The shareholders voted upon and rejected a shareholder proposal regarding the preparation of a "political contributions" report. The vote on the proposal was as follows:

For	Against	Abstentions	Broker Non-Votes
370,360,527	2,789,496,165	247,079,531	268,614,642

The shareholders voted upon and rejected a shareholder proposal regarding a bylaw amendment concerning special shareholders' meetings. The vote on the proposal was as follows:

For	Against	Abstentions	Broker Non-Votes
512,958,061	2,834,443,192	59,534,970	268,614,642

A shareholder proposal for the issuance of a report regarding the social and reputational impact of alleged non-compliance with certain labor standards by the Company had been included in the Company's proxy statement relating to the Annual Shareholders' Meeting as a matter to be voted upon by the Company's shareholders at the meeting. After discussions with management of the Company, the proponents of that proposal withdrew the proposal from consideration at the Annual Shareholders' Meeting. As a result, the shareholders did not vote on that proposal at the meeting.

Item 5. Other Information

This Quarterly Report contains statements that Wal-Mart believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. These forward-looking statements include a statement in Note 9 to our condensed consolidated financial statements regarding the forecasted full year tax rate for our fiscal 2009 and the factors affecting that rate, regarding the effect of the future recognition of certain tax benefits on the Company's tax rate and regarding the possible effect of the resolution of certain tax audit issues in the future, including the effect on the Company's tax rate, a statement under the caption "Results of Operations—Quarter ended July 31, 2008" and a statement under "Results of Operations—Six Months Ended July 31, 2008," each in Management's Discussion and Analysis of Financial Condition and Results of Operations, regarding our expectations relating to continuing increased corporate expenses relating to transformation projects in the future, a statement under the caption "Liquidity and Capital Resources—Future Expansion" in Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our management's expectations regarding our total capital expenditures in fiscal 2009, and statements under the caption "Liquidity and Capital Resources—Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our intent and ability to fund certain cash flow shortfalls by the sale of commercial paper and long-term debt securities, our plans to refinance existing long-term debt as it matures and our ability to sell our long-term debt securities. These statements are identified by the use of the words "anticipate," "could reduce," "expect," "plan," "would, if recognized, affect" or a variation of one of those words phrases in those statements or by the use of words or phrases of similar import. These forward-looking statements are subject to risks, uncertainties and other factors, domestically and internationally, including geopolitical events and conditions, general economic conditions, cost of goods, consumer credit availability, competitive pressures, inflation, consumer spending patterns and debt levels, currency exchange fluctuations, trade restrictions, changes in tariff and freight rates, fluctuations in the costs of gasoline, diesel fuel and other energy, transportation, utilities, labor and health care, accident costs, casualty and other insurance costs, interest rate fluctuations, capital market conditions, weather conditions, damage to our facilities as a result of natural disasters, regulatory matters and other risks. We discuss certain of these matters more fully, as well as certain risk factors that may affect our business operations, financial condition and results of operations, in Part II, Item 1A, of this Quarterly Report and in other of our filings with the SEC, including our Annual Report on Form 10-K for the year ended January 31, 2008. This Quarterly Report should be read in conjunction with that Annual Report on Form 10-K, and all our other filings, including Current Reports on Form 8-K, made with the SEC through the date of this report. We urge you to consider all of these risks, uncertainties and other factors carefully in evaluating the forward-looking statements contained in this Quarterly Report. As a result of these and other matters, including changes in facts, assumptions not being realized or other factors, the actual results relating to the subject matter of any forward-looking statement in this Quarterly Report may differ materially from the anticipated results expressed or implied in that forward-looking statement. The forward-looking statements included in this Quarterly Report are made only as of the date of this report and we undertake no obligation to update any of these forward-looking statements to reflect subsequent events or circumstances.

Item 6. Exhibits

The following documents are filed as an exhibit to this Quarterly Report on Form 10-Q:

Exhibit 3(i)	Restated Certificate of Incorporation of the Company is incorporated herein by reference to Exhibit 3(a) to the Annual Report on Form 10-K of the Company for the year ended January 31, 1989 (which document may be found and reviewed in the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549, in the files therein relating to the Company, whose SEC file number is No. 1-6991), the Certificate of Amendment to the Restated Certificate of Incorporation is incorporated herein by reference to Registration Statement on Form S-8 (File Number 33-43315) and the Certificate of Amendment to the Restated Certificate of Incorporation is incorporated hereby by reference to the Current Report on Form 8-K of the Company, dated August 11, 1999 (which document may be found and reviewed in the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549, in the files therein relating to the Company, whose SEC file number is No. 1-6991).
Exhibit 3(ii)	Amended and Restated Bylaws of the Company are incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K of the Company dated March 8, 2005.
Exhibit 12.1*	Ratio of Earnings to Fixed Charges
Exhibit 31.1*	Chief Executive Officer Section 302 Certification
Exhibit 31.2*	Chief Financial Officer Section 302 Certification
Exhibit 32.1**	Chief Executive Officer Section 906 Certification
Exhibit 32.2**	Chief Financial Officer Section 906 Certification
Exhibit 99	The information incorporated by reference in Part I, Item 3 of this Quarterly Report on Form 10-Q is incorporated by reference to the material set forth under the sub-caption "Market Risk" in Management's Discussion and Analysis of Financial Condition and Results of Operations, which is contained in Exhibit 13 to the Company's Annual Report on Form 10-K for the year ended January 31, 2008, as filed with the Securities and Exchange Commission.

* Filed herewith as an Exhibit.
** Furnished herewith as an Exhibit.

The Company agrees to furnish to the Commission, upon the Commission's request, the instruments with respect to the Company's Japanese Yen Bonds - First Series (2008), Japanese Yen Bonds - Second Series (2008), and Japanese Yen Floating Rate Bonds - First Series (2008), which are discussed in Note 13 to the Company's Condensed Consolidated Financial Statements included in Part I. Financial Information, Item 1. Financial Statements in this Quarterly Report on Form 10-Q.

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 thereunto duly authorized.

WAL-MART STORES, INC.

Date: September 4, 2008	By:	/s/ H. Lee Scott, Jr. H. Lee Scott, Jr. President and Chief Executive Officer
Date: September 4, 2008	By:	/s/ Thomas M. Schoewe Thomas M. Schoewe Executive Vice President and Chief Financial Officer
Date: September 4, 2008	By:	/s/ Steven P. Whaley Steven P. Whaley Senior Vice President and Controller (Principal Accounting Officer)

Index to Exhibits

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