

FINDEX COM INC  
Form 10-K  
April 15, 2009

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

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

For the transition period for \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-29963

FINDEX.COM, INC.

(Exact name of registrant as specified in its charter)

Nevada 88-0379462  
(State or (I.R.S.  
other Employer  
jurisdiction of  
incorporation Identification  
or No.)  
organization)

620 North 68154  
129th Street,  
Omaha,  
Nebraska  
(Address of (Zip Code)  
principal  
executive  
offices)

(402) 333-1900  
(Registrant's telephone number, including area code)

Edgar Filing: FINDEX COM INC - Form 10-K

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

filer <input type="checkbox"/>	Large accelerated filer <input type="checkbox"/>	Accelerated
company <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting

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

As of April 14, 2009, the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average of the closing bid and asked prices on such date was approximately \$512,000.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

At April 14, 2009, the registrant had outstanding 59,572,725 shares of common stock, of which there is only a single class.

TABLE OF CONTENTS

	Page Number
<u>PART I</u>	
<u>Item 1. Business.</u>	1
<u>Item 1A. Risk Factors.</u>	12
<u>Item 1B. Unresolved Staff Comments.</u>	19
<u>Item 2. Properties.</u>	19
<u>Item 3. Legal Proceedings.</u>	19
<u>Item 4. Submission of Matters to a Vote of Security Holders.</u>	19
<u>PART II</u>	
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	20
<u>Item 6. Selected Financial Data.</u>	20
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	21
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk.</u>	32
<u>Item 8. Consolidated Financial Statements and Supplementary Data.</u>	F-1
<u>Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.</u>	33
<u>Item 9A(T). Controls and Procedures.</u>	33
<u>Item 9B. Other Information.</u>	34
<u>PART III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance.</u>	34
<u>Item 11. Executive Compensation.</u>	37
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	40
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence.</u>	43
<u>Item 14. Principal Accounting Fees and Services.</u>	44
<u>PART IV</u>	
<u>Item 15. Exhibits, Financial Statement Schedules.</u>	44



## PART I

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K, press releases and certain information provided periodically in writing or verbally by our officers or our agents contain statements which constitute forward-looking statements. The words “may”, “would”, “could”, “will”, “expect”, “estimate”, “anticipate”, “believe”, “intend”, “plan”, “goal”, and similar expressions and variations thereof are intended to specifically identify forward-looking statements. These statements appear in a number of places in this Form 10-K and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of us, our directors or our officers, with respect to, among other things: (i) our liquidity and capital resources, (ii) our financing opportunities and plans, (iii) our ability to attract customers to generate revenues, (iv) competition in our business segment, (v) market and other trends affecting our future financial condition or results of operations, (vi) our growth strategy and operating strategy, and (vii) the declaration and/or payment of dividends.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Factors that might cause such differences include, among others, those set forth in Part II, Item 7 of this annual report on Form 10-K, entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and including without limitation the “Risk Factors” section contained in Part I, Item 1A. Except as required by law, we undertake no obligation to update any of the forward-looking statements in this annual report on Form 10-K after the date hereof.

### ITEM 1. BUSINESS.

#### OVERVIEW

We develop, publish, market, and distribute and directly sell consumer and business software products for PC, Macintosh® and Mobile devices. We develop our software products through in-house initiatives supplemented by outside developers. We market and distribute our software products principally through direct marketing and Internet sales programs, but also through retailers and distributors.

#### CORPORATE FORMATION, LEGACY & SUBSIDIARIES

We were incorporated in the State of Nevada on November 7, 1997 as EJH Entertainment, Inc. On December 4, 1997, a predecessor corporation with the same name as our own but domiciled in Idaho was merged with and into us. Although the predecessor Idaho corporation was without material assets or operations as of the time of the merger, since being organized in 1968, it had historically been involved in mining and entertainment businesses unrelated to our current business.

Beginning in 1997, and although we were not then a reporting company under the Securities Exchange Act, our common stock was quoted on the OTC Bulletin Board (originally under the symbol “TIXX”, which was later changed to “TIXXD”). On May 13, 1999, we changed our name to FINdex.com, Inc. On March 7, 2000, in an effort to satisfy a newly imposed NASD Rule eligibility requirement that companies quoted on the OTC Bulletin Board be fully reporting under the Securities Exchange Act (thereby requiring recently audited financial statements) and current in their filing obligations, we acquired, as part of a share exchange in which we issued 150,000 shares of our common stock, all of the outstanding capital stock of Reagan Holdings, Inc., a Delaware corporation. At the time of this transaction, Reagan Holdings was subject to the requirements of having to file reports pursuant to Section 13 of the Securities Exchange Act, had recently audited financial statements and was current in its reporting obligations. Having no operations, employees, revenues or other business plan at the time, however, it was a public

shell company. As a result of this transaction, Reagan Holdings, Inc. became our wholly owned subsidiary and we became the successor issuer to Reagan Holdings for reporting purposes pursuant to Rule 12g-3 of the Securities Exchange Act. Shortly thereafter, we changed our stock symbol to “FIND”. Though it does not currently have any operations, employees, or revenues, Reagan Holdings remains our wholly owned subsidiary.

-1-

---

## Table of Contents

In addition to Reagan Holdings, we also have one other wholly owned subsidiary, Findex.com, Inc. (i.e. the same name as our own), a Delaware corporation. Like Reagan Holdings, this entity, too, does not currently have any operations, employees, or revenues. This subsidiary resulted from an acquisition on April 30, 1999 pursuant to which we acquired all of the issued and outstanding capital stock of FINdex Acquisition Corp., a Delaware corporation, from its then stockholders in exchange for 4,700,000 shares of our common stock, which, immediately following the transaction, represented 55% of our total outstanding common stock. Our purpose for this acquisition was to broaden our then-existing stockholder base, an important factor in our effort to develop a strong market for our common stock. On May 12, 1999, in exchange for the issuance of 457,625 shares of FINdex Acquisition Corp. common stock, FINdex.com, Inc., another Delaware corporation (originally incorporated in December 1995 as FinSource, Ltd.), was merged with and into FINdex Acquisition Corp., with FINdex Acquisition Corp. remaining as the surviving entity. Our purpose for this merger was to acquire a proprietary financial information search engine for the Internet which was to serve as the cornerstone for a Web-based development-stage business, but which has since been abandoned. As part of the certificate of merger relating to this transaction, FINdex Acquisition Corp. changed its name to FINdex.com, Inc. We currently own 4,700,000 shares of FINdex.com, Inc. (the Delaware corporation), representing 100% of its total outstanding common stock.

## STRATEGY

We are currently in the early stages of a defining transformative period in our development. In recent years, we have come to be recognized as a consumer desktop software company that serves a demographic defined largely by an interest in Christianity and faith-based “inspirational” values. The nature of our products historically, and the fact that our product lines have not extended materially beyond the boundaries of this affinity group, have fostered this perception. Indeed, as the publisher of one of the industry-leading Bible study desktop software products, QuickVerse®, we are known to many users of that product only as “QuickVerse”, not Findex. While we believe that the QuickVerse® brand is among our most valuable assets, and we greatly value the goodwill that our reputation in this regard has engendered, we also believe that working to expand that reputation into one which is more closely associated with providing high quality branded software and content products generally – and ones that extend across both consumer and business segments – will afford us significantly greater opportunities in both the near and long term to steadily increase revenues and earnings, and, ultimately, to enhance shareholder value. We believe, moreover, that coupling this strategic diversification with a commitment to an increasing reliance on a sales and distribution model through which our products are sold on a subscription basis and can be purchased and downloaded directly from us online will be instrumental in furthering these financial objectives. Consequently, while we expect to continue for the indefinite future to invest substantially in the growth and development of our existing primary software titles and content, we also expect as we go forward to invest substantially in not only building a significantly more diverse line of product titles, but also in building our technology platform and infrastructure so as to enable our evolution over time into a principally Webcentric provider of software solutions, content, and online products.

As part of that objective, we acquired FormTool.com and the FormTool® line of products in February 2008. In September 2008, we re-launched the FormTool.com website as an online marketplace for purchasing the FormTool® line of form creation and form filler products, and also a one-stop shop for finding, purchasing and downloading customizable forms for a wide range of business and consumer needs. Our model includes the ability to purchase forms on an individual basis, in bulk packs, or on a subscription basis.

## PRODUCT LINE DEVELOPMENT

We plan for the continued broadening of our product lines through the following several strategies:

Creating and Maintaining Diversity in Our Product Titles, Platforms and Market Demographic

We are committed to creating and maintaining a diversified mix of titles to mitigate our operating risks and to reach as broad a market as possible while maximizing unit sales volume. In this regard, we strive to develop and publish titles that span a wide range of categories and subjects, and that are available for use on multiple platforms. We use a formal control process for the selection, development, production, and quality control of our titles and title versions. We apply this process to products under development with external, as well as internal, resources. This control process includes upfront concept evaluation as well as in-depth reviews of each project on numerous levels and at various intervals during the development process by a team that includes our senior management and a number of our key technical, marketing and product development personnel. There are a number of factors that we consider when determining the appropriate platform for each of our titles and title versions, including, among others, economic cost, the platform's user demographics, and the competitive landscape at the time of a title's (or title version's) release.

-2-

---



## Table of Contents

### Creating, Acquiring and Maintaining Strong Brands

We attempt to focus our development and publishing activities principally around software products that are, or have the potential to become, titles possessing sustainable consumer or business appeal and brand recognition. We are also in continual pursuit of both licensing opportunities with respect to software titles and title versions as well as corporate acquisition opportunities, in each case where we determine such opportunities offer attractive returns on capital investment and that may additionally provide strategic value to our existing product lines in terms of cross-marketing opportunities. As part of this initiative, we may acquire businesses that (i) only recently commenced operations, (ii) are development-stage enterprises in need of additional funds to expand into new products or markets, or (iii) are established businesses that may be experiencing financial or operating difficulties and need additional capital.

### PRODUCT DEVELOPMENT

We are committed to the ongoing development of our existing software as well as the development of new software titles and title versions. Our product development methodology is modeled around elements of the consumer packaged goods and software industry. Within this model, our management assesses the current market and establishes a direction for each of our products, while key personnel monitor quality, delivery schedules, development milestones and budget. Prior to final approval, whether developed internally or externally by our third-party developers, we test all new titles and title versions for bugs.

The manufacturing time and gross margin percentages for each of our products can vary significantly from platform to platform. For each of our products we establish and periodically review an individual product development timeline and expenditure budget, taking into consideration, among others, the following business factors:

- prior year or season selling rates for existing and competitive products;
- known or estimated growth rates for existing and competitive products;
- new market opportunities for products, product categories, or product platforms;
- competitive products and known competitive strategies;
- general consumer market and consumer economic sentiments including past, present, and projected future conditions and/or events;
- technological changes, improvements, new platforms, and platform market share shifts;
- general distribution channels and customer feedback;
- current and perceived corporate cash flow;
- availability and limitations related to knowledgeable/expert talent and workforce; and
- known or projected risks associate with each of these factors.

We develop our titles and title versions using a strategic combination of our internal development group and external, independently contracted developers, a team of which are located in the Russian Federation and several others of which are located in the United States, India, and Ghana.

We strive to provide our in-house team the independence and flexibility needed to foster creativity and teamwork. Employing an in-house development team provides us with the following advantages:

- our developers work collaboratively, sharing development techniques, software tools, software engines and useful experience, to form a strong collective and creative environment;
- the ability to re-focus efforts quickly to meet the changing needs of key projects;
- more control over product quality, scheduling and costs; and
- our developers are not subject to the competing needs of other software publishers.



## Table of Contents

We maintain an in-house development team in Naperville, Illinois, and we also maintain development and technical staff at our Omaha, Nebraska headquarters.

We select our external developers based on their track record and expertise in producing titles and title versions within certain categories. This selection process allows us to strengthen and leverage the particular expertise of our internal and external development resources, as well as to scale up and down as necessary, to maximize the productivity of our development budget.

Our total product development costs incurred during the years ended December 31, 2008 and 2007, were approximately \$494,000 and approximately \$421,000, respectively, of which capitalized costs accounted for approximately \$257,000 and approximately \$282,000, respectively, and expensed costs accounted for \$237,000 and approximately \$139,000, respectively.

## OUR PRODUCTS

### Faith-Based Software

#### Bible Study

For the fiscal year ended December 31, 2008, approximately 86% of our revenues were derived from sales of our flagship product, QuickVerse®, an industry-leading Bible-study software now in its 20th year and 13th version. Originally introduced into the market in 1989, QuickVerse® has sold over one million copies since its introduction and is currently believed by us to be the market leader in its category.

QuickVerse® simplifies biblical research, allowing users to view multiple reference materials, including Bibles, dictionaries, commentaries and encyclopedias, side-by-side on the computer screen. A built-in “QuickSearch” feature enables the user to highlight a word or Bible verse and find all of its occurrences in a particular text. Advanced search options enable users to search by word, phrase or verse across multiple books, offering search options that locate all forms of a given search word without the need for embedded symbols. For example, a search for the word “rise”, will yield the words “arise”, “risen”, “rising”, and “rise”.

QuickVerse® 2009, our latest version, is currently available in six CD-Rom editions for PC with a range in retail price from \$39.95 to \$799.95. Each edition and platform of QuickVerse® contains several Bible translations (e.g., the King James Version, the American Standard Version, etc.) along with numerous reference titles (e.g., dictionaries, commentaries, encyclopedias, etc.). Furthermore, each QuickVerse® purchase includes access to additional books and content, which can be unlocked or downloaded and made accessible for an additional fee.

QuickVerse® Mobile is compatible on both Pocket PC® and Palm OS® operating systems. QuickVerse® 4.0 Mobile, our latest version, is currently available in two editions as a download and in CD-Rom with a range in retail price from \$39.95 to \$69.95. QuickVerse® Macintosh is compatible with Macintosh® OS X 10.3 or higher operating systems. QuickVerse® 2.0 Macintosh, our latest version, is currently available in three editions with a range in retail price from \$59.95 to \$349.95. QuickVerse® Mobile and QuickVerse® Macintosh each provide the same simplified access and many of the personal Bible study features found in the QuickVerse® PC versions.

QuickVerse® customers include (i) individuals devoted to or otherwise interested in studying Christianity and (ii) religious and other spiritual organizations including schools, churches and other faith-based ministries.

For our QuickVerse® customers, we also develop and market certain other Bible study software packages such as the Vine's® Complete Collection, the Nelson's® Reference Collection, the Warren Wiersbe® Collection, the John

MacArthur® Collection and many others. These titles currently range in retail price from \$19.95 to \$249.95 per unit.

In addition, our website, [www.quickverse.com](http://www.quickverse.com), offers additional content which can be downloaded into the QuickVerse® software for immediate use. The content offered includes over 180 individual books and/or collections with a range in retail price from \$4.95 to \$249.95.

-4-

---

## Table of Contents

### Other Faith-Based Products

Our faith-based software titles and title versions also include those categorized as Print and Graphic, Financial, Pastoral, Children's and Language products. These categories include titles such as ClickArt Christian Publishing® Suite III, Sermon Builder® 5.0, Ministry Notebook® 2.0, Jonah and the Whale®, Greek Tutor® and Hebrew Tutor®. These titles currently range in retail price from \$5.97 to \$69.95. For the fiscal year ended December 31, 2008, approximately 11% of our revenues were derived from sales of our other faith-based software titles.

### Form Creation

Our form creation titles currently consist of the FormTool® software product line. On February 25, 2008 we acquired the FormTool® software product line from ORG Professional, LLC. FormTool.com and the FormTool® product line offers quality, professionally designed forms for business, accounting, construction, sales, real estate, human resource and personal organization needs. FormTool® 7.0, our latest version, is currently available in four editions that range in retail price from \$29.99 to \$199.99. Furthermore, in September 2008, we re-launched the FormTool.com website as an online marketplace for purchasing the FormTool® product line, as well as a "one-stop" shop for finding, purchasing, and downloading customizable forms for a wide range of business and consumer needs. For the year ended December 31, 2008, approximately 3% of our revenues were derived from sales of FormTool® products and forms.

## OUR MARKET

### Generally

While, historically, we have defined ourselves by virtue of the niche faith-based market we have been focused upon serving, we expect that, going forward, our markets will broaden significantly as we introduce products and content with much wider appeal and which serve not only consumers, but also businesses and other organizations more generally. Taking a somewhat opportunistic approach to our future growth in this regard, and recognizing consequently that future products and content are likely to be aimed at target demographics that we cannot reasonably predict, an analysis of our market is only meaningful as it relates to our current products and product lines.

### Faith-Based Products

According to a Gallup poll released in January 2006, 50% of Americans identified themselves as Protestant, while 25% identified themselves as Catholic, and 13% identified themselves as "Other Christian". According to the same survey, 59% of Americans say that religion is "very" important to them in their own lives, and another 25% say that religion is "fairly" important in their lives. Additionally, 41% describe themselves as "born-again" or "evangelical Christian".

According to the most recent survey released in July 2006 by the Christian Bookseller's Association ("CBA"), Christian-product sales for the year 2004 were \$4.34 billion. The survey also revealed that \$2.3 billion of the \$4.34 billion total was sold through Christian retail, with \$1.3 billion sold through general retail, and \$694 million sold direct-to-consumer, and through ministry sales channels. The 2,055-store CBA segment includes several different chains, Family Christian Stores being the largest with over 300 stores. As faith-based retailing increases, secular stores are offering more faith-based products as evidenced by the \$1.3 billion sales figure in 2004 as reported by the CBA. It is this faith-based demographic that we seek to target.

### Form Creation Products

Given that most businesses, large and small, routinely use forms of some sort or another, we believe the FormTool® line of products has broad applicability across the entire business spectrum, regardless of business size or scope. Therefore, it is difficult for us to quantify the potential market size for the FormTool® line of products.

-5-

---

## Table of Contents

### MARKETING AND ADVERTISING

In developing a marketing strategy for our products, we seek brands or titles that we believe will appeal to the interests of our target users. We strive to create marketing campaigns which are consistent with this strategy and generally market our software through:

- our Websites ([www.quickverse.com](http://www.quickverse.com)/[www.formtool.com](http://www.formtool.com)) and the Internet sites of others;
- print advertising;
- opt-in e-mail campaigns;
- affiliate merchants;
- product sampling through trial and limited content software versions;
- in-store promotions, displays and retailer assisted co-operative advertising;
- publicity activities; and
- trade shows.

### SALES

#### Generally

Our approach to sales methodology depends in all cases on the specific products and/or product lines involved, and is dictated to a significant degree by historical results obtained. In general, we seek to adopt the lowest-cost sales methodologies that enable us to achieve satisfactory unit volume and corresponding revenue levels. We also seek to become increasingly less reliant over time on retail distribution and increasingly more reliant upon direct sales, including most notably those realized through online channels.

#### Direct Marketing / Online Sales

Direct sales accounted for approximately 57% of our 2008 fiscal year revenue and approximately 54% of our 2007 fiscal year revenue. Over the past six years, we have devoted significant and increasing resources to the development of our direct-marketing program. Through this program, we market our products directly to consumers through a combination of direct-mailings and opt-in e-mailings of our product title catalogs and brochures. An important aspect of this initiative is our online sales. We maintain a full-service online store with many of the kinds of features and capabilities that online shoppers have come to expect from cutting-edge Internet retailers. Furthermore, we have made technological advancements to our Website in order to provide more downloadable products and/or content. We are currently marketing our products online through multiple sources including our own [www.quickverse.com](http://www.quickverse.com) and [www.formtool.com](http://www.formtool.com) Internet Websites, other Internet Websites such as [www.amazon.com](http://www.amazon.com), as well as several widely used search engines such as Google® and Yahoo®. Furthermore, in October of 2005 we joined an affiliate network through [www.shareasale.com](http://www.shareasale.com) and have gained approximately 570 affiliate merchants that market our products through their Websites.

We anticipate online orders will continue to increase as we expand our software and content product base and enhance our marketing efforts in this area.

#### Retail Sales

Retail sales accounted for approximately 43% of our 2008 fiscal year revenue and approximately 46% of our 2007 fiscal year revenue. Our domestic retail sales involve thousands of retail stores across the United States through which our products are sold, many of which are members of the CBA. These stores vary from small, family-owned Christian bookstores to large chain bookstores such as LifeWay Christian Stores and Family Christian Stores®. We face the

continuing challenge of reaching these stores on a consistent basis to keep them informed of new releases, promotional offers, etc. In addition to advertising in trade publications and maintaining visibility at CBA trade shows and events, we believe that it is critical to be in direct personal contact with each customer routinely, in order to maintain or increase our market position. Towards that end, our sales representatives are expected to contact each of our customers as well as each of the independent stores that are not yet our customers regularly and present them with the latest in our products and promotions. We believe our personalized approach to marketing provides us with an edge over our competition, which we believe rely predominantly on advertising to maintain and develop their relations with CBA customers.

-6-

---



## Table of Contents

The secular retail market includes chains such as Best Buy™, Sam's Club, Frys, OfficeMax™ and Apple® Stores. We have also partnered with Avanquest USA, a major publisher and distributor of software in the secular market, to distribute our products.

### International Sales

International sales accounted for approximately 2% of our 2008 fiscal year revenue and approximately 3% of our 2007 fiscal year revenue. We currently sell to distributors and retailers in Africa, Australia, Canada, Faroe Island, Korea, New Zealand, Philippines, Singapore, and the United Kingdom. These distributors and retailers, in turn, sell our products into both Christian and large, secular retail outlets that sell off-the-shelf consumer software packages.

### Returns and Price Concessions

At the time we ship our products we establish reserves, including reserves that estimate the potential for future product returns and price concessions. Management makes these estimates and assumptions based on actual historical experience regarding allowances for estimated price concessions and product returns. In determining the percentage of sales for product return reserves, management considers a number of different statistical factors. First, it reviews the rate of actual product returns (in total) for the period. Second, it reviews return rates for the same period(s) of prior years. Third, it reviews its sales by individual retail customers to assess any unusual return exposure. Fourth, it reviews actual return rates of specific title and title versions to determine if there are any unusual trends taking place. Fifth, the potential for an increase in actual returns resulting from upcoming new title or title version releases is reassessed. Sixth, and finally, management reviews the actual returns from the balance sheet date to the date of calculation to determine if anything unexpected has taken place.

We give all of our distributors and retail customers a written product return policy providing for returns, upon written request, within nine months of the invoice date for credit only. If a new title or title version release falls within that nine month time span, a distributor has 60 days from the announced release date to return the old title or title version in exchange for the new title or title version only. We provide our end-user consumers with a 30 day satisfaction guarantee, allowing them to return a title or title version within that time frame if for any reason unsatisfied. Our warranty policy for defective software is to provide replacement or repair for a period of 30 days from the invoice date. We believe that these measurement dates provide a consistent period for assessment and the opportunity to adequately estimate channel inventory levels for appropriately estimating our return reserves.

We generally grant price concessions to our wholesale retail customers when we deem those concessions necessary to maintain our relationships with those retailers and maintain continued access to their retail channel customers. Further, if consumer demand for a specific title falls below expectations or significantly declines below previous rates of wholesale retail sell-through, then a price concession or credit may be requested by our retail customers to spur further retail channel sell-through.

Trends that our returns typically follow include (i) the seasonality of sales, and (ii) the fact that, generally, relatively higher return rates occur during periods of new title or title version releases. Historically, actual returns have been within management's prior estimates, however, we cannot be certain that any future write-offs exceeding reserves will not occur or that amounts written off will not have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations. Management continually monitors and adjusts these allowances to take into account actual developments and sales results in the marketplace. In the past, particularly during title and title version transitions, we have had to increase price concessions to our retail customers.

## MANUFACTURING AND FULFILLMENT

We prepare a set of master program copies, documentation and packaging materials for each platform on which a title or title version is available. Most of our software products are manufactured through third-party subcontractors while a small number is produced in-house. Orders for master program copies and documentation for our PC, Macintosh and Mobile based titles and title versions generally take seven to ten days, and reorders take three to five days. Orders for packaging materials for similar titles and title versions generally take fourteen to twenty-one days, and reorders take seven to fourteen days. To date, we have not experienced any material returns due to product defects.

-7-

---

## Table of Contents

We currently fulfill all of our direct-to-consumer sales and all of our retail sales out of our own warehouse located in Omaha, Nebraska.

### SIGNIFICANT CUSTOMERS AND SUPPLIERS

During the fiscal years ended December 31, 2008 and 2007, we had one customer, Lifeway Christian Resources, that individually accounted for 10% or more of annual sales. As we introduce new and enhanced software titles into the market and increase our focus on direct sales, we anticipate our sales to a single customer, as a percentage of gross consolidated revenue, will remain below 10%.

Also for the fiscal years ended December 31, 2008 and 2007, product and material purchases from Midlands Packaging Corporation accounted for 37% and 22%, respectively, IsoDisc accounted for 15% and 15%, respectively, Omaha Box Company accounted for 12% and 7%, respectively, and Frogs Copy and Graphics accounted for 8% and 20%, respectively, of the total product and material purchases made by us. We currently have no long-term written agreements with any of these suppliers. The payment terms are generally net 30 days, and we are not substantially dependent upon any one or more of them; all are easily replaceable with any locally available supplier.

### REGULATION

We are not currently subject to direct regulation by any government agency, other than regulations applicable to businesses generally.

### COMPETITION

The market for our products is rapidly evolving and intensely competitive as new software products and platforms are regularly introduced. Competition in the software industry is based primarily upon:

- brand name recognition;
- availability of financial resources;
- the quality of titles;
- reviews received for a title from independent reviewers who publish reviews in magazines, Websites, newspapers and other industry publications;
- publisher's access to retail shelf space;
- the price of each title; and
- the number of titles then available.

In relation to our faith-based products, we face competition from other software publishers, all of which generally sell through the same combination of channels that we do, including chain store, secular, CBA, direct and online sales.

Specifically, and in relation to our QuickVerse® family of products, we believe we are the market leader in our category. We currently compete with the following companies and products, among others, in the PC, Macintosh and Mobile categories:

- Logos Research Systems, Inc. – Logos Bible Software®
- Biblesoft, Inc. – PC Study Bible® Version
- Thomas Nelson, Inc. – Nelson eBible® for PC and Mobile devices
- WordSearch Bible Publishers – WordSearch®
- Zondervan – Zondervan Bible Study Library® for PC and Macintosh
- Oak Tree Software, Inc. – Accordance Bible Software®

Laridian – PocketBible®

WordSearch Bible Publishers – Life Application Bible Pocket Library®

Zondervan – NIV Bible Study Suite PDA®

Olive Tree Bible Publishers – Olive Tree Bible Software®

-8-

---

## Table of Contents

Although each of these companies publishes software packages in several different variations, generally in a range that includes a standard package, an expanded package, and a deluxe package (the same way that we do), in each of these respective categories we believe that QuickVerse® offers the best value in that it is relatively inexpensive but the most comprehensive in terms of the number of Bibles and reference titles included. We believe QuickVerse's® reputation to be among the most well-respected in its category.

In relation to our FormTool® products, we currently compete with the following companies and comparable products, among many others:

FormDocs, LLC – FormDocs for Windows  
Nuance Communications, Inc. – OmniPage 16

While FormDocs publishes software packages in several different variations, generally in a range that includes a basic edition, a deluxe edition, and a professional edition package, (as is true with our FormTool®), in each of these respective categories we believe that FormTool® offers the best value in that it is relatively inexpensive but more comprehensive in terms of the number of form templates it includes. Additionally, FormDocs does not have an “on the shelf” presence in the retail market place.

While in the general category as our FormTool®, we believe that the OmniPage product line is more focused on document conversion from paper to electronic format than form creation and editing. OmniPage also sells at a considerably higher price point than the FormTool® product line.

Our general approach to competition as it relates to our FormTool® products is to offer competitive products at lower price points.

## INTELLECTUAL PROPERTY

### Overview

We rely for our business on a combination of copyrights, trademarks, and trade secrets to protect our intellectual property. Our copyrighted software content and the brand recognition associated with our related product trademarks are among the most important assets that we possess in our present ability to generate revenues and profits, and we rely very significantly on these intellectual property assets in being able to effectively compete in our market. Our intellectual property rights derive from a combination of licenses from third parties, internal development and confidentiality and non-disclosure agreements.

We cannot be certain that the precautions we have taken will provide meaningful protection from unauthorized use by others. If we must pursue litigation in the future to enforce or otherwise protect our intellectual property rights, or to determine the validity and scope of the proprietary rights of others, we may not prevail and will likely have to make substantial expenditures and divert valuable resources in the process. Finally, we may not have adequate remedies if our proprietary content is appropriated, our proprietary rights are violated or our trade secrets are disclosed.

### Copyrights

Our copyrights, some of which have been registered and others of which remain unregistered, derive from a combination of program and source code embodied in software titles that we license from third parties, as well as program and source code embodied in software titles that we have internally developed on our own.



## Table of Contents

We entered into a license agreement in June 1999 with Parsons Technology, Inc. which forms the basis of our copyright protection for products that accounted for approximately 97% of our revenues in 2008, including those generated from sales of QuickVerse®, by far our largest selling software title. A copy of the license that we obtained from Parsons Technology, which has since been assigned to Riverdeep, Inc., the latest licensor-assignee in a succession of assignments by Parsons Technology that have occurred since June 1999, is incorporated by reference into this annual report on Form 10-K for the year ended December 31, 2008 as Exhibit 10.3. At the time, it was acquired as part of a combination of related transactions involving ourselves, Parsons Technology, then a wholly owned subsidiary of Mattel, Inc.®, and TLC Multimedia Inc., then also a wholly owned subsidiary of Mattel, Inc.®. Aside from the license, the transactions involved an asset sale, a product distribution agreement, and a related services agreement. Taken as a whole, and essentially, we had acquired from TLC Multimedia a software publishing and sales division (known and referred to by many then as the “Parsons Church Group”). In accordance with its terms, we agreed to pay a one-time non-recurring fee of \$5 million to obtain the license, which fee was payable over a subsequent approximate one year period. The related asset sale involved separate consideration.

The license that we acquired in 1999 provided us with the right, originally for a term of ten years, to publish, use, distribute, sublicense and sell, exclusively worldwide in non-secular channels and non-exclusively (with the continuing right retained by Riverdeep, Inc., successor to Parsons Technology) on an unrestricted basis in secular channels, a collection of 65 individual top-selling Christian-related software titles owned by Parsons Technology, including QuickVerse®, among others. The license covered a variety of other add-on content titles (e.g., various Bible translations, study guides and sermon preparation tools). The license also included the right for us to modify the programs (including the source code) in order to prepare derivative works and future versions of the programs, and stated that we would exclusively own all rights associated with any such modifications.

Beginning in 2000, we became involved in a series of mediations arising out of or otherwise in connection with the 1999 license. The first of these involved the payment terms of the \$5 million licensing fee. Rather than making payments in accordance with the fee schedule as originally set forth in the agreement, we entered into an arrangement with Parsons Technology’s direct sales group whereby we provided resale products and in turn received an offset credit against the balance due under the fee provision in the license. The dispute centered on the amount of product actually resold, and, therefore, the amount of offset credit to which we were entitled. Prior to the resolution of this contest, a second dispute arose, naming Parsons Technology and ourselves, among others, as parties thereto. The first mediation was set aside, and ultimately resolved in conjunction with the latter proceeding as described in the following paragraph.

In October 2001, due to being in arrears with respect to certain royalty payments owed to The Zondervan Corporation, then a content provider to QuickVerse®, we became party to a second mediation ultimately resulting in a multi-party settlement agreement, on October 20, 2003, the terms of which provided for our payment to Zondervan of \$500,000 plus 5% simple interest in installments, as well as for our destruction of all inventory containing Zondervan-owned content, all of which we satisfied within months thereafter. As part of the settlement agreement, we received a covenant in perpetuity with respect to our rights under the 1999 license, effectively extending it indefinitely with no continuing financial obligations owed by us. A copy of the settlement agreement which resulted in the effective extension is incorporated by reference into this annual report on Form 10-K for the fiscal year ended December 31, 2008 as Exhibit 10.14.

Since 1999, the developments, including modifications and improvements, that we have made to the originally acquired copyrighted programs covered by the license have been extensive. We have used both in-house developers and third-party contractors in these modifications and improvements over which we retain the exclusive ownership. Given these developments, which have been made through nine subsequent versions, eight different editions and three new platforms of QuickVerse®, and various subsequent versions of some of the other titles to which we acquired rights under the license (including those in each of the print and graphics, pastoral, children’s, and language tutorial

product categories), we believe that the real value of the copyrights associated with these titles lay almost exclusively at this point in the improvements that we own rather than the base copyrights that we were originally granted and that continue to be owned by Riverdeep, Inc. Moreover, it is our belief that the original source code covered by the license has been effectively rendered valueless by virtue of these subsequent modifications and improvements. Although we do not believe that any third parties have been granted any rights to date in addition to our own to publish or sell these titles into secular channels, and do believe that, even if this has occurred or should occur in the future, the barriers to entry created by the extensive developments that we have made and now own to these otherwise licensed titles would make it practically infeasible for any third party to effectively compete with us in relation to these products in any market, there can be no assurance that one or more competitors will not emerge at some point or that they will not impact on our sales and revenues.

-10-

---



## Table of Contents

As noted above, our largest-selling title, QuickVerse®, is one from which we originally derived our rights under the 1999 license. One of the features that make QuickVerse® such a popular title is its breadth of content. A very significant percentage of this content is licensed by us from various third-party content providers for inclusion in QuickVerse®. We are therefore responsible for paying royalties on a regular basis to these providers in connection with our sales of QuickVerse®. In total, we currently have content licensing agreements with 47 different publishers for approximately 924 individual Bible translations and other biblical or related scholarly works which are incorporated in various editions of our QuickVerse® products, or in some cases sold as stand-alone or add-on content. These licensing agreements are typically non-exclusive and for a fixed duration (e.g., a term of 3 or 5 years). Royalties are calculated as a percentage of net sales from a work (e.g., ranging from 3% to 10% according to the licensing agreements), based upon factors such as value as a stand-alone product as compared to, for example, value when bundled with other titles within a collective work. These license agreements typically cover content in the context of both stand-alone products and as bundled works. For example, consumers who purchase QuickVerse® pay the suggested retail price and are in part paying for the technology within the program along with the content. QuickVerse® titles sold to new consumers or new users are subject to royalties on all content within each specific QuickVerse® title. However, upgrade sales to existing users are only subject to royalties on new content additions of the upgraded version.

In addition to the copyrights associated with the 1999 license described above, copyright protection exists in relation to the software titles that we resell published by others. These copyrights, however, are held by the publishers and/or their respective third-party content providers.

While approximately 82% of our copyrighted software programs are registered with the U.S. Copyright Office, approximately 18% remains unregistered, including all of the works included in the enhancements that we have made to titles from which we originally derived our rights under the 1999 license. In the U.S., works afforded the benefit of copyright protection can either be registered with the U.S. Copyright Office or remain unregistered, and, although registration offers certain advantages to the holder in being able to assert its rights (including a rebuttable presumption of ownership and entitlement to statutory damages and attorneys fees), the fact remains that an original work in the U.S. becomes protected by the copyright laws from the moment it is “fixed in a tangible medium,” which, as it relates to software, has long been interpreted to mean when it is stored on a hard drive or removable disk.

## Trademarks

As part of the 1999 license, we acquired the unlimited right to use the registered trademarks associated with the various titles licensed thereunder exclusively worldwide in non-secular channels and non-exclusively in secular channels. Because of the fact that QuickVerse® has been on the market for approximately ten years by the time we acquired the license, and had a substantial existing user base, the trademark for this product alone was deemed at the time to be of great importance and value. We believe that our initiatives in introducing subsequent versions, editions and platforms of this title since then, as well as our having maintained extremely high publishing standards throughout the period that we have been publishing this title, have served to sustain and enhance the importance and value of this trademark.

Following our acquisition of FormTool®, we filed a trademark application for the FormTool® name with the United States Patent and Trademark Office. On September 30, 2008, this trademark was approved and registered to the Company.

## Trade Secrets

Whenever we deem it important for purposes of maintaining competitive advantages, our policy requires parties with whom we share, or who otherwise are likely to become privy to, our trade secrets or other confidential information,

including source code, to execute and deliver to us confidentiality and/or non-disclosure agreements prior to their exposure to any such information. Among others, this includes employees, consultants and other advisors, including our in-house and outsourced software developers and collaborators, each of whom we require to execute such an agreement upon commencement of their employment, consulting or advisory relationships. These agreements generally provide that all confidential information developed or made known to the individual by us during the course of the individual's relationship with us is to be kept confidential and not to be disclosed to third parties except in specific circumstances. In the case of employees and consultants, the agreements provide that all inventions conceived by the individual in the course of their employment or consulting relationship shall be our exclusive property.

-11-

---

Table of Contents

EMPLOYEES

As of April 15, 2009, we had fourteen full-time employees and two part-time employees. Of those sixteen, three were part of the senior-level executive and financial management team, three were in the product development team, five were on the sales team, and five were in fulfillment, administration, and related support positions. For the fiscal year ended December 31, 2008, our annual employee costs (including gross wages, related payroll taxes and benefits) totaled approximately \$1,447,000, equivalent to 53% of gross revenues. In addition, we have engaged the services of several consulting firms who are working full or part-time for us in the area of product development.

We rely heavily on our current officers and directors in operating the business. We are not subject to any collective bargaining agreements and believe that our relationships with our employees are good.

SEASONALITY

Historically, our business has been highly seasonal. More than 50% of our annual sales have generally occurred in the five months of September through January; the five months of April through August have generally been our weakest, historically accounting for less than 30% of annual sales. Although we believe that a shifting strategy toward more business-oriented products over time is likely to reduce the seasonality of our business generally, we expect that operating results will continue to fluctuate seasonally to some degree for the foreseeable future.

ITEM 1A. RISK FACTORS.

Several of the matters discussed in this annual report on Form 10-K for the fiscal year ended December 31, 2008 contain forward-looking statements that involve risks and uncertainties. Factors associated with the forward-looking statements that could cause actual results to differ from those projected or forecast are included in the statements below. In addition to other information contained in this annual report, readers should carefully consider the following cautionary statements and risk factors.

GENERAL BUSINESS RISKS

Our liquidity and capital resources are very limited.

Our ability to fund working capital and anticipated capital expenditures will depend on our future performance, which is subject to general economic conditions, our customers, actions of our competitors and other factors that are beyond our control. Our ability to fund operating activities is also dependent upon (i) the extent and availability of bank and other credit facilities, (ii) our ability to access external sources of financing, and (iii) our ability to effectively manage our expenses in relation to revenues. Although we believe that our existing working capital, together with cash flow from operations, will be adequate to meet our minimum anticipated liquidity requirements over the next twelve months, given our initiative toward rapid revenue growth and due to our need to service certain long-term liabilities, it is likely to become necessary for us to raise additional capital to support growth and/or otherwise finance potential acquisitions. Furthermore, there can be no assurance that our operations or access to external sources of financing will continue to provide resources sufficient to satisfy our liabilities arising in the ordinary course of business, and while it may be possible to borrow funds as required, any such additional capital is likely to require that we sell and issue additional equity and/or convertible securities, including shares issuable upon exercise of currently outstanding warrants, any of which issuances would have a dilutive effect on holdings of existing shareholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

## Table of Contents

There is uncertainty as to our ability to continue as a going concern.

Our audited financial statements for the period ending December 31, 2008, including the footnotes thereto, call into question our ability to continue as a going concern. This conclusion was drawn from the fact that, as of the date of those financial statements, we had a negative current ratio and total liabilities in excess of total assets. Those factors, as well as questions surrounding our ability to secure additional financing for continued operations, have resulted in uncertainty regarding our ability to continue as a going concern. See Note 2 in the Notes to the Consolidated Financial Statements for the year ended December 31, 2008.

Our accumulated deficit makes it harder for us to borrow funds.

As of December 31, 2008, and as a result of historical losses in prior years, our accumulated deficit was \$8,057,377. The fact that we maintain an accumulated deficit, as well as the extent of our accumulated deficit relative to recent earnings, negatively affects our ability to borrow funds because lenders generally view an accumulated deficit as a negative factor in evaluating creditworthiness. Any inability on our part to borrow funds if and when required, or any reduction in the favorability of the terms upon which we are able to borrow funds if and when required, including amount, applicable interest rate and collateralization, would likely have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources”.

## RISKS ASSOCIATED WITH OUR BUSINESS AND INDUSTRY

We face serious competition in our business segments.

The market for our products is rapidly evolving and intensely competitive as new consumer software products and platforms are regularly introduced. Competition in the consumer software industry is based primarily upon:

- brand name recognition;
- availability of financial resources;
- the quality of titles;
- reviews received for a title from independent reviewers who publish reviews in magazines, Websites, newspapers and other industry publications;
- publisher’s access to retail shelf space;
- the price of each title; and
- the number of titles then available.

We face competition from other software publishers, all of which generally sell through the same combination of channels that we do. In relation to our faith-based titles, these channels include chain store, secular, CBA, direct and online sales, and our competitors include Logos Research Systems, Inc., Biblesoft, Inc., Thomas Nelson, Inc., WordSearch Bible Publishers and The Zondervan Corporation, among others. In relation to our form creation, these channels also include retail chain stores, direct and online sale and our competitors include FormDocs, LLC and Nuance Communications, Inc.

To remain competitive in our market segments we rely heavily upon our product quality, marketing and sales abilities, proprietary technology and product development capability. However, some of our competitors have longer operating histories, larger customer bases and greater financial, marketing, service, support, technical and other resources than we do. Due to these greater resources, certain of our competitors have the ability to undertake more extensive marketing campaigns, adopt more aggressive pricing policies, pay higher fees to licensors and pay more to third-party software developers than we can. Only a small percentage of titles introduced into the software market achieve any

degree of sustained market acceptance. If our titles, including special editions, are not successful, our business, our financial condition, including liquidity and profitability, and our results of operations will be negatively impacted. Moreover, we believe that competition from new entrants will increase as the markets for faith-based products and productivity tools continue to expand. See “Description of Business – Competition”.

We currently depend on only a single title for the overwhelming majority of our revenue.

In fiscal year 2008, approximately 86% of our total revenue was derived from one software title, QuickVerse®, compared to 72% of our total revenue for fiscal year 2007. We expect that QuickVerse® will continue to produce a disproportionately large percentage of our revenue for the foreseeable future and that such percentage will be significantly higher going forward than it has been in recent years. Due to this dependence on a single title, the failure of such title, or individual versions of such title, to achieve anticipated results would have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations. See “Description of Business – Our Products”.

-13-

---

## Table of Contents

We have experienced, and may continue to experience, reduced revenues and fluctuations in our quarterly operating results due to delays in the introduction and distribution of our products.

Historically, a significant portion of our revenue for any given quarter has been generated by the sale of new titles and title versions introduced during that quarter or shipped in the immediately preceding quarter. Our inability to timely begin volume shipments of a new title or title version in accordance with our internal development schedule, as has repeatedly been the case in the past, will cause earnings fluctuations and will negatively impact our business, our financial condition, including liquidity and profitability, and our results of operations. Timely introduction of a new title or title version is largely contingent upon the timing of a variety of other factors. Included among these are development processes themselves, debugging, approval by third-party content licensors and duplication and packaging processes. Furthermore, the complexity of next-generation systems (such as Macintosh® OS X and Windows® Mobile) has resulted in longer development cycles, higher development expenditures and the need to more carefully monitor and plan development processes associated with these products.

We cannot be certain that we will be able to meet planned release dates for some or all of our new titles or title versions. In the past, we have experienced significant delays in our introduction of some new titles and title versions. It is likely in the future that delays will continue to occur and that some new titles or title versions will not be released in accordance with our internal development schedule, having a negative impact on our business, our financial condition, including liquidity and profitability, and our results of operations in that period. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Revenues”.

We have experienced, and may continue to experience, reduced revenues and fluctuations in our quarterly operating results due to the limited life cycle of certain of our products.

The average life cycle of a new consumer software title ranges anywhere from a few years to indefinitely, and the average life cycle of a new title version ranges anywhere from twelve to eighteen months, making our revenue and operating results difficult to predict and susceptible to substantial fluctuations from quarter to quarter. While there can be no assurance, we expect, based on historical experience, that a majority of sales for a new title or title version will occur within the first thirty to one hundred twenty days following its release, and that net revenue associated with the initial introduction will generally account for a disproportionately large percentage of total net revenue over the life of the title or title version. Furthermore, factors such as competition, market acceptance, seasonality and technological developmental and/or promotional expenses associated with a title or title version can shorten the life cycle of older titles and title versions and increase the importance of our ability to regularly release new titles and title versions. Consequently, if net revenue in a given period is below expectation, our business, our financial condition, including liquidity and profitability, and our results of operations for that period are likely to be negatively affected, as has repeatedly occurred in the past.

Product returns, price protections or price concessions that exceed our anticipated reserves could result in worse than expected operating results.

In relation to our retail sales, at the time we ship our products we establish reserves, including reserves that estimate the potential for future product returns and price concessions. In the past, particularly during title version transitions, we have had to increase price concessions to our wholesale retail customers. If consumer demand for a specific title or title version falls below expectations or significantly declines below previous rates of retail sell-through, then a price concession or credit may be requested by our wholesale retail customers to spur further retail channel sell-through. Coupled with more competitive pricing, if product returns, price protections or price concessions exceed our reserves the magnitude of quarterly fluctuations will increase and our operating and financial results will be negatively impacted. Furthermore, if we incorrectly assess the creditworthiness of any one of our wholesale customers who take delivery of our products on credit, we could be required to significantly increase reserves previously

established.

-14-

---

## Table of Contents

Typically we experience the highest reserves at the end of the first quarter and fourth quarter and the lowest at the end of the third quarter. Historically, actual returns have been within management's prior estimates, however, we cannot be certain that any future write-offs exceeding reserves will not occur or that amounts written off will not have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Revenues".

Errors or defects in our software products may cause a loss of market acceptance and result in fewer sales and/or greater returns of our products.

Our products are complex and may contain undetected errors or defects when first introduced or as new versions are released. In the past, we have discovered software errors in some of our new products and enhancements following introduction into the market. Because our products are complex, we anticipate that software errors and defects will be present in new products or releases in the future. Although to date, we have not discovered any material errors, future errors and defects could result in adverse product reviews and a loss of, or delay in, market acceptance of our products.

We may not have available funds to develop products that customers want.

The Bible-study, faith-based content and productivity software markets are subject to rapid technological developments. Although the life of most of our titles may be quite long, the life of any given version tends to be relatively short, in many cases less than three years. To develop products that consumers and organizations desire, we must continually improve and enhance our existing products and technologies and develop new products and technologies that incorporate these technological developments. Our inability to do this would likely have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations.

We focus our development and publishing activities principally on new versions of our existing titles. We cannot, however, be certain that we will have the financial and technical resources available to continue to develop these new title versions particularly since we must undertake these initiatives while remaining competitive in terms of performance and price. This will require substantial investments in research and development, often times well in advance of the widespread release of a product into the market and any revenues these products may generate.

Our costs for product development for the fiscal year ended December 31, 2008 were higher than the fiscal year ended December 31, 2007. We anticipate our product development costs will increase in the future as a result of the higher costs associated with releasing more software titles or new title versions across multiple user interface platforms, and the complexity of developing such titles and title versions for next-generation systems, among other reasons. We anticipate that our profitability will continue to be impacted by the levels of research and development expenditures relative to revenue and by fluctuations relating to the timing of development in anticipation of future user interface platforms.

The loss of any of our key executives could have a material adverse effect on our business.

Our success depends to a large degree upon the skills of our three key executives, Steven Malone, Kirk R. Rowland and William Terrill. We presently do not maintain key person life insurance on any of our three key executives. Although we have employment agreements with each of our three key executives, there can be no assurance that we will be able to retain these executives or attract and retain additional key executives. The loss of any one of our three key executives would likely have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations. See "Management – Directors and Executive Officers".



The successful development of our products depends on our ability to attract, integrate, motivate and retain highly skilled personnel.

Our success depends to a large extent on our ability to attract, hire and retain skilled software developers, programmers and other highly skilled technical personnel. The software industry is characterized by a high level of employee mobility and aggressive recruiting among competitors for personnel with programming, technical and product development skills. We may not be able to attract and retain skilled personnel or may incur significant costs in order to do so. If we are unable to attract additional qualified employees or retain the services of key personnel, our business, our financial condition, including liquidity and profitability, and our results of operations could be negatively impacted.

-15-

---

## Table of Contents

Our intellectual property may not be adequately protected from unauthorized use by others, which could increase our litigation costs and adversely affect our sales.

Our copyrighted software content and the brand recognition associated with our related product trademarks are the most important assets that we possess in our ability to generate revenues and profits, and we rely very significantly on these intellectual property assets in being able to effectively compete in our market. There can be no assurance that these intellectual property assets will provide meaningful protection to us from unauthorized use by others, which could result in an increase in competing products and a reduction in our own sales. If we must pursue litigation in the future to enforce or otherwise protect our intellectual property rights, or to determine the validity and scope of the proprietary rights of others, we may not prevail and will likely have to make substantial expenditures and divert valuable resources in any case. This is particularly true given the fact that the copyrights that we own to the source code and other improvements made to our largest-selling product since 1999 has not been registered, which means that we may not rely upon the otherwise existing advantage of a rebuttable presumption of ownership in the event of, and in connection with, any such litigation. See “Description of Business – Intellectual Property”.

Our exclusive rights to publish and sell our largest-selling titles are limited to non-secular channels.

Approximately 97% of our revenues in 2008, including those generated from sales of QuickVerse®, by far our largest selling software title, was derived from the publication and sale of software titles to which we have only the exclusive license to publish and sell into non-secular channels. Although, as of the date hereof, we do not believe that any third parties have been granted rights in addition to our own to publish or sell these titles into secular channels, and we believe that, even if this has occurred or should occur in the future, the barriers to entry created by the extensive developments that we have made and now own to these otherwise licensed titles would make it practically infeasible for any third party to effectively compete with us in relation to these products in any market, there can be no assurance that one or more competitors will not emerge at some point or that they will not adversely impact our sales and revenues. See “Description of Business – Intellectual Property”.

If our products infringe any proprietary rights of others, a lawsuit may be brought against us that could require us to pay large legal expenses and judgments and redesign or discontinue selling one or more of our products.

We are not aware of any circumstances under which our products infringe upon any valid existing proprietary rights of third parties. Any infringement claims, however, whether or not meritorious, could result in costly litigation or require us to enter into royalty or licensing agreements. If we are found to have infringed the proprietary rights of others, we could be required to pay damages, redesign the products or discontinue their sale. Any of these outcomes, individually or collectively, could have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations.

Revenue from our consumer products varies due to the seasonal nature of consumer software purchases.

Our consumer products business is highly seasonal. More than 50% of our annual sales in this category are expected to occur in the five months of September through January; the five months of April through August have historically been our weakest, typically generating less than 30% of our annual sales. The seasonal pattern in this regard is due primarily to the increased consumer demand for software during the year-end holiday selling season and the reduced demand for software during the summer months. Historically, our revenues have varied significantly and been materially affected by releases of popular titles and title versions and, accordingly, may not necessarily reflect the seasonal patterns of the industry as a whole. Although we believe that a shifting strategy toward more business-oriented products over time is likely to reduce the seasonality of our business generally, we expect that operating results will continue to fluctuate seasonally to some degree for the foreseeable future.



Table of Contents

RISKS ASSOCIATED WITH AN INVESTMENT IN OUR COMMON STOCK

Unless an active trading market develops for our common stock, you may not be able to sell your shares.

We are a reporting company and our common stock is listed on the OTC Bulletin Board (owned and operated by the Nasdaq Stock Market, Inc.), however, there is no active trading market for our common stock. There can be no assurance that an active trading market will ever develop for our common stock or, if it does develop, that it will be maintained. Failure to develop or maintain an active trading market will have a generally negative effect on the price of our common stock, and you may be unable to sell your shares or any attempted sale of such shares may have the effect of lowering the market price, and therefore your investment could be a complete or partial loss.

Unless and until we garner analyst research coverage, we are unlikely to create long-term market value in our common stock.

Although we are a reporting company and our common shares are listed on the OTC Bulletin Board, we are unaware of any investment banking firms, large or small, that currently provide analyst research coverage on our company and, given our relatively small size within the public securities markets, it is unlikely that any investment banks will begin doing so in the near future. Without continuing research coverage by reputable investment banks or similar firms, it is considerably more difficult, and unlikely, to attract the interest of most institutional investors, which are generally considered to be very important in achieving a desirable balance in shareholder composition and long-term market value in a stock. While we intend to continue to aggressively pursue investor relations initiatives designed to create visibility for our company and common stock, and hope to garner analyst coverage in the future, there can be no assurance that we will succeed in this regard and any inability on our part to develop such coverage is likely to materially impede the realization of long-term market value in our common stock.

Since our common stock is thinly traded, it is more susceptible to extreme rises or declines in price, and you may not be able to sell your shares at or above the price you paid.

You may have difficulty reselling shares of our common stock, either at or above the price you paid, or even at a fair market value. The stock markets often experience significant price and volume changes that are not related to the operating performance of individual companies, and because our common stock is thinly traded, it is particularly susceptible to such changes. These broad market changes may cause the market price of our common stock to decline regardless of how well we perform as a company, and, depending on when you determine to sell, you may not be able to obtain a price at or above the price you paid.

Trading in our common stock on the OTC Bulletin Board may be limited thereby making it more difficult for you to resell any shares you may own.

Our common stock trades on the OTC Bulletin Board. The OTC Bulletin Board is not an exchange and, because trading of securities on the OTC Bulletin Board is often more sporadic than the trading of securities listed on a national exchange or on the Nasdaq Global Select Market, you may have difficulty reselling any of the shares of our common stock that you purchase from the selling stockholders.

Our common stock is subject to the “penny stock” regulations, which is likely to make it more difficult to sell.

Our common stock is considered a “penny stock”, which generally is a stock trading under \$5.00 and not registered on any national securities exchanges. The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. This regulation generally has the result of reducing trading in such stocks, restricting the pool of potential investors for such stocks, and making it more difficult for investors to sell their shares. Prior to a

transaction in a penny stock, a broker-dealer is required to:

- deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market;
- provide the customer with current bid and offer quotations for the penny stock;
- explain the compensation of the broker-dealer and its salesperson in the transaction;
- provide monthly account statements showing the market value of each penny stock held in the customer's account; and
- make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction.

-17-

---

## Table of Contents

These requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that is subject to the penny stock rules. Since our common stock is subject to the penny stock rules, investors in our common stock may find it more difficult to sell their shares.

As an issuer of “penny stock,” we do not currently benefit from the protection provided by the federal securities laws relating to forward-looking statements.

Although, generally, federal securities laws provide a safe harbor for forward-looking statements made by a public company that files reports under the federal securities laws, this safe harbor is not available to issuers of penny stocks. As a result, and since our common stock has consistently traded in recent years at a level at which it is considered to constitute a “penny stock”, we do not have the benefit of this safe harbor protection in the event of any legal action based upon a claim that any material provided by us contained a material misstatement of fact or was misleading in any material respect because of our failure to include any statements necessary to make the statements not misleading. Such an action could hurt our financial condition.

Our stock price could be volatile, and your investment could suffer a decline in value.

The trading price of our common stock is likely to be highly volatile and could be subject to extreme fluctuations in price in response to various factors, many of which are beyond our control, including:

- the trading volume of our shares;
- the number of securities analysts, market-makers and brokers following our common stock;
- changes in, or failure to achieve, financial estimates by securities analysts;
- new products introduced or announced by us or our competitors;
- announcements of technological innovations by us or our competitors;
- our ability to produce and distribute retail packaged versions of our software in advance of peak retail selling seasons;
- actual or anticipated variations in quarterly operating results;
- conditions or trends in the consumer software and/or Christian products industries;
- announcements by us of significant acquisitions, strategic partnerships, joint ventures, or capital commitments;
- additions or departures of key personnel;
- sales of our common stock; and
- stock market price and volume fluctuations of publicly-traded, particularly microcap, companies generally.

The volatility of our common stock is illustrated by reference to the fact that, during fiscal year 2008, our trading price fluctuated from a low of \$0.02 to a high of \$0.065 per share.

The stock market has recently experienced significant price and volume fluctuations. Volatility in the market price for particular companies has often been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In addition, securities class action litigation has often been initiated following periods of volatility in the market price of a company’s securities. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of management’s attention and resources from our business. Moreover, and as noted above, our shares are currently traded on the OTC Bulletin Board and, further, are subject to the penny stock regulation. Price fluctuations in such shares are particularly volatile and subject to manipulation by market-makers, short-sellers and option traders.

Future sales of our common stock by our officers or directors may depress our stock price.

Our officers and directors are not contractually obligated to refrain from selling any of their shares; therefore, our officers and directors may sell any shares owned by them which are registered under the Securities Act, or which otherwise may be sold without registration to the extent permitted by Rule 144 or other exemptions. Because of the perception by the investing public that a sale by such insiders may be reflective of their own lack of confidence in our prospects, the market price of our common stock could decline as a result of a sell-off following sales of substantial amounts of common stock by our officers and directors into the public market, or even the mere perception that these sales could occur.

-18-

---

Table of Contents

Future issuances of our common or preferred stock may depress our stock price and dilute your interest.

We may want to issue additional shares of our common stock in future financings and may grant stock options to our employees, officers, directors and consultants under our stock incentive plan. Any such issuances could have the effect of depressing the market price of our common stock and, in any case, would dilute the interests of our common stockholders. In addition, we could issue serial preferred stock having rights, preferences and privileges senior to those of our common stock, including the right to receive dividends and/or preferences upon liquidation, dissolution or winding-up in excess of, or prior to, the rights of the holders of our common stock. This could depress the value of our common stock and could reduce or eliminate the amounts that would otherwise have been available to pay dividends on our common stock (which are unlikely in any case) or to make distributions on liquidation.

If you require dividend income, you should not rely on an investment in our common stock.

Because we have very limited cash resources and a substantial accumulated deficit relative to recent earnings, we have not declared or paid any dividends on our common stock since our inception and we do not anticipate declaring or paying any dividends on our common stock in the foreseeable future. Rather, we intend to retain earnings, if any, for the continued operation and expansion of our business. It is unlikely, therefore, that holders of our common stock will have an opportunity to profit from anything other than potential appreciation in the value of our common stock held by them. If you require dividend income, you should not rely on an investment in our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

There were no reportable events under this Item 1B during the fiscal year ended December 31, 2008.

ITEM 2. PROPERTIES.

Our principal executive offices are located at 620 North 129th Street, Omaha, Nebraska. We lease this 4,000 square foot premises under a five year lease agreement with Metro Realty. Our monthly rent is \$5,480.33 and, as of April 15, 2009, there were approximately thirty-seven months remaining under the lease. In addition, our warehouse facility is located at 4437 South 134th Street, Omaha, Nebraska. We lease this 5,000 square foot facility under a three year lease agreement with Dock High, LLC. Our monthly rent is \$2,500.00 and, as of April 15, 2009, there were approximately fourteen months remaining under the lease. In accordance with the terms of these leasehold agreements, we are responsible for all associated taxes, insurance, and utility expenses.

As of April 15, 2009, two of our full-time employees work at their homes in Naperville, Illinois. We do not pay for any space associated with these operations.

ITEM 3. LEGAL PROCEEDINGS.

As of the date of this annual report on Form 10-K for the year fiscal year ended December 31, 2008, there were no pending material legal proceedings to which we were a party and we are not aware that any were contemplated. There can be no assurance, however, that we will not be made a party to litigation in the future.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of our stockholders during the fourth quarter of the fiscal year ended December 31, 2008.





Table of Contents

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

## MARKET INFORMATION

Our common stock is traded on the OTC Bulletin Board, a service provided by the Nasdaq Stock Market Inc., under the symbol "FIND".

The following table sets forth for the periods indicated the high and low bid prices for our common stock as reported each quarterly period within the last two fiscal years on the OTC Bulletin Board, and as obtained from Yahoo.com. The prices are inter-dealer prices, do not include retail mark-up, markdown or commission and may not necessarily represent actual transactions.

Common Stock		
2007	High	Low
First Quarter	\$0.050	\$0.030
Second Quarter	\$0.050	\$0.030
Third Quarter	\$0.050	\$0.030
Fourth Quarter	\$0.080	\$0.040
2008	High	Low
First Quarter	\$0.065	\$0.035
Second Quarter	\$0.060	\$0.027
Third Quarter	\$0.040	\$0.020
Fourth Quarter	\$0.030	\$0.021

## STOCKHOLDERS

As of April 15, 2009, there were approximately 750 holders of record of our common stock, with any shares held by persons or companies in street or nominee name counted only under such street or nominee name.

## DIVIDENDS

Since inception, no dividends have been paid on our common stock and we do not anticipate paying any dividends in the foreseeable future. Although it is our intention to utilize all available funds for the development of our business, no restrictions are in place that would limit or restrict our ability to pay dividends.

## EQUITY COMPENSATION PLAN INFORMATION

Please refer to Part III, Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters as reported in this annual report on Form 10-K for the information regarding our equity compensation plans.

#### RECENT SALES OF UNREGISTERED SECURITIES

There were no previously unreported sales of unregistered securities during the fourth quarter of the fiscal year ended December 31, 2008.

#### PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

There were no purchases of equity securities by the Company itself, or any affiliated purchaser during the fourth quarter of the fiscal year ended December 31, 2008.

#### ITEM 6. SELECTED FINANCIAL DATA.

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide this information.

-20-

---

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read together with our consolidated financial statements for the period ended December 31, 2008 and the Notes to the Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

Our critical accounting policies, including the assumptions and judgments underlying them, are more fully described in the Notes to the Consolidated Financial Statements. We have consistently applied these policies in all material respects. These policies primarily address matters of expense recognition and revenue recognition, including amortization of software development cost and the calculation of reserve for returns. Investors are cautioned that these policies are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially. Below are the accounting policies that we believe are the most critical in order to gain an understanding of our financial results and condition.

Accounts Receivable

Accounts receivable arise in the normal course of business. It is the policy of management to continuously review the outstanding accounts receivable, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Individual accounts are charged against the allowance when they are deemed uncollectible.

Intangible Assets

In accordance with SFAS No. 142, Goodwill and Other Intangible Assets, intangible assets with an indefinite useful life are not amortized. Intangible assets with a finite useful life are amortized on the straight-line method over the estimated useful lives. All intangible assets are tested for impairment annually during the fourth quarter.

Software Development Costs

In accordance with SFAS No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed, software development costs are expensed as incurred until technological feasibility and marketability has been established, generally with release of a "beta" version for testing. Once the point of technological feasibility and marketability is reached, direct production costs (including labor directly associated with the development projects), indirect costs (including allocated fringe benefits, payroll taxes, facilities costs, and management supervision), and other direct costs (including costs of outside consultants, purchased software to be included in the software product being developed, travel expenses, material and supplies, and other direct costs) are capitalized until the product is available for general release to customers. We amortize capitalized costs on a product-by-product basis. Amortization for each period is the greater of the amount computed using (i) the straight-line basis over the estimated product life (generally from 12 to 18 months, but up to 60 months), or (ii) the ratio of current revenues to total projected product revenues.

Capitalized software development costs are stated at the lower of amortized costs or net realizable value. Recoverability of these capitalized costs is determined at each balance sheet date by comparing the forecasted future revenues from the related products, based on management's best estimates using appropriate assumptions and projections at the time, to the carrying amount of the capitalized software development costs. If the carrying value is determined not to be recoverable from future revenues, an impairment loss is recognized equal to the amount by which the carrying amount exceeds the future revenues.

SFAS No. 2, Accounting for Research and Development Costs, establishes accounting and reporting standards for research and development. In accordance with SFAS No. 2, costs we incur to enhance our existing products after general release to the public (bug fixes) are expensed in the period they are incurred and included in research and development costs.

-21-

---

## Table of Contents

### Revenue Recognition

We derive revenues from the sale of packaged software products, product support and multiple element arrangements that may include any combination of these items. We recognize software revenue for software products and related services in accordance with American Institute of Certified Public Accountants Statement of Position (“SOP”) 97-2, Software Revenue Recognition, as modified by SOP 98-9, Modification of SOP 97-2, With Respect to Certain Transactions. We recognize revenue when persuasive evidence of an arrangement exists (generally a purchase order), we have delivered the product, the fee is fixed or determinable and collectibility is probable.

We sell some of our products on consignment to a limited number of resellers. We recognize revenue for these consignment transactions only when the end-user sale has occurred. Revenue associated with advance payments from our customers is deferred until we ship the product or offer the support service. Revenue for software distributed electronically via the Internet is recognized when the customer has been provided with the access codes that allow the customer to take immediate possession of the software on its hardware and evidence of the arrangement exists.

In accordance with EITF Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor’s Product, we generally account for cash considerations (such as sales incentives – rebates and coupons) that we give to our customers as a reduction of revenue rather than as an operating expense.

We reduce product revenue for estimated returns and price protections that are based on historical experience and other factors such as the volume and price mix of products in the retail channel, trends in retailer inventory and economic trends that might impact customer demand for our products. We also reduce product revenue for the estimated redemption of end-user rebates on certain current product sales. Our rebate reserves are estimated based on the terms and conditions of the specific promotional rebate program, actual sales during the promotion, the amount of redemptions received and historical redemption trends by product and by type of promotional program.

Trends that our returns typically follow include (i) the seasonality of sales, and (ii) the fact that, generally, relatively higher return rates occur in connection with recently released title or title versions. Historically, actual returns have been within management’s prior estimates, however, we cannot be certain that any future write-offs exceeding reserves will not occur or that amounts written off will not have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations. Management continually monitors and adjusts these allowances to take into account actual developments and sales results in the marketplace. In the past, particularly during title and title version transitions, we have had to increase price concessions to our retail customers in order to move channel inventory.

Product returns from distributors and Christian bookstores are allowed primarily in exchange for new products or for credit towards purchases as part of a stock-balancing program. These returns are subject to certain limitations provided for in the contract between us and the corresponding distributor/retailer. Returns from sales made directly to consumers are accepted within 30 days of purchase and involve a cash refund. Product returns, price protections or price concessions that exceed our reserves could materially adversely affect our business and operating results and could increase the magnitude of quarterly fluctuations in our operating and financial results.

We record the amounts we charge our customers for the shipping and handling of our software products as product revenue and we record the related costs as cost of sales on our consolidated statements of operations.

### Deferred Tax Asset Valuation Allowance

In accordance with SFAS No. 109, Accounting for Income Taxes, we record deferred tax assets for deductible temporary differences, net of operating loss carryforwards. To the extent that it is more likely than not that some

portion or all of the deferred tax asset will not be realized, a valuation allowance is established.

-22-

---

## Table of Contents

### Derivatives

We account for warrants issued with shares of common stock in a private placement according to EITF Issue 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock, and the guidance of EITF 00-19-2, Accounting for Registration Payment Arrangements. In accordance with the accounting mandate, the derivative liability associated with the warrants is to be adjusted to fair value (calculated using the Black Scholes method) at each balance sheet date and is accordingly reassessed at each such time to determine whether the warrants should be classified (or reclassified, as appropriate) as a liability or as equity. The corresponding fair value adjustment is included in the consolidated statements of operations as other expenses as the value of the warrants increases from an increase in our stock price at the balance sheet date and as other income as the value of the warrants decreases from a decrease in our stock price.

### MANAGEMENT OVERVIEW

During the year ended December 31, 2008, we focused on our two product lines, QuickVerse® and FormTool®. Specifically, we focused on their individual technological features in order to meet our development schedule and our annual upgrade release for both product lines as well as focusing on expanding the content for both product lines. The annual upgrade release of FormTool®, FormTool® 7.0, was released in September 2008 and the annual upgrade release of QuickVerse®, QuickVerse® 2009, was released in October 2008. For the fourth consecutive year, QuickVerse® 2009 reached retail stores prior to the beginning of the holiday season. Furthermore, for the year ended December 31, 2008, we concentrated on building our technology platform and infrastructure in order to become a more Webcentric provider of online products.

### QuickVerse®

During the year ended December 31, 2008, our development team worked on a number of projects which resulted in five new content collections for our QuickVerse® product line, an upgrade to our QuickVerse® Windows platform, and an upgrade to our QuickVerse® Mobile platform. These titles, along with their corresponding retail prices, include:

- H. A. Ironside Collection with a retail price of \$199.95,
- Timothy Dwight Collection with a retail price of \$49.95,
- John Calvin Collection with a retail price of \$49.95,
- Arthur W. Pink Collection with a retail price of \$49.95,
- John Bunyan Collection with a retail price of \$49.95,
- QuickVerse® 2009 (Windows) in six different editions with a range in retail price from \$39.95 to \$799.95; and
- QuickVerse® Mobile 4.0 in two different editions with a range in retail price from \$39.95 to \$69.95.

Additionally, in June 2008 we released a free downloadable version of QuickVerse® 2008, which allows new customers to get a look and feel of our QuickVerse® product line at no cost. In September 2008, we released an online tutorial for our QuickVerse® product line, which guides customers through a movie presentation on how to navigate and use QuickVerse® to its fullest potential.

In May 2008, we launched a new feature on our website, [www.quickverse.com](http://www.quickverse.com), called the Books page which enables our QuickVerse® customers to purchase additional content and immediately download that content for use within their QuickVerse® software. Our Books page currently features over 180 individual books and/or collections with a range in retail price from \$4.95 to \$249.95. Furthermore, in December 2008 we updated our QuickVerse® website, which resulted in the creation of a new front-end, flash-enabled page viewing feature and streamlined our shopping



cart process.

Over time, we anticipate the number of downloadable options to grow substantially as we continue to expand and build upon our website technology. Along with the annual upgrade release of QuickVerse® in October 2008, we also offered the upgrade to QuickVerse® 2009 as a download for the first time; and therefore, providing instantaneous delivery to the customer.

-23-

---

Table of Contents

Comparatively, during the year ended December 31, 2007, we released the following:

QuickVerse® 2007 Macintosh, in three different editions with a range in retail price from \$59.95 to \$349.95,  
 Theological Dictionary of the New Testament: Abridged®, commonly known as “Little Kittel”, with a retail price of \$59.95,  
 Word Studies in the Greek New Testament® Collection with a retail price of \$59.95,  
 The Pulpit Commentary® Collection with a retail price of \$99.95,  
 The Biblical Illustrator® Collection with a retail price of \$99.95,  
 NIV Family® package, which includes access to all currently offered software platforms with a retail price of \$39.95,  
 QuickVerse® Bible Suite Hybrid, which includes access to all currently offered software platforms with a retail price of \$39.95; and  
 QuickVerse® 2008 (Windows), in seven different editions with a range in retail price from \$39.95 to \$799.95.

During October 2007, we sold all of the assets and liabilities associated with our Membership Plus® product line for \$1,675,000 in cash. The Membership Plus® product line had accounted for approximately 25% of our 2007 aggregate revenues through the date of the sale.

## FormTool®

During February 2008, we acquired FormTool.com and the FormTool® line of products. The FormTool® product line offers quality, professionally designed forms for business, accounting, construction, sales, real estate, human resources and personal organization needs. In September 2008, we re-launched the FormTool.com website as an online marketplace for purchasing the FormTool® product line, as well as a “one-stop” shop for finding, purchasing and downloading customizable forms for a wide range of business and consumer needs. In addition, FormTool® 7.0, the annual upgrade release of the FormTool® product line, was released in September 2008. FormTool.com now offers the FormTool® product line in four downloadable editions that range in retail price from \$24.99 to \$199.99 as well as downloadable forms on an individual basis or in bulk groups.

## RESULTS OF OPERATIONS FOR YEARS ENDED DECEMBER 31, 2008 AND DECEMBER 31, 2007

Statements of Operations for Years Ended December 31			
	2008	2007	Change
Net revenues	\$ 2,414,427	\$ 3,165,401	\$ (750,974)
Cost of sales	(1,005,781)	(1,352,794)	347,013
Gross profit	\$ 1,408,646	\$ 1,812,607	\$ (403,961)
Sales, marketing and general and administrative expenses	(2,557,475)	(2,783,435)	225,960
Gain on sale of software product line	---	1,300,349	(1,300,349)
Income (loss) from operations	\$ (1,148,829)	\$ 329,521	\$ (1,478,350)
Gain (loss) on fair value adjustment of derivatives	305,620	(379,406)	685,026
Gain on debt settlement	491,931	16,000	475,931
Other income	20,950	13,040	7,910
Interest expense	(26,560)	(39,947)	13,387
Loss before income taxes	\$ (356,888)	\$ (60,792)	\$ (296,096)
Income tax provision	---	(541,300)	541,300

Net loss	\$	(356,888)	\$	(602,092)	\$	245,204
----------	----	-----------	----	-----------	----	---------

Table of Contents

The differing results of operations are primarily attributable to the following:

- a decrease in net revenues for the year ended December 31, 2008 partly attributable to the following:
  - an overall net decrease in unit sales of our QuickVerse® product line due to a reduction in the perceived value on the part of customers of certain upgrades based on the relative frequency thereof;
  - the sale of our Membership Plus® product line during October 2007;
  - the decreased number of product releases; and
  - the current economic downturn;
- a decrease in cost of sales for the year ended December 31, 2008 due primarily to decreased direct costs, amortization of software development costs and royalty costs;
- a decrease in sales and marketing and general and administrative expenses for the year ended December 31, 2008 arising from our continuous efforts to cut costs; and
- most notably for the year ended December 31, 2008:
  - the recognition of a gain related to the fair value adjustment of derivatives up to the settlement date of March 6, 2008 due to the fluctuation of our stock price; and
  - the recognition of a gain on debt settlement which is mainly attributed to the settlement of derivative liabilities in relation to warrants issued in November 2004 and which were canceled on March 6, 2008 in exchange for a single cash payment (\$150,000) that was less than the calculated fair value of the derivatives on such date.

Our software products are highly seasonal. More than 50% of our annual sales are expected to occur in the five months of September through January; the five months of April through August are generally our weakest, generating less than 30% of our annual sales.

## Revenues

The following table presents our revenues for 2008 and 2007 and dollar and percentage changes from the prior year.

Revenues for Years Ended December 31	2008	% to		Change		
		Sales	2007	Sales	\$	%
Gross revenues	\$ 2,720,930	100%	\$ 3,674,514	100%	\$ (953,584)	26%
Less estimated sales returns and allowances	(306,503)	11%	(509,113)	14%	202,610	40%
Net revenues	\$ 2,414,427	89%	\$ 3,165,401	86%	\$ (750,974)	24%

During each of the years ended December 31, 2008 and 2007, our sales efforts were focused on directly targeting end-users through telemarketing and Internet sales. Our decrease in gross revenues for the year ended December 31, 2008 was primarily attributed to the sale of our Membership Plus® product line in October 2007. By way of comparison, Membership Plus® product revenue was approximately \$768,000 for the year ended December 31, 2007. In addition, during the year ended December 31, 2007 we released an upgrade to our QuickVerse® Macintosh product line and had liquidation sales of our QuickVerse® 2006 product line (Windows and Macintosh editions) whereas for the year ended December 31, 2008 we did not have an upgrade to the Macintosh platform nor liquidation sales. Furthermore, during 2008, our retail sales consisted of more QuickVerse® Bible Suite editions (which is the least expensive edition of our QuickVerse® products with a retail price of \$39.95) and less of QuickVerse® Platinum

(which is the most expensive edition of our QuickVerse® products with a retail price of \$799.95). Finally, due to increased frequency and consistency in our development schedule, and the annual releases of our flagship product, QuickVerse®, upgrade sales have not been increasing at as rapid a rate as they have in previous years. Although there can be no assurance, we anticipate that our revenues in the future related to the QuickVerse® product line will remain consistent with the 2008 figures as we continue to expand the content available for our QuickVerse® products, develop new products for multiple platforms, offer our products at a range of price points intended to appeal to various market sub-segments and offer new venues to gain access to the expanded content available for our QuickVerse® customers.

During the year ended December 31, 2008, we did recognize approximately \$78,000 in revenue from the FormTool® product line, which we acquired in February 2008. We do anticipate our revenues in relation to the FormTool® product line to increase in the near-term based on our launch of the new and enhanced FormTool.com website and our annual upgrade release of the FormTool® desktop product line in September 2008.

Due to the sale of our Membership Plus® product line, we anticipate that our reported revenues will continue to experience a substantial decline in the near term. However, and although there can be no assurance, we are currently pursuing opportunities for strategic product line acquisitions, as we did with FormTool®, which we are hopeful will enable us to achieve more favorable results of operations than we have historically achieved throughout the period in which we owned the Membership Plus® product line. Our divestiture of the Membership Plus® product line was driven by a combination of our need to raise cash and a strategic determination to begin a long-term shift in our product lines away from those within the faith-based vertical market and more towards those that extend across business-to-business and consumer segments more generally.

Table of Contents

As a percentage of gross revenues, our sales returns and allowances decreased for the year ended December 31, 2008 compared to December 31, 2007 due to the increased stability of our products. Further, for the year ended December 31, 2007, we experienced a significant increase in actual returns due to the return of liquidated product sold during the first and second quarter of 2007. Typically, product returns trend upward after a new version is released as distributors and retail stores return old product in exchange for the new version release. Due to our annual release of QuickVerse® in October 2008, we did experience this upward trend of product returns within the fourth quarter of 2008. We also anticipate that this trend will carryover to the first quarter of 2009 as the distributors and retail stores finalize their old product exchange for the new version release. It is our objective to release enhanced versions of our biggest-selling products on an annual basis generally going forward, and as a percentage of gross revenues we anticipate sales returns and allowances to decrease over time as a result of increased stability in the functionality of our products, decreasing reliance on retail sales and increasing reliance on direct sales, which have historically resulted in fewer returns, and improved planning in the timing of new product version releases.

## Cost of Sales

The following table presents our cost of sales for 2008 and 2007 and dollar and percentage changes from the prior year.

Cost of Sales for Years Ended December 31	2008	% to Sales	2007	% to Sales	Change	
					\$	%
Direct costs	\$ 324,814	12%	\$ 492,446	13%	\$ (167,632)	34%
Less estimated cost of sales returns and allowances	(45,900)	2%	(76,665)	2%	30,765	40%
Amortization of software development costs	318,880	12%	381,941	10%	(63,061)	17%
Royalties	233,680	9%	324,328	9%	(90,648)	28%
Freight-out	108,316	4%	152,770	4%	(44,454)	29%
Fulfillment	65,991	2%	77,974	2%	(11,983)	15%
Cost of sales	\$ 1,005,781	37%	\$ 1,352,794	37%	\$ (347,013)	26%

Cost of sales consists primarily of direct costs, amortization of capitalized software development costs, non-capitalized technical support wages, royalties accrued to third party providers of intellectual property and the costs associated with reproducing, packaging, fulfilling and shipping our products.

The decrease in direct costs for the year ended December 31, 2008 is predominately attributable to the sale of Membership Plus®. As a percentage of gross revenues, direct costs decreased slightly and we anticipate relatively the same for the future as we continue to review our hard costs and seek out those vendors that provide the most competitive prices.

Royalties decreased significantly in real terms for the year ended December 31, 2008 due to the following:

decreased royalty rates on our higher end QuickVerse® editions (i.e. Deluxe and Platinum) through a realignment of our content mix in the QuickVerse® 2008 and 2009 versions and a change in our sales mix for the year ended December 31, 2008 which resulted in more sales of our lower end QuickVerse® edition, QuickVerse® Bible Suite, compared to those sales of our top of the line

QuickVerse® edition, QuickVerse® Platinum.

However, our royalty accruals are expected to increase in the future in real terms as sales to new customers increase, more development projects are implemented for new and/or enhanced products, and as we continue to expand the content available for our QuickVerse® line of products. Upgrade sales will remain only subject to royalties on their content additions.

-26-

---

Table of Contents

Freight and fulfillment costs decreased in real terms as a result of our decreased sales volume but remained steady as a percentage of gross revenues. Although there can be no assurance, we anticipate freight costs to decrease in the future as a percentage of gross revenues as we continue to focus our sales efforts on direct and/or upgrade sales, of which our preferred method of delivery is via a download from our website. Furthermore, due in large part to the establishment of our own fulfillment center in June 2007, fulfillment costs should remain relatively stable in the near future as a percentage of gross revenues.

The amortization recognized during the year ended December 31, 2008 resulted mainly from the following software releases:

QuickVerse® 2007 Mobile (released December 2006),  
 QuickVerse® 2007 Macintosh (released March 2007),  
 QuickVerse® 2008 (released November 2007),  
 Multiple new content additions for QuickVerse® products (released April 2007 through September 2008),  
 FormTool® 7.0 (released September 2008) and  
 QuickVerse 2009 (released October 2008).

Comparatively, during the year ended December 31, 2007, the amortization recognized resulted mainly from the following software releases:

QuickVerse 2006 Macintosh (released June 2005),  
 QuickVerse 2006 (released September 2005),  
 QuickVerse® 2007 (released August 2006),  
 Membership Plus® 2007 (released October 2006),  
 QuickVerse® 2007 Mobile (released December 2006),  
 QuickVerse® 2007 Macintosh (released March 2007) and  
 QuickVerse® 2008 (released November 2007).

The decreased amount of new and/or enhanced product releases during the fiscal year 2008 led to the decreased amount of amortization in real terms. However, overall decreased revenues as well as shorter timeframes between our product upgrades led to the increased amount of amortization as a percentage of gross revenues for the year ended December 31, 2008.

In the future, as we continue to implement our strategy to become a principally Webcentric provider of online products, we anticipate experiencing a decrease in cost of sales, specifically direct costs, freight and fulfillment, as more of our products will become available for download.

Software Development Costs For Years		
Ended December 31	2008	2007
Beginning balance	\$ 392,173	\$ 491,695
Capitalized	256,725	282,419
Amortized (cost of sales)	(318,880)	(381,941)
Ending balance	\$ 330,018	\$ 392,173
Research and development expense (General and administrative)	\$ 237,619	\$ 139,281

The overall decrease in capitalized costs for the year ended December 31, 2008 is a result of the sale of our Membership Plus® product line and our development staff having been faced with greater maintenance challenges than anticipated, primarily in the first quarter of 2008, in connection with the new layout and engine design within the



QuickVerse® 2008 product line. The maintenance challenges also led to the relative increase in research and development expense. Despite these challenges in 2008, our development team focused their efforts on our annual upgrade releases of QuickVerse® and FormTool®, several new content additions for our QuickVerse® products, as well as the enhanced technology and infrastructure on our websites [www.quickverse.com](http://www.quickverse.com) and [www.formtool.com](http://www.formtool.com), and we have experienced increased efficiency in our development output (both internal and external). The significant increase in research and development expense for the year ended December 31, 2008 is mainly the result of abandoning three development projects and therefore, all capitalized costs were expensed plus the maintenance challenges mentioned above.

-27-

---

Table of Contents

## Sales, General and Administrative

					Change	
Sales, General and Administrative Costs for Years Ended December 31	2008	% to Sales	2007	% to Sales	\$	%
<b>Selected expenses:</b>						
Commissions	\$ 67,709	2%	\$ 183,522	5%	\$ (115,813)	63%
Advertising and direct marketing	190,274	7%	245,274	7%	(55,000)	22%
Sales and marketing wages	358,129	13%	321,964	9%	36,165	11%
Other sales and marketing costs	15,932	1%	26,250	1%	(10,318)	39%
Total sales and marketing	\$ 632,044	23%	\$ 777,010	21%	\$ (144,966)	19%
Personnel costs	\$ 601,763	22%	\$ 622,037	17%	\$ (20,274)	3%
Amortization and depreciation	466,225	17%	537,023	15%	(70,798)	13%
Research and development	237,619	9%	139,281	4%	98,338	71%
Corporate services	80,180	3%	127,864	3%	(47,684)	37%
Other general and administrative costs	539,644	20%	580,220	16%	(40,576)	7%
Total general and administrative	\$ 1,925,431	71%	\$ 2,006,425	55%	\$ (80,994)	4%
Total sales, marketing, general and administrative	\$ 2,557,475	94%	\$ 2,783,435	76%	\$ (225,960)	8%

As gross revenues decreased for the year ended December 31, 2008, total sales, marketing, general and administrative costs also decreased. For the year ended December 31, 2008, total sales and marketing costs decreased in real terms but increased as a percentage of gross revenues due to the overall decrease in gross revenues. Commissions decreased significantly as we have discontinued our contract with a third party for telemarketing services. Although there can be no assurance, we do not anticipate relying on a third party for telemarketing services in the future, and therefore, we anticipate third party commissions to further decrease in the future. Advertising and direct marketing costs also decreased as we were more selective in our advertising venues during the fourth quarter of 2008 when we usually increase advertising due to the annual upgrade release of QuickVerse®. We anticipate advertising and direct marketing costs to stay in line with the 2008 figures in future periods while we continue to enhance our product visibility online, increase and focus more on our direct marketing efforts, yet limit the scope and frequency of our print advertising campaigns to those that we can capitalize on the most in order to maximize sales associated with new products, product enhancements and potential new product lines. During the year ended December 31, 2008, sales and marketing wages - reclassified, increased as we began to transform our customer service department and its representatives into our in-house direct telemarketing sales team in late 2007. While we would like to expand our in-house direct-telemarketing sales team in relation to our current and potential new product lines, we may not be able to do so in the immediate future due to the current economic climate. Therefore, we anticipate our sales and marketing wages to remain relatively steady in future periods.

In addition to the decrease in total net personnel costs, gross direct salaries and wages, before adjustments of capitalized wages and reclassifications, decreased approximately \$60,000, from approximately \$1,313,000 for the year ended December 31, 2007 to approximately \$1,253,000 for the year ended December 31, 2008. The decrease in direct salaries and wages was a result of the departure of a customer service representative, a member of the product development team as we have streamlined this department with external, independently contracted developers, and the further reduction in our technical support staff in relation to the sale of our Membership Plus® product line. However, as a percentage of gross revenues, gross direct salaries and wages increased approximately 10% from approximately 36% for the year ended December 31, 2007 to approximately 46% for the year ended December 31, 2008. Due to this significant increase as well as the current economic climate, we anticipate direct salaries and wages to decrease slightly in the future.

-28-

---

Table of Contents

The decrease in the amortization and depreciation expense is mainly attributable to the decrease in amortization. The software license we acquired in 1999, from which we derive our base intellectual property rights associated with the products that are responsible for generating the overwhelming majority of our revenues (the “1999 license”), is being amortized over a 10 year useful life and will have been fully amortized by the close of the year ending December 31, 2009. Amortization expense for the year ended December 31, 2008 and 2007 reflect the continual amortization of the 1999 license as well as the amortization of the FormTool® assets we acquired in February 2008. The FormTool® assets are amortized over a period of years that range from less than one year to ten years and approximate \$3,000 of amortization expense each month. Due to the sale of the Membership Plus® product line, we no longer carry on our books the net value associated with the Membership Plus® product in relation to the 1999 license and, as a result, we no longer had the corresponding amortization expense as of mid-October 2007. Finally, the amortization expense for 2007 reflects the amortization of our website, www.quickverse.com, the most recent version of which we launched during the second quarter of 2004 and which such amortization was fully recognized as of March 2007. However, for the year ended December 31, 2008 we recognized amortization expense for our FormTool® website, www.formtool.com, which was successfully re-launched in September 2008. Overall, we anticipate amortization and depreciation expense to decrease in future periods.

Research and development costs include direct production costs (including labor directly associated with the development projects), indirect costs (including allocated fringe benefits, payroll taxes, facilities costs and management supervision), and other direct costs (including costs of outside consultants, purchased software to be included in the software product being developed, travel expenses, material and supplies, and other direct costs). The increase in software development costs related to third-party developers and direct labor expensed as research and development reflects less capitalization of research and development costs for the year ended December 31, 2008. During the first quarter of 2008, our development staff was faced with greater maintenance issues than anticipated due to a new layout and engine design within the QuickVerse® 2008 product line which ultimately resulted in an increase in research and development costs expensed. Furthermore, during the year ended December 31, 2008 we determined that three of our development projects were no longer viable and therefore, approximately \$47,000 of capitalized costs were expensed. In future periods, we anticipate research and development expenses to slightly decrease as we have experienced increased efficiency in our development output (both internal and external).

In March 2007, we engaged the services of a consultant for business development related advisory services. The consultant’s contract expired in June 2008, at which time we extended the contract on a month by month basis. Corporate service fees decreased for the year ended December 31, 2008, due to the following items related to the contract noted above, that took place in the year ended December 31, 2007:

in July 2007, we provided for additional compensation consisting of warrants to purchase up to 2,300,000 shares of common stock at \$0.032 per share and therefore, the related expense was recognized over the remaining term of the contract (June 2008) and we recognized approximately \$41,000 related to the annual compensation provision within the agreement noted above, which provided for annual compensation of 5% of our fiscal 2007 earnings before interest, taxes, depreciation and amortization (EBITDA) in excess of \$500,000 (excluding all non-cash charges).

In December 2008, we entered into a new contract with the consultant for additional business development related advisory services and such agreement is scheduled to expire in December 2010.

Gain on Sale of Software Product Line

On October 18, 2007, we sold all of the assets and liabilities associated with our Membership Plus® product line for \$1,675,000 in cash. The Membership Plus® product line had accounted for approximately 25% of our 2007 aggregate revenues through the date of the sale. The specific assets conveyed in the transaction included, among others,

underlying software source code, existing product inventories, online marketing channels, registered trade names, and accounts receivable. The Membership Plus® product line did not qualify as a component as defined in SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, and therefore has been included in income (loss) from operations on our Consolidated Statements of Operations.

-29-

---

## Table of Contents

### Gain (Loss) on Fair Value Adjustment of Derivatives

In connection with warrants issued in November 2004, a non-cash fair value adjustment of approximately \$306,000 and (\$379,000) has been included in other income (expenses) for the years ended December 31, 2008 and 2007, respectively. These warrants have been accounted for as a liability according to the guidance of EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock and the guidance of EITF 00-19-2, Accounting for Registration Payment Arrangements. In accordance with the accounting mandate, the derivative liability associated with these warrants has been adjusted to fair value at each balance sheet date and was accordingly reassessed at each such time to determine whether the warrants should be classified (or reclassified, as appropriate) as a liability or as equity. Under EITF 00-19, a decrease in our stock price results in a decrease in the fair value of the derivative liability and a valuation gain to be recognized in our income statement whereas an increase in our stock price results in an increase in the fair value of the derivative liability and a valuation loss to be recognized in our income statement. At December 31, 2008 and 2007, the fair value of the derivative liability was approximately \$0 and \$906,000, respectively.

On March 6, 2008, we entered into and consummated an agreement with Barron Partners, LP in which the warrants issued in November 2004 were immediately canceled in exchange for a single cash payment to Barron Partners, LP in the amount of \$150,000. As a result of this transaction, these warrants are now null and void for all purposes.

### Gain on Debt Settlement

We recorded a one time gain of approximately \$451,000 in the year ended December 31, 2008 due to the agreement with Barron Partners, LP noted above calling for a cash payment that was less than the fair value of the derivatives on such date. In the future, we do not anticipate the recognition of a derivative liability or a non-cash fair value adjustment which would be included in other expenses or other income. Furthermore, for the year ended December 31, 2008 we recorded a gain of approximately \$41,000 related to settlements of debt owed to two vendors whom we no longer do business with. Comparatively, for the year ended December 31, 2007, we recorded a gain of \$16,000 related to a debt extinguishment settlement with a consultant.

### Provision for Income Taxes

For the year ended December 31, 2008, based on uncertainty about the timing of and ability to generate future taxable income and our assessment that the realization of the deferred tax assets no longer met the "more likely than not" criterion for realization, we provided for a full valuation allowance against our net deferred tax assets. During the year ended December 31, 2007, our provision for income taxes included a net deferred tax expense of approximately \$541,000 primarily related to a substantial reversal of our deferred income tax valuation allowance.

As of December 31, 2008, we have net operating loss carryforwards, for federal income tax purposes, of approximately \$8,562,000. These carryforwards are the result of income tax losses generated in 2000 (\$873,000 expiring in 2020), 2001 (\$5,191,000 expiring in 2021), 2002 (\$235,000 expiring in 2022), 2005 (\$956,000 expiring in 2025), 2006 (\$584,000 expiring in 2026), and 2008 (\$723,000 expiring in 2028). We will need to achieve a minimum annual taxable income, before deduction of operating loss carryforwards, of approximately \$505,000 to fully utilize the current loss carryforwards. See Note 7, Income Taxes, in the Notes to the Consolidated Financial Statements for the year ended December 31, 2008 for further information regarding the components of our income tax provision.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary needs for liquidity and capital resources are the working capital requirements of our continued operations, which includes the ongoing internal development of new products, expansion and upgrade of existing

products, and marketing and sales, as well as funding for the acquisition of new product lines and/or companies. At this time it is unlikely that cash generated through our continuing operations will be sufficient to sustain our continuing operations. Furthermore, our pursuit of an aggressive growth plan, whether based on internally developed products, licensing opportunities, or strategic product line and/or company acquisitions, will likely require funding from outside sources or the divestiture of one or more existing product lines (as recently occurred with respect to our Membership Plus® product line). Funding from outside sources may include but is not limited to the pursuit of other financing options such as commercial loans, common stock and/or preferred stock issuances and convertible notes. At this time, we have no legally committed funds for future capital expenditures.

-30-

---

Table of Contents

The divestiture of our Membership Plus® product line in October 2007 was driven by a combination of our need to raise cash and a strategic determination to begin a long-term shift in our product lines away from those within the faith-based vertical market and more towards those that extend across the business-to-business and consumer segments more generally. With a portion of the funds we realized from the sale of our Membership Plus® product line, we purchased FormTool® in February 2008 which was our first product line acquisition outside of the faith-based market. Although there can be no assurance, we anticipate acquiring additional product lines and/or entering into business combinations which will either replace or increase the revenue and free cash flow previously produced by the Membership Plus® product line.

Working Capital at December 31	2008	2007
Current assets	\$ 712,066	\$ 1,600,326
Current liabilities	\$ 1,815,561	\$ 2,614,891
Retained deficit	\$ 8,057,377	\$ 7,700,489

While liquidity for our day-to-day continued operations remains an ongoing concern for us, and while there can be no continuing assurance, given the fact that a substantial portion of our net sales – 57% of which we collected during the year ended December 31, 2008 through credit card processing transactions – are able to be collected in a much shorter timeframe (several days) than that in which we must generally pay our trade payables (30 days) and our accrued royalties (quarterly, semi-annually, or annually), the situation suggested by our consistently and significantly negative ratio of current assets to current liabilities has historically been manageable.

Cash Flows for Years Ended December 31	2008	2007	Change	%
Cash flows (used) provided by operating activities	\$ (113,023)	\$ 77,172	\$ (190,195)	246%
Cash flows (used) provided by investing activities	\$ (403,838)	\$ 1,186,517	\$ (1,590,355)	134%
Cash flows (used) by financing activities	\$ (194,315)	\$ (177,814)	\$ (16,501)	9%



Net cash used by operating activities increased for the year ended December 31, 2008 primarily due to a reduction in cash collections, from reduced net revenues, and continued payments made to employees, content providers and vendors.

The increase in net cash used by investing activities for the year ended December 31, 2008 was primarily a result of the purchase of FormTool® in February 2008. Specifically, and in connection with FormTool®, we increased our cash investment for the development and re-launch of the FormTool.com website. Offsetting this to some extent, however, was the fact that, during the year ended December 31, 2008 we capitalized fewer costs associated with software development as compared to the year ended December 31, 2007 due to maintenance issues (as previously described) as well as the curtailment of development work associated with the now-divested Membership Plus® product line. Furthermore, in the year ended December 31, 2007 cash provided by investing activities was primarily attributable to the sale of our Membership Plus® product line.

The increase in net cash used by financing activities for the year ended December 31, 2008 was the result of our settlement payment to Barron Partners, LP in the amount of \$150,000 in exchange for the cancellation of the warrants issued in November 2004 along with continued payments made on long-term notes payable.

#### Financing

We have been unable to secure bank financing due to our internal financial ratios and negative working capital position and do not expect that we will be successful in securing any such financing unless and until our ratios in this regard improve. However, it may be possible to secure financing on our open accounts receivable in order to satisfy our future financing needs. Equity financing, too, remains an option for us, though no definitive prospects for any such financing have been specifically identified.

Table of Contents

Contractual Liabilities

In May 2007, we secured a new operating lease with a third-party for our corporate office facility in Omaha, Nebraska with terms extending through May 2012. We also secured a new operating lease with a third-party for a warehouse facility in Omaha, Nebraska with terms extending through June 2010. In accordance with the terms of these leasehold agreements, we are responsible for all associated taxes, insurance and utility expenses.

We lease office space in Naperville, Illinois under an operating lease with a third-party with terms extending through March 2009. We are responsible for all insurance expenses associated with this lease.

At December 31, 2007, the total future minimum rental payments required under these leases is approximately \$221,000 through the year 2012. See Note 12, Rental and Lease Information, in the Notes to the Consolidated Financial Statements for the year ended December 31, 2008 for more detailed information.

We lease telephone equipment under a capital lease due to expire in November 2009. The asset and liability under the capital lease are recorded at the present value of the minimum lease payments. The asset is depreciated over a 5 year life. Total minimum future lease payments under capital leases as of December 31, 2008 is approximately \$13,000 through the year 2009. See Note 12, Rental and Lease Information, in the Notes to the Consolidated Financial Statements for the year ended December 31, 2008 for more detailed information.

The Potential Impact of Known Facts, Commitments, Events and Uncertainties on Future Operating Results or Future Liquidity Requirements

New Accounting Pronouncements

See Note 1, Summary of Significant Accounting Policies, in the Notes to the Consolidated Financial Statements for the year ended December 31, 2008 for information regarding the potential effects of new accounting pronouncements on our results of operations and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, we are not required to provide this information.

Table of Contents

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors  
FindEx.com Inc.

We have audited the accompanying consolidated balance sheets of FindEx.com Inc. and subsidiaries as of December 31, 2008 & 2007, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended. Findex.com Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FindEx.com Inc. and subsidiaries as of December 31, 2008 & 2007 and the results of operations and cash flows for the years ended December 31, 2008 & 2007 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company incurred a net loss of \$356,888 during the year ended December 31, 2008, and, as of that date, had a working capital deficiency of \$1,103,495 and a retained deficit of \$8,057,377. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BRIMMER, BUREK & KEELAN LLP

Brimmer, Burek & Keelan LLP

Tampa, Florida  
April 15, 2009



Table of Contents

Findex.com, Inc.  
CONSOLIDATED BALANCE SHEETS  
December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 423,371	\$ 1,134,547
Accounts receivable, trade, net	148,880	236,301
Inventories	81,545	93,852
Deferred income taxes, net	7,500	34,800
Other current assets	50,770	100,826
Total current assets	712,066	1,600,326
Property and equipment, net	37,347	56,214
Intangible assets, net	710,771	979,011
Restricted cash	40,000	40,000
Other assets	115,532	52,860
Total assets	\$ 1,615,716	\$ 2,728,411
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Current maturities of long-term debt	\$ 112,908	\$ 67,591
Accrued royalties	720,305	587,692
Accounts payable, trade	496,957	627,720
Accounts payable, related parties	97,200	75,302
Derivatives	---	906,274
Other current liabilities	388,191	350,312
Total current liabilities	1,815,561	2,614,891
Long-term debt, net	8,180	11,877
Deferred income taxes, net	7,500	34,800
Commitments and contingencies (Note 13)		
Stockholders' equity (deficit):		
Preferred stock, \$.001 par value		
5,000,000 shares authorized		
-0- and -0- shares issued and outstanding, respectively	---	---
Common stock, \$.001 par value		
120,000,000 shares authorized,		
54,072,725 and 52,250,817 shares issued and outstanding, respectively	54,073	52,251
Paid-in capital	7,787,779	7,715,081
Retained (deficit)	(8,057,377)	(7,700,489)
Total stockholders' equity (deficit)	(215,525)	66,843
Total liabilities and stockholders' equity (deficit)	\$ 1,615,716	\$ 2,728,411

See accompanying notes.



Table of Contents

Findex.com, Inc.  
CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended December 31	2008	2007
Revenues, net of reserves and allowances	\$ 2,414,427	\$ 3,165,401
Cost of sales	1,005,781	1,352,794
Gross profit	1,408,646	1,812,607
Other operating income and expenses:		
Sales and marketing expenses	632,044	777,010
General and administrative expenses	1,925,431	2,006,425
Gain on sale of software product line	---	(1,300,349)
Total other operating income and expenses	2,557,475	1,483,086
Income (loss) from operations	(1,148,829)	329,521
Gain (loss) on fair value adjustment of derivatives	305,620	(379,406)
Gain on debt settlement	491,931	16,000
Other income	20,950	13,040
Interest expense	(26,560)	(39,947)
Loss before income taxes	(356,888)	(60,792)
Income tax (provision)	---	(541,300)
Net loss	\$ (356,888)	\$ (602,092)
Net loss per share - Basic & Diluted:	\$ (0.01)	\$ (0.01)
Weighted average shares used in computing basic & diluted net loss per share:	53,683,926	50,861,639

See accompanying notes.

Table of Contents

Findex.com, Inc.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Paid-In Capital	Retained	Total
	Shares	Amount		Earnings (Deficit)	
Balance, December 31, 2006	49,788,317	\$ 49,788	\$ 7,592,884	\$ (7,098,397)	\$ 544,275
Common stock issued for services	1,162,500	1,163	42,837	---	44,000
Common stock issued for cash	1,300,000	1,300	31,200	---	32,500
Common stock warrant issued for services	---	---	48,160	---	48,160
Net loss, December 31, 2007	---	---	---	(602,092)	(602,092)
Balance, December 31, 2007	52,250,817	\$ 52,251	\$ 7,715,081	\$ (7,700,489)	\$ 66,843
Common stock issued for services	821,908	822	33,698	---	34,520
Common stock issued for asset acquisition	1,000,000	1,000	39,000	---	40,000
Net loss, December 31, 2008	---	---	---	(356,888)	(356,888)
Balance, December 31, 2008	54,072,725	\$ 54,073	\$ 7,787,779	\$ (8,057,377)	\$ (215,525)

See accompanying notes.



Table of Contents

Findex.com, Inc.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31	2008	2007
Cash flows from operating activities:		
Cash received from customers	\$ 2,473,389	\$ 3,219,742
Cash paid to suppliers and employees	(2,591,094)	(3,128,184)
Other operating receipts	5,375	19,130
Interest paid	(20,459)	(39,579)
Interest received	19,766	4,013
Taxes refunded	---	2,050
Net cash (used) provided by operating activities	(113,023)	77,172
Cash flows from investing activities:		
Acquisition of property and equipment	(11,651)	(16,639)
FormTool purchase	(100,000)	---
Proceeds from sale of property and equipment	---	4,334
Proceeds from sale of software product line	---	1,675,000
Cash paid for tradename	---	(25,000)
Software development costs	(214,528)	(396,220)
Website development costs	(80,359)	(13,769)
Deposits refunded (paid)	2,700	(41,189)
Net cash (used) provided by investing activities	(403,838)	1,186,517
Cash flows from financing activities:		
Payments made on long-term notes payable	(44,315)	(210,314)
Proceeds from issuance of common stock	---	32,500
Payment made for settlement of derivative liabilities	(150,000)	---
Net cash (used) by financing activities	(194,315)	(177,814)
Net (decrease) increase in cash and cash equivalents	(711,176)	1,085,875
Cash and cash equivalents, beginning of year	1,134,547	48,672
Cash and cash equivalents, end of year	\$ 423,371	\$ 1,134,547
Reconciliation of net loss to cash flows from operating activities:		
Net loss	\$ (356,888)	\$ (602,092)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Software development costs amortized	318,880	381,941
Stock and warrants issued for services	34,520	72,160
Provision for (recovery of) bad debts	15,933	26,250
Depreciation & amortization	466,225	537,023
(Gain) on debt settlement	(491,931)	---
(Gain) on sale of software product line	---	(1,300,349)
(Gain) on disposal of property and equipment	---	(1,361)
(Gain) loss on fair value adjustment of derivatives	(305,620)	379,406
Change in assets and liabilities:		
Decrease in accounts receivable	71,488	34,683
Decrease in inventories	12,307	41,669

Edgar Filing: FINDEX COM INC - Form 10-K

Decrease in prepaid expenses	61,351	13,538
Increase (decrease) in accrued royalties	132,613	(62,071)
(Decrease) in accounts payable	(67,588)	(11,021)
Increase (decrease) in income taxes payable	---	2,050
Increase (decrease) in deferred taxes	---	541,300
(Decrease) increase in other liabilities	(4,313)	24,046
Net cash (used) provided by operating activities	\$ (113,023)	\$ 77,172

Schedule of Noncash Investing and Financing Activities:

Long-term note payable issued for FormTool purchase	\$ 85,934	\$ ---
---	-----------	--------