

FINDEX COM INC  
Form 10QSB/A  
December 21, 2005

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

**FORM 10-QSB/A  
Amendment No. 2**

(Mark One)

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

For the quarterly period ended March 31, 2005.

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 0-29963

**FINDEX.COM, INC.**

(Exact name of small business issuer as specified in its charter)

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

11204 Davenport Street, Suite 100, Omaha, Nebraska (Address of principal executive offices)	68154     (Zip Code)
---	-------------------------------------

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

NA.

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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**

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. **Yes**  **No**

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 48,619,855 common shares as of December 21, 2005.

Transitional Small Business Disclosure Format (check one): **Yes**  **No**

---

**TABLE OF CONTENTS**

	<b>Page Number</b>
<b><u>PART I - FINANCIAL INFORMATION</u></b>	
<u>ITEM 1. Financial Statements.</u>	F-1
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	1
<u>ITEM 3. Controls and Procedures.</u>	7
<b><u>PART II - OTHER INFORMATION</u></b>	
<u>ITEM 1. Legal Proceedings.</u>	8
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	8
<u>ITEM 3. Defaults Upon Senior Securities.</u>	8
<u>ITEM 4. Submission of Matters to a Vote of Security Holders.</u>	8
<u>ITEM 5. Other Information.</u>	8
<u>ITEM 6. Exhibits.</u>	8

Table of Contents**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.**

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**(Unaudited)**

	<b>March 31, 2005 (Restated)</b>	<b>March 31, 2004 (Restated)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 283,141	\$ 30,584
Accounts receivable, trade	517,242	443,781
Inventory	248,047	173,000
Other current assets	351,193	23,670
Total current assets	1,399,623	671,035
Property and equipment, net	140,800	69,703
Software license, net	2,139,907	2,643,413
Capitalized software development costs, net	783,250	506,121
Restricted cash	50,354	100,354
Other assets	382,521	68,818
Total assets	\$ 4,896,455	\$ 4,059,444
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable, trade	\$ 506,852	\$ 737,358
Accrued royalties	253,744	1,398,570
Derivative liabilities	2,187,498	---
Other current liabilities	473,609	967,072
Total current liabilities	3,421,703	3,103,000
Long-term obligations	189,698	802,076
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	---	51
Common stock	48,620	21,011
Paid-in capital	7,521,339	7,080,629
Retained (deficit)	(6,284,905)	(6,947,323)
Total stockholders' equity	1,285,054	154,368
Total liabilities and stockholders' equity	\$ 4,896,455	\$ 4,059,444

*See accompanying notes.*

Table of Contents

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

<b>Three Months Ended March 31</b>	<b>2005</b>		<b>2004</b>	
	<b>(Restated)</b>		<b>(Restated)</b>	
Revenues, net of reserves and allowances	\$	<b>1,677,414</b>	\$	1,566,393
Cost of sales		<b>508,785</b>		468,659
Gross profit		<b>1,168,629</b>		1,097,734
Operating expenses:				
Sales and marketing		<b>427,447</b>		242,599
General and administrative		<b>635,718</b>		555,679
Other operating expenses		<b>146,421</b>		137,952
Total operating expenses		<b>1,209,586</b>		936,230
Earnings (loss) from operations		<b>(40,957)</b>		161,504
Loss on valuation adjustment of derivatives		<b>(218,748)</b>		---
Other expenses, net		<b>(3,856)</b>		(14,330)
Income (loss) before income taxes		<b>(263,561)</b>		147,174
Provision for income taxes		<b>149,489</b>		(30,311)
Net income (loss)		<b>(114,072)</b>		116,863
Retained deficit at beginning of year		<b>(6,170,833)</b>		(7,255,023)
Retained deficit at end of period	\$	<b>(6,284,905)</b>	\$	(7,138,160)
Net earnings (loss) per share:				
Basic	\$	---	\$	0.01
Diluted	\$	---	\$	0.01
Weighted average shares outstanding:				
Basic		<b>48,619,855</b>		21,011,438
Diluted		<b>48,619,855</b>		23,090,892

*See accompanying notes.*

Table of Contents

**Findex.com, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

<b>Three Months Ended March 31</b>	<b>2005</b>	<b>2004</b>
	<b>(Restated)</b>	<b>(Restated)</b>
Cash flows from operating activities:		
Cash received from customers	\$ 1,707,292	\$ 1,450,002
Cash paid to suppliers and employees	(1,456,683)	(1,353,784)
Other operating activities, net	(3,076)	(13,921)
Net cash provided by operating activities	247,533	82,297
Cash flows from investing activities:		
Software development costs	(264,649)	(73,628)
Other investing activities, net	(14,581)	(18,674)
Net cash (used) by investing activities	(279,230)	(92,302)
Cash flows from financing activities:		
Proceeds from (payments on) line of credit, net	---	16,605
Payments made on long-term notes payable	(26,521)	(17,684)
Net cash (used) by financing activities	(26,521)	(1,079)
Net (decrease) in cash and cash equivalents	(58,218)	(11,084)
Cash and cash equivalents, beginning of year	341,359	41,668
Cash and cash equivalents, end of period	\$ 283,141	\$ 30,584
Reconciliation of net income to cash flows from operating activities:		
Net income (loss)	\$ (114,072)	\$ 116,863
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Software development costs amortized	182,688	152,213
Provision for bad debts	653	2,500
Depreciation & amortization	145,768	135,452
Loss on fair value adjustment of derivatives	218,748	---
Loss on disposal of property, plant and equipment	1,715	---
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	48,924	(80,478)
(Increase) decrease in inventories	(14,047)	99,600
(Increase) decrease in prepaid expenses	51,841	(1,750)
(Decrease) in accrued royalties	(33,770)	(100,436)
(Decrease) in accounts payable	(114,952)	(251,996)
Increase in income taxes payable	180	--
Increase (decrease) in deferred taxes	(149,669)	30,311
Increase (decrease) in other liabilities	23,526	(19,982)
Net cash provided by operating activities	\$ 247,533	\$ 82,297

*See accompanying notes.*

Table of Contents

**Findex.com, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**March 31, 2005**  
**(Unaudited)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles for interim financial information and with the instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by Generally Accepted Accounting Principles for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are considered necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year or for any future period. The accompanying financial statements should be read in conjunction with the audited consolidated financial statements of Findex.com, Inc. included in our Form 10-KSB/A for the fiscal year ended December 31, 2004.

**USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Significant estimates used in the consolidated financial statements include the estimates of (i) doubtful accounts, sales returns, price protection and rebates, (ii) provision for income taxes and realizability of the deferred tax assets, (iii) the life and realization of identifiable intangible assets, and (iv) provisions for obsolete inventory. The amounts we will ultimately incur or recover could differ materially from current estimates.

**RESTRICTED CASH**

Restricted cash represents cash held in reserve by our merchant banker to allow for a potential increase in credit card chargebacks from increased consumer purchases.

**INVENTORY**

Inventory, including out on consignment, consists primarily of software media, manuals and related packaging materials and is recorded at the lower of cost or market value, determined on a first-in, first-out, and adjusted on a per-item, basis.

**ACCOUNTING FOR LONG-LIVED ASSETS**

We review property and equipment and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of our carrying amount to future net cash flows the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair market value. Property and equipment to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

**INTANGIBLE ASSETS, (Restated)**

In accordance with Statement of Financial Accounting Standards (“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. The software license is being amortized over a 10 year useful life.

F-4

---



Table of Contents

**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 customer 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), or (ii) the ratio of current revenues to total projected product revenues. Total cumulative capitalized software development costs were \$2,013,383, less accumulated amortization of \$1,230,133 at March 31, 2005.

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. To date, no capitalized costs have been written down to net realizable value.

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. Research and development costs incurred prior to determination of technological feasibility and marketability and after general release to the public and charged to expense were \$37,080 and \$16,174 for the three months ended March 31, 2005 and 2004, respectively.

We capitalize costs related to the development of computer software developed or obtained for internal use in accordance with the American Institute of Certified Public Accountants Statement of Position ("SOP") 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Software obtained for internal use has generally been enterprise level business and finance software that we customize to meet our specific operational needs. We have not sold, leased, or licensed software developed for internal use to our customers and have no intention of doing so in the future.

We capitalize costs related to the development and maintenance of our Website in accordance with Financial Accounting Standard Board's Emerging Issues Task Force ("EITF") Issue No. 00-2, *Accounting for Website Development Costs*. Under EITF Issue No. 00-2, costs expensed as incurred are as follows:

- planning the Website,
- developing the applications and infrastructure until technological feasibility is established,
- developing graphics such as borders, background and text colors, fonts, frames, and buttons, and
- operating the site such as training, administration and maintenance.



## Table of Contents

Capitalized costs include those incurred to:

- obtain and register an Internet domain name,
- develop or acquire software tools necessary for the development work,
- develop or acquire software necessary for general Website operations,
- develop or acquire code for web applications,
- develop or acquire (and customize) database software and software to integrate applications such as corporate databases and accounting systems into web applications
- develop HTML web pages or templates,
- install developed applications on the web server,
- create initial hypertext links to other Websites or other locations within the Website, and
- test the Website applications.

We amortize Website development costs on a straight-line basis over the estimated life of the site, generally 36 months. Total cumulative Website development costs, included in other assets on our condensed consolidated balance sheets, were \$89,140, less accumulated amortization of \$25,799 at March 31, 2005.

### **NET REVENUE, (Restated)**

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 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.

In some situations, we receive advance payments from our customers. We defer revenue associated with these advance payments until we ship the products or offer the support.

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.

### **Product Revenue**

We typically recognize revenue from the sale of our packaged software products when we ship the product. 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 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 (web order).

Some of our software arrangements involve multiple copies or licenses of the same program. These arrangements generally specify the number of simultaneous users the customer may have (multi-user license), or may allow the customer to use as many copies on as many computers as it chooses (a site license). Multi-user arrangements, generally sold in networked environments, contain fees that vary based on the number of users that may utilize the software simultaneously. We recognize revenue when evidence of an order exists and upon delivery of the authorization code to the consumer that will allow them the limited simultaneous access. Site licenses, generally sold

in non-networked environments, contain a fixed fee that is not dependent on the number of simultaneous users. Revenue is recognized when evidence of an order exists and the first copy is delivered to the consumer.

Many of our software products contain additional content that is “locked” to prevent access until a permanent access code, or “key,” is purchased. We recognize revenue when evidence of an order exists and the customer has been provided with the access code that allows the customer immediate access to the additional content. All of the programs containing additional locked content are fully functional and the keys are necessary only to access the additional content. The customer’s obligation to pay for the software is not contingent on delivery of the “key” to access the additional content.

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. We did not offer any rebate programs to our customers during the three months ended March 31, 2005 and 2004 and maintain a reserve for rebate claims remaining unpaid from 2000.

## Table of Contents

### **Service Revenue**

We offer several technical support plans and recognize support revenue over the life of the plans, generally one year.

### **Multiple Element Arrangements**

We also enter into certain revenue arrangements for which we are obligated to deliver multiple products or products and services (multiple elements). For these arrangements, which include software products, we allocate and defer revenue for the undelivered elements based on their vendor-specific objective evidence (“VSOE”) of fair value. VSOE is generally the price charged when that element is sold separately.

In situations where VSOE exists for all elements (delivered and undelivered), we allocate the total revenue to be earned under the arrangement among the various elements, based on their relative fair value. For transactions where VSOE exists only for the undelivered elements, we defer the full fair value of the undelivered elements and recognize the difference between the total arrangement fee and the amount deferred for the undelivered items as revenue (residual method). If VSOE does not exist for undelivered items that are services, we recognize the entire arrangement fee ratably over the remaining service period. If VSOE does not exist for undelivered elements that are specified products, we defer revenue until the earlier of the delivery of all elements or the point at which we determine VSOE for these undelivered elements.

We recognize revenue related to the delivered products or services only if: (i) the above revenue recognition criteria are met, (ii) any undelivered products or services are not essential to the functionality of the delivered products and services, (iii) payment for the delivered products or services is not contingent upon delivery of the remaining products or service, and (iv) we have an enforceable claim to receive the amount due in the event that we do not deliver the undelivered products or services.

### **Shipping and Handling Costs**

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 condensed consolidated statements of operations.

### **Customer Service and Technical Support**

Customer service and technical support costs include the costs associated with performing order processing, answering customer inquiries by telephone and through Websites, e-mail and other electronic means, and providing technical support assistance to our customers. In connection with the sale of certain products, we provide a limited amount of free technical support assistance to customers. We do not defer the recognition of any revenue associated with sales of these products, since the cost of providing this free technical support is insignificant. The technical support is provided within one year after the associated revenue is recognized and free product enhancements (bug fixes) are minimal and infrequent. We accrue the estimated cost of providing this free support upon product shipment and include it in cost of sales.

### **INCOME TAXES**

We utilize SFAS No. 109, *Accounting for Income Taxes*. SFAS No. 109 requires the use of the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

F-7

---

Table of Contents**EARNINGS PER SHARE**

We follow SFAS No. 128, *Earnings Per Share*, to calculate and report basic and diluted earnings per share (“EPS”). Basic EPS is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted EPS is computed by giving effect to all dilutive potential shares of common stock that were outstanding during the period. For us, dilutive potential shares of common stock consist of the incremental shares of common stock issuable upon the exercise of stock options and warrants for all periods, convertible notes payable and the incremental shares of common stock issuable upon the conversion of convertible preferred stock.

When discontinued operations, extraordinary items, and/or the cumulative effect of an accounting change are present, income before any of such items on a per share basis represents the “control number” in determining whether potential shares of common stock are dilutive or anti-dilutive. Thus, the same number of potential shares of common stock used in computing diluted EPS for income from continuing operations is used in calculating all other reported diluted EPS amounts. In the case of a net loss, it is assumed that no incremental shares would be issued because they would be anti-dilutive. In addition, certain options and warrants are considered anti-dilutive because the exercise prices were above the average market price during the period. Anti-dilutive shares are not included in the computation of diluted EPS, in accordance with SFAS No. 128.

**DERIVATIVES, (Restated)**

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*. In accordance with the accounting mandate, the derivative liability associated with the warrants has been and, until our registration statement on Form SB-2 originally filed on November 22, 2004 is declared effective, shall continue to be adjusted to fair value (calculated using the Black-Scholes method) at each balance sheet date and accordingly reassessed at each such date 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 should the value of the warrants increases from an increase in our stock price at the balance sheet date and as other income should the value of the warrants decreases from a decrease in our stock price at the balance sheet date.

**RECLASSIFICATIONS**

Certain accounts in the 2004 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2005 financial statements.

**NOTE 2 - INVENTORIES**

At March 31, 2005, inventories consisted of the following:

Raw materials	\$ 134,070
Finished goods	113,977
Inventories	\$ 248,047

During the three months ended March 31, 2004, we wrote-off obsolete inventory with a carried cost totaling \$32,396. This has been included in cost of sales.

**NOTE 3 - LOSS ON VALUATION OF DERIVATIVES, (Restated)**

In November 2004, we issued two warrants to purchase an aggregate of 21,875,000 shares of our common stock in connection with a certain Stock Purchase Agreement completed with Barron Partners, LP, on July 19, 2004. The first warrant entitles the holder to purchase up to 10,937,500 shares of our common stock at a price of \$0.18 per share, and the second warrant entitles the holder to purchase up to 10,937,500 additional shares of our common stock at a price of \$0.60 per share. Each warrant is subject to standard adjustment provisions and each provides for settlement in registered shares of our common stock and may, at the option of the holder, be settled in a cashless, net-share settlement. These warrants have been accounted for as a liability according to the guidance of EITF 00-19 and the fair value of each warrant has been assessed at \$1,093,749 (\$2,187,498 total) using the Black-Scholes valuation method at March 31, 2005 with the following assumptions:

F-8

---



Table of Contents

	Warrant A	Warrant B
Expected term - years	4.30	4.30
Stock price on March 31, 2005	\$ 0.10	\$ 0.10
Exercise price	\$ 0.18	\$ 0.60
Expected dividend yield	0%	0%
Expected stock price volatility	490%	490%
Risk-free interest rate	3.80%	3.80%

The fair value of each warrant was estimated on the date of commitment with the following assumptions:

	Warrant A	Warrant B
Expected term - years	5	5
Stock price on date of commitment (July 19, 2004)	\$ 0.20	\$ 0.20
Exercise price	\$ 0.18	\$ 0.60
Expected dividend yield	0%	0%
Expected stock price volatility	490%	490%
Risk-free interest rate	3.80%	3.80%

We recognized a loss of \$2,697,922 on the commitment of the warrants determined as follows:

Fair value of warrants on commitment date (July 19, 2004)		\$ 4,375,000
Less: Net proceeds received		
Gross proceeds received for stock and warrants	\$ 1,750,000	
Par value of common stock issued	(21,875)	
Stock offering costs	(51,047)	\$ 1,677,078
Loss on fair value adjustment of derivatives		\$ 2,697,922

The warrants are revalued at each balance sheet date by using the parameters described above, reducing the expected term to reflect the passing of time, and using the stock price at the balance sheet date. A net fair value adjustment of \$218,748 has been included in other expenses on the consolidated statements of operations for the three months ended March 31, 2005.

**NOTE 4 - INCOME TAXES, (Restated)**

The provision (benefit) for taxes on net income for the three months ended March 31, 2005 and 2004 consisted of the following:

	2005	2004
Current:		
Federal	\$ ---	\$ ---
State	180	---
	180	---
Deferred:		
Federal	(141,093)	25,001
State	(8,576)	5,310
	(149,669)	30,311

Total tax provision (benefit)	\$	(149,489)	\$	30,311
-------------------------------	----	-----------	----	--------

**NOTE 5 - EARNINGS PER COMMON SHARE, (Restated)**

Earnings per common share are computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the year. Common stock equivalents are the net additional number of shares that would be issuable upon the exercise of the outstanding common stock options and warrants, assuming that we reinvested the proceeds to purchase additional shares at market value.

F-9

---

Table of Contents

The following table shows the amounts used in computing earnings per common share and the effect on income and the average number of shares of dilutive potential common stock:

<b>For the Three Months Ended</b>		
<b>March 31</b>	<b>2005</b>	<b>2004</b>
Net Income (loss)	\$ (114,072)	\$ 116,863
Preferred stock dividends	---	---
Net income (loss) available to common shareholders	\$ (114,072)	\$ 116,863
Basic weighted average shares outstanding	48,619,855	21,011,438
Dilutive effect of:		
Stock options	---	---
Convertible notes payable	---	1,800,000
Convertible Preferred Series A	---	114,000
Convertible Preferred Series B	---	40,000
Warrants	---	125,454
Diluted weighted average shares outstanding	48,619,855	23,090,892

A total of 25,315,000 and 3,950,000 dilutive potential securities for the three months ended March 31, 2005 and 2004, respectively, have been excluded from the computation of diluted earnings per common share, as their inclusion would be anti-dilutive.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES, (Restated)**

We are subject to legal proceedings and claims that arise in the ordinary course of our business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect our financial position.

Our employment agreements with our management team each contain a provision for an annual bonus equal to 1% of our net income (3% total). We accrue this bonus on a quarterly basis. Our management team consists of our Chief Executive Officer (with a base annual salary of \$150,000), our Chief Financial Officer (with a base annual salary of \$110,000), and our Chief Technology Officer (with a base annual salary of \$150,000). In addition to the bonus provisions and annual base salary, each employment agreement provides for payment of all accrued base salaries (\$13,850 included in other current liabilities at March 31, 2005), bonuses (\$71,415 included in other current liabilities at March 31, 2005), and any vested deferred compensation (\$28,473 included in other current liabilities at March 31, 2005) for termination by reason of disability. The agreements also provide for severance compensation equal to the then base salary until the later of (i) the expiration of the term of the agreement as set forth therein or (ii) one year, when the termination is other than for cause (including termination by reason of disability). There is no severance compensation in the event of voluntary termination or termination for cause.

In 2004, we reduced our reserve for rebates payable based, in part, on our ability to meet the financial obligation of claims carried forward from our last rebate program in 2001. As such, we may have a legal obligation to pay rebates in excess of the liability recorded.

As part of a July 2004 financing transaction, we entered into a certain Registration Rights Agreement with a New York based private investment partnership, Barron Partners, LP, pursuant to which we became committed to

registering all of the shares issued as part of such transaction, including those issuable under each of two warrants. On November 22, 2004, we filed a registration statement on Form SB-2 covering the shares issued to Barron Partners, as well as the shares underlying the warrants issued to Barron Partners. Under the terms of the Registration Rights Agreement, as amended, we had until April 22, 2005 to cause such registration statement to be declared effective by the SEC. In accordance with the terms of the Registration Rights Agreement, any delays in meeting this obligation subjected us to liability to Barron Partners in an amount equal to \$1,726 per day for the duration of any such delay. We continue to accrue \$1,726 (\$630,000 per year/365 days) per day in penalties until the registration statement is declared effective. If we are unable to cause the registration statement to be declared effective by December 31, 2005, we will incur total penalties of approximately \$437,000 (April 23, 2005 through December 31, 2005) which will directly decrease our net income and possibly cause a net loss for the December 31, 2005 year then ending.

F-10

---

Table of Contents

**NOTE 7 - RISKS AND UNCERTAINTIES**

Our future operating results may be affected by a number of factors. We depend upon a number of major inventory and intellectual property suppliers. If a critical supplier had operational problems or ceased making material available to us, operations could be adversely affected.

**NOTE 8 - SUBSEQUENT EVENTS, (Restated)**

As of the date of this filing, the registration statement filed on November 22, 2004 had not yet been declared effective. Pursuant to an agreement reached with Barron Partners, LP, the New York based private investment partnership, in relation to the associated accruing penalties, we have agreed to pay the Barron Partners an amount in cash equal to \$100,000 in two equal installments of \$50,000 between April 22, 2005 and May 22, 2005 (paid April 22, 2005 and July 8, 2005), with no additional penalty obligations accruing for at least 60 days from April 22, 2005. Although there can be no assurance, management believes that the prospects of our being able to cause the registration statement to be declared effective by June 21, 2005 are good. If we are unsuccessful in causing the registration statement to be declared effective by the SEC by June 21, 2005, however, and depending on how long any such delay in causing effectiveness to be declared by the SEC continues thereafter, it is likely to have a very material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations.

**NOTE 9 - REVISION AND RECLASSIFICATION**

We have restated our financial statements for the three months ended March 31, 2005 and 2004 to reflect issues identified during a regulatory review of our financial statements associated with a registration statement filing on Form SB-2 that is pending effectiveness as of the date of this 10-QSB filing. Management and the board of directors concluded these restatements were necessary to reflect the changes described below. There was no net effect on cash provided by operating activities, cash used by investing activities or cash used by financing activities for the period then ending as a result of these issues.

- During the quarter ended June 30, 2002, we reached a tentative settlement agreement in our arbitration with TLC. The tentative settlement agreement forgave the final, unpaid installment due on the 1999 Software License Agreement (“SLA”) and extended the SLA term from 10 years to 50 years. We originally recorded the final, unpaid installment (\$1,051,785) of the SLA as an offset against the recorded historical cost of the SLA and recalculated the amortization based on this reduced amount and the extension of the useful life to 50 years. Although paragraph 6 of Statement of Financial Accounting Standards (“SFAS”) No. 141, *Business Combinations*, which guides the recognition and measurement of intangible assets, provides that the measurement of assets in which the consideration given is cash are measured by the amount of cash paid, our management has since concluded that too much time had passed between the date of the 1999 license (June 1999) and the date of the tentative settlement agreement (May 2002) for such an offset to be appropriate. Therefore, we recognized the extinguishment of the liability owed to TLC as income (\$1,051,785) in the consolidated statements of operations for the year ended December 31, 2002. We have restated the retained deficit as of December 31, 2003 and there was no net effect on the consolidated statements of operations and consolidated statements of cash flows for the three months ended March 31, 2005 and 2004 as a result of this correction.

· During the quarter ended December 31, 2003, we reached a final settlement agreement in our dispute with Zondervan and TLC. This final settlement extended the life of the SLA, and the trademarks included therein, indefinitely. We originally reassessed the useful life of the SLA to be indefinite, based on the guidelines provided by paragraphs 11 and 53 of SFAS No. 142, *Goodwill and Other Intangible Assets*. Our management has since concluded a 10 year life is appropriate based on our going concern opinion for 2002 and 2003. Therefore, we restored the estimated economic useful life to the original 10 years and have recalculated annual amortization accordingly. This adjustment increased the retained deficit at March 31, 2005 (for the prior years' amortization and related income tax effects). We have restated the condensed consolidated statements of operations (\$125,877) and consolidated statements of cash flows for the three months ended March 31, 2005 and 2004.

Table of Contents

- During the three months ended June 30, 2004, we erroneously included rebates, and adjustments to rebates, in sales and marketing expenses. The more appropriate presentation should have been, and is now, as an adjustment to revenue, in accordance with EITF 01-09, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products).. During the three months ended June 30, 2004, we originally recorded an adjustment to the rebates reserve in the amount of \$266,301 and an adjustment to rebates payable in the amount of \$12,599. Upon reassessment of the adequacy of our reserve at December 31, 2003, we have allocated \$124,262 of the total adjustment to fiscal year 2003 and \$142,039 to fiscal year 2004 with \$66,575 allocated to the three months ended March 31, 2004 and \$75,464 allocated to the three months ended June 30, 2004. These adjustments resulted from a change in our internal control over financial reporting. Previously, when making our assessment of the adequacy of our reserve for rebates, we did not take into consideration the amount and number of outstanding checks, issued checks that were returned as undeliverable, or our ability to meet our recorded financial obligation. We have changed our internal control procedures to include review of each of these factors in our assessment of the adequacy of our reserve for rebates.
- During the three months ended March 31, 2004, and as a direct result of the settlement with Zondervan and TLC, we wrote-off obsolete inventory with a carried cost totaling \$32,396. We originally recorded this as a non-recurring item in the other income (expense) section of the consolidated statements of operations. Our revised condensed consolidated statements of operations for the three months ended March 31, 2004 reflects this inventory adjustment in cost of sales. There was no net effect on net income (loss) from this reclassification for the three months ended March 31, 2005 and 2004.
- Rebates payable to a third-party processor were overstated (\$98,946) on our consolidated financial statements for the year ended December 31, 2000. We discovered the error during the preparation of our condensed consolidated financial statements for the three months ended March 31, 2004. We originally recorded the error correction as an adjustment to the beginning retained earnings of the year ended December 31, 2003 on the 2004 quarterly and annual filings. Our revised consolidated statement of operations for the year ended December 31, 2000 reflects an adjustment to revenue and reported the correction on Form 10-KSB/A for the year then ended. This revision had no net effect on the net income (loss) for the three months ended March 31, 2005 and 2004 or retained deficit at March 31, 2005.
- We erroneously treated the warrants issued to a New York based private investment partnership in connection with a private placement as equity. The correct presentation is as a liability adjusted for changes in fair value, at each balance sheet date, through the consolidated statements of operations, as provided by EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. We reclassified the initial fair value of the warrants (\$4,375,000 at July 19, 2004) as a current liability (\$2,187,498 at March 31, 2005) and have included the net

change in fair value through March 31, 2005 (\$218,748) in other expenses on the consolidated statements of operations.

We have also reclassified various other expense items in the condensed consolidated statements of operations for the three months ended March 31, 2005 and 2004 to conform to the presentation in the statements of operations for the year ended December 31, 2004. There was no net effect on net income (loss) from these reclassifications for the three months ended March 31, 2005 and 2004.



Table of Contents

A summary of the effects of these changes is as follows:

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**March 31, 2005**  
**(Unaudited)**

	As Previously Reported	As Restated	Change
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 283,141	\$ 283,141	\$ ---
Accounts receivable, trade	517,242	517,242	---
Inventory	248,047	248,047	---
Other current assets	355,099	351,193	(3,906) (a)
Total current assets	1,403,529	1,399,623	(3,906)
Property and equipment, net	140,800	140,800	---
Software license, net	2,513,158	2,139,907	(373,251) (b)
Capitalized software development costs, net	783,250	783,250	---
Restricted cash	50,354	50,354	---
Other assets	417,854	382,521	(35,333) (a)
Total assets	\$ 5,308,945	\$ 4,896,455	\$ (412,490)
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Accounts payable, trade	\$ 506,852	\$ 506,852	\$ ---
Accrued royalties	253,744	253,744	---
Derivative liabilities	---	2,187,498	2,187,498 (d)
Other current liabilities	474,602	473,609	(993) (c)
Total current liabilities	1,235,198	3,421,703	2,186,505
Long-term obligations	296,894	189,698	(107,196) (a)
Commitments and contingencies			
Stockholders' equity:			
Common stock	48,620	48,620	---
Paid-in capital	9,198,417	7,521,339	(1,677,078) (e)
Retained (deficit)	(5,470,184)	(6,284,905)	(814,721)
Total stockholders' equity	3,776,853	1,285,054	(2,491,799)
Total liabilities and stockholders' equity	\$ 5,308,945	\$ 4,896,455	\$ (412,490)

(a) Decreased deferred taxes from amortization of software license agreement.

(b) Decrease from additional amortization of software license agreement.

- (c) Decrease in accrued management bonus resulting from additional amortization of software license agreement.
- (d) Fair value of common stock warrants reclassified as derivatives under EITF 00-19.
- (e) Net proceeds allocated to common stock warrants reclassified as derivative liability.

F-13

---

Table of Contents

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
**March 31, 2004**  
**(Unaudited)**

	As Previously Reported	As Restated	Change
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 130,938	\$ 30,584	\$ (100,354) (a)
Accounts receivable, trade	443,781	443,781	---
Inventory	173,000	173,000	---
Other current assets	23,670	23,670	---
Total current assets	771,389	671,035	(100,354)
Property and equipment, net	69,703	69,703	---
Software license, net	2,513,158	2,643,413	130,255 (b)
Capitalized software development costs, net	506,121	506,121	---
Restricted cash	---	100,354	100,354 (a)
Other assets	68,818	68,818	---
Total assets	\$ 3,929,189	\$ 4,059,444	\$ 130,255
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Accounts payable, trade	\$ 737,358	\$ 737,358	\$ ---
Accrued royalties	1,398,570	1,398,570	---
Other current liabilities	1,157,906	967,072	(190,834) (d)
Total current liabilities	3,293,834	3,103,000	(190,834)
Long-term obligations	1,106,740	802,076	(304,664) (c)
Commitments and contingencies			
Stockholders' equity:			
Preferred stock	51	51	---
Common stock	21,011	21,011	---
Paid-in capital	7,080,629	7,080,629	---
Retained (deficit)	(7,573,076)	(6,947,323)	625,753
Total stockholders' equity	(471,385)	154,368	625,753
Total liabilities and stockholders' equity	\$ 3,929,189	\$ 4,059,444	\$ 130,255

(a) Reclassification of restricted cash held by our merchant banker as a non-current asset.

(b) Increase from reclassification of forgiven installment as income net of additional amortization from returning the software license to a 10-year life from indefinite.

- (c) Decrease from recalculation of deferred income taxes resulting from changes to the software license agreement accounting.
- (d) Reallocation and reclassification of rebate adjustment to periods ended June 30, 2003, September 30, 2003, December 31, 2003, March 31, 2004 and June 30, 2004.

Table of Contents

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Three Months Ended March 31, 2005**  
**(Unaudited)**

	As Previously Reported	As Restated	Change	
Revenues, net of reserves and allowances	\$ 1,672,504	\$ 1,677,414	\$ 4,910	(a)
Cost of sales	493,506	508,785	15,279	(b)
Gross profit	1,178,998	1,168,629	(10,369)	
Operating expenses:				
Sales and marketing	437,816	427,447	(10,369)	
General and administrative	636,711	635,718	(993)	(c)
Other operating expenses	20,544	146,421	125,877	(d)
Total operating expenses	1,095,071	1,209,586	114,515	
Earnings (loss) from operations	83,927	(40,957)	(124,884)	
Loss on valuation adjustment of derivatives	---	(218,748)	(218,748)	(f)
Other expenses, net	(3,856)	(3,856)	---	
Income (loss) before income taxes	80,071	(263,561)	(343,632)	
Provision for income taxes	81,532	149,489	67,957	(e)
Net income (loss)	\$ 161,603	\$ (114,072)	\$ (275,675)	
Net earnings per share:				
Basic	\$ ---	\$ ---	\$ ---	
Diluted	\$ ---	\$ ---	\$ ---	
Weighted average shares outstanding:				
Basic	48,619,855	48,619,855	---	
Diluted	49,350,801	48,619,855	(730,946)	(g)

(a) Increase from reclassifying rebate reserve adjustment as an adjustment to revenue instead of an adjustment to sales and marketing expenses.

(b) Increase from reclassifying fulfillment expenses as cost of sales instead of sales and marketing expenses.

(c) Decrease in accrued management bonus resulting from additional amortization of software license agreement.

(d) Increase from additional amortization of software license agreement.

(e) Increase in deferred tax benefits resulting from additional amortization of software license.

(f) Fair value adjustment on common stock warrants treated as derivatives under EITF 00-19.

(g) Decrease in potentially dilutive shares due to restated net loss.

F-15

---

Table of Contents

**Findex.com, Inc.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Three Months Ended March 31, 2004**  
**(Unaudited)**

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	\$ 1,537,264	\$ 1,566,393	\$ 29,129	(a)
Cost of sales	397,689	468,659	70,970	(b)
Gross profit	1,139,575	1,097,734	(41,841)	
Operating expenses:				
Sales and marketing	217,016	242,599	25,583	(c)
General and administrative	590,703	555,679	(35,024)	(d)
Nonrecurring items	32,396	---	(32,396)	(e)
Bad debts	2,500	2,500	---	
Depreciation and amortization	9,575	135,452	125,877	(f)
Total operating expenses	852,190	936,230	84,040	
Earnings from operations	287,385	161,504	(125,881)	
Other income	---	---	---	
Other expenses, net	(14,330)	(14,330)	---	
Income before income taxes	273,055	147,174	(125,881)	
Provision for income taxes	(800)	(30,311)	(29,511)	(g)
Net income	\$ 272,255	\$ 116,863	\$ (155,392)	
Net earnings per share:				
Basic	\$ 0.01	\$ 0.01	\$ ---	
Diluted	\$ 0.01	\$ 0.01	\$ ---	
Weighted average shares outstanding:				
Basic	21,011,438	21,011,438	---	
Diluted	22,945,438	23,090,892	145,454	(h)

(a) Increase from reclassification of rebate reserve adjustment from Sales and marketing expenses and reclassification of cost of estimated returns to Cost of sales.

(b) Increase from reclassification of non-capitalized technical support wages from General and administrative expenses, reclassification of fulfillment costs from Sales and marketing expenses, reclassification of Inventory write down expense from operating expenses and decrease from reclassification of cost of estimated returns.

(c) Increase from reclassification of rebate reserve adjustment to Revenues and reclassification of fulfillment costs to Cost of sales.

(d) Decrease from reclassification of non-capitalized technical support wages to Cost of sales.

- (e) Decrease from reclassification to Cost of sales.
- (f) Increase from additional amortization of software license agreement from returning the economic useful life to 10 years.
- (g) Increase from effects of additional amortization of the software license agreement.
- (h) Increase from recalculation of potentially dilutive common stock warrants and correction of a math error.



Table of Contents

**Findex.com, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Three Months Ended March 31, 2005**  
**(Unaudited)**

	As Previously Reported	As Restated	Change
Cash flows from operating activities:			
Cash received from customers	\$ 1,707,292	\$ 1,707,292	\$ ---
Cash paid to suppliers and employees	(1,456,683)	(1,456,683)	---
Other operating activities, net	(3,076)	(3,076)	---
Net cash provided by operating activities	247,533	247,533	---
Cash flows from investing activities:			
Software development costs	(264,649)	(264,649)	---
Other investing activities, net	(14,581)	(14,581)	---
Net cash (used) by investing activities	(279,230)	(279,230)	---
Cash flows from financing activities:			
Payments made on long-term notes payable	(26,521)	(26,521)	---
Net cash (used) by financing activities	(26,521)	(26,521)	---
Net (decrease) in cash and cash equivalents	(58,218)	(58,218)	---
Cash and cash equivalents, beginning of year	341,359	341,359	---
Cash and cash equivalents, end of period	\$ 283,141	\$ 283,141	\$ ---
Reconciliation of net income (loss) to cash flows from operating activities:			
Net income (loss)	\$ 161,603	\$ (114,072)	\$ (275,675)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Software development costs amortized	182,688	182,688	---
Provision for bad debts	653	653	---

Depreciation & amortization	19,891	145,768	125,877	(a)
Loss on fair value adjustment of derivatives	---	218,748	218,748	(d)
Loss on disposal of property, plant and equipment	1,715	1,715	---	
Change in assets and liabilities:				
Decrease in accounts receivable	48,924	48,924	---	
(Increase) in inventories	(14,047)	(14,047)	---	
Decrease in prepaid expenses	51,841	51,841	---	
(Decrease) in accrued royalties	(33,770)	(33,770)	---	
(Decrease) in accounts payable	(114,952)	(114,952)	---	
Increase in income taxes payable	180	180	---	
(Decrease) in deferred taxes	(81,712)	(149,669)	(67,957)	(b)
Increase in other liabilities	24,519	23,526	(993)	(c)
Net cash provided by operating activities	\$ 247,533	\$ 247,533	\$ ---	

(a) Increase from additional amortization of software license agreement.

(b) Increase from reclassifying fulfillment expenses as cost of sales instead of sales and marketing expenses.

(c) Decrease in accrued management bonus resulting from additional amortization of software license agreement.

(d) Fair value adjustment of derivatives per EITF 00-19.

Table of Contents

**Findex.com, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Three Months Ended March 31, 2004**  
**(Unaudited)**

	As Originally Reported	As Restated	Change
Cash flows from operating activities:			
Cash received from customers	\$ 1,481,382	\$ 1,450,002	\$ (31,380) (a)
Cash paid to suppliers and employees	(1,385,164)	(1,353,784)	31,380 (a)
Other operating activities, net	(13,921)	(13,921)	---
Net cash provided by operating activities	82,297	82,297	---
Cash flows from investing activities:			
Acquisition of property and equipment	(13,674)	(13,674)	---
Software development costs	(73,628)	(73,628)	---
Website development costs	(4,516)	(4,516)	---
Deposits made	(484)	(484)	---
Net cash (used) by investing activities	(92,302)	(92,302)	---
Cash flows from financing activities:			
Proceeds from (payments on) line of credit, net	16,605	16,605	---
Payments made on long-term notes payable	(17,684)	(17,684)	---
Net cash (used) by financing activities	(1,079)	(1,079)	---
Net (decrease) in cash and cash equivalents	(11,084)	(11,084)	---
Cash and cash equivalents, beginning of year	142,022	41,668	(100,354) (b)
Cash and cash equivalents, end of period	\$ 130,938	\$ 30,584	\$ (100,354)
Reconciliation of net income to cash flows from operating activities:			
Net income	\$ 272,255	\$ 116,863	\$ (155,392)
Adjustments to reconcile net income			

to net cash				
provided by operating				
activities:				
Software				
development costs				
amortized	152,213	152,213	---	
Provision for bad				
debts	2,500	2,500	---	
Depreciation and				
amortization	9,575	135,452	125,877	(c)
Change in assets and				
liabilities:				
(Increase) in accounts				
receivable	(80,478)	(80,478)	---	
Decrease in				
inventories	99,600	99,600	---	
(Increase) in prepaid				
expenses	(1,750)	(1,750)	---	
(Decrease) in accrued				
royalties	(100,436)	(100,436)	---	
(Decrease) in				
accounts payable	(251,996)	(251,996)	---	
Increase in deferred				
taxes	800	30,311	29,511	(d)
(Decrease) in other				
liabilities	(19,986)	(19,982)	4	(e)
Net cash provided by				
operating activities	\$ 82,297	\$ 82,297	\$ ---	

(a) Reclassified effects of change in deferred revenue from cash paid for liability to cash received.

(b) Reclassification of restricted cash held by our merchant banker as non-current asset.

(c) Increase from additional amortization of software license agreement from returning the economic useful life to 10 years.

(d) Increase from effects of additional amortization of the software license agreement.

(e) Rounding difference.

Table of Contents

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.**

***Cautionary Statement Regarding Forward-Looking Statements***

*This Form 10-QSB/A, press releases and certain information provided periodically in writing or orally by our officers or our agents contain statements which constitute forward-looking. 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-QSB/A 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) market and other trends affecting our future financial condition or results of operations, (v) our growth strategy and operating strategy, and (vi) 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. The factors that might cause such differences include, among others, those set forth in Part I, Item 2 of this quarterly report on Form 10-QSB/A, entitled Management's Discussion and Analysis or Plan of Operation, including without limitation the risk factors contained in the company's annual report on Form 10-KSB/A for the period ending December 31, 2004. Except as required by law, we undertake no obligation to update any of the forward-looking statements in this Form 10-QSB/A after the date of this report.*

This information should be read in conjunction with the financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the company's Annual Report on Form 10-KSB/A for the fiscal year ended December 31, 2004.

**MANAGEMENT OVERVIEW**

During the first quarter of 2005, and for the second consecutive year, we released an upgrade to our top-selling financial and data management software, Membership Plus®. As a result of this release, as well as our release in December 2004 of our most recent upgrade to QuickVerse®, our first quarter 2005 revenues were slightly higher than those during the first quarter of 2004. Also during the first quarter of 2005, we introduced two new QuickVerse® editions, QuickVerse® 2005 Essentials and QuickVerse® 2005 Platinum. QuickVerse® 2005 Essentials appeals to those customers who are seeking their first Bible study software and it is a great way to begin a Bible study software collection. It has a suggested retail price of \$49.95. QuickVerse® 2005 Platinum is the most comprehensive Bible study edition we have to offer and appeals to scholars who are serious about Bible study. It has a suggested retail price of \$799.95. We believe that the unique features of these two new editions will provide us with an opportunity to broaden our customer base as they appeal not only to those just beginning their journey into Bible study but also to the scholars who are searching for an in-depth knowledge of the Bible. Our performance during the first quarter of 2005 marks the third straight year in which we have increased our gross revenues during our first quarter. Although there can be no assurance, we believe that we can sustain our revenue growth through the second and third quarters based upon our anticipated introduction during the second quarter of our QuickVerse® Macintosh edition, which was announced during the first quarter 2005. We believe that this introduction will make us the only publisher of Bible reference software for each of Windows®, Macintosh®, Pocket PC® and Palm OS®.

***Results Of Operations for Quarters Ending March 31, 2005 and March 31, 2004***

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 only about 29% of our annual sales.

-1-

---

## Table of Contents

During the three months ended March 31, 2004, we wrote down a distinct category of obsolete inventory of approximately \$32,000 which is included in cost of sales. This write down item had no effect on the cash flow statement. During the three months ended March 31, 2005, we recognized a loss of approximately \$219,000 related to the fair value adjustment of derivatives in other expenses. Warrants issued with shares of common stock in a private placement are considered derivative liabilities. The derivative liability associated with the warrants has been adjusted to fair value at each balance sheet date and accordingly reassessed at each such date to determine whether the warrants should be classified (or reclassified, as appropriate) as a liability or as equity. See "Derivatives" below. Our net income decreased approximately \$231,000 from a net income of approximately \$117,000 for the three months ended March 31, 2004 to a net loss of approximately \$114,000 for the three months ended March 31, 2005. For the three months ended March 31, 2004 and 2005 we did not recognize any non-cash expenses related to common shares of stock and warrants issued for services.

## *Revenues*

We derive revenues from the sale of packaged software products, product support and multiple element arrangements that may include any combination of these items. Revenue is recognized 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. For our packaged software products, we typically recognize revenue from the sale when we ship the product. 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. Service revenue resulting from technical support plans is recognized over the life of the plan which is generally one year. 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. For revenue arrangements involving multiple products or products and services, we allocate and defer revenue for the undelivered products or products and services based on their vendor-specific objective evidence of fair value, which is generally the price charged when that product or product and service is sold separately.

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. Estimated returns are also based upon a percentage of total retail and direct sales. Direct sales accounted for approximately 65% of our 2004 fiscal year revenue. We account for cash considerations (such as sales incentives - rebates and coupons) that we give our customers as a reduction of revenue rather than as an operating expense. Product revenue is also reduced for the estimated redemption of end-user rebates on certain current product sales. We did not have any rebate programs during the three months ended March 31, 2004 and 2005, respectively.

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.

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 that may exist in the contract in each case. Under certain circumstances, such as termination or when a product is defective, distributors and bookstores could receive a cash refund if returns exceed amounts owed. Returns from sales made

directly to the consumer are accepted within 45 days of purchase and are issued 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.

-2-

---



## Table of Contents

Software products are sold separately, without an obligation of future performance such as upgrades, enhancements or additional software products, and are sold with post contract customer support services such as customer service and technical support assistance. In connection with the sale of certain products, we provide a limited amount of free technical support assistance to our customers. We do not defer the recognition of any revenue associated with sales of these products, since the cost of providing this free technical support is insignificant. The technical support is provided within one year after the associated revenue is recognized and free product enhancements (bug fixes) are minimal and infrequent. We accrue the estimated cost of providing this free support upon product shipment and include it in cost of sales.

Shipping and handling costs in connection with our software products are expensed as incurred and included in cost of sales.

Gross revenues increased approximately \$269,000 from approximately \$1,715,000 for the three months ended March 31, 2004 to approximately \$1,984,000 for the three months ended March 31, 2005. Such increase is due to our release of an enhanced version of Membership Plus® during the first quarter of 2005 and an enhanced version of QuickVerse® during late fourth quarter of 2004. During the fourth quarter of 2004 when QuickVerse® 2005 was released, it was available in three editions ranging in price from \$99.95 to \$299.95. During the first quarter of 2005, we released an enhanced version of the QuickVerse® Essentials edition which retails for \$49.95. In addition, we released a new edition to the QuickVerse® family, the QuickVerse® Platinum edition, which contains the most Bible translations and reference titles of any QuickVerse® edition and retails for \$799.95. Comparatively, during the three months ended March 31, 2004, we had the product release of Membership Plus® 8.0 which ranged in price from \$199.95 to \$299.95 and the late December 2003 release of QuickVerse® 8.0 which ranged in price from \$99.95 to \$299.95.

Sales returns and allowances increased approximately \$102,000 from approximately \$209,000 for the three months ended March 31, 2004 to approximately \$311,000 for the three months ended March 31, 2005 and increased as a percentage of gross sales from approximately 12% for the three months ended March 31, 2004 to approximately 16% for the three months ended March 31, 2005. The upward trend in sales returns and allowances as a percentage is attributable to our release of enhanced versions of QuickVerse® and Membership Plus® in December of 2004 and February of 2005, respectively. The release of these two enhanced products resulted in an increased quantity of sales returns and allowances of prior versions as distributors and stores made shelf space during the first quarter of 2005. Furthermore, the timeframe between the last enhancements for both of these titles was approximately one year. In the past, product enhancements were typically extended over two to three years. Although we expect to continue to release enhanced versions of our products annually, we anticipate the sales return and allowances as a percentage to follow a downward trend due to the increased focus of our sales efforts to the end-user and our decreased presence in the retail market because incidents of return are lower for sales direct to end-users than sales into the retail stores.

## *Cost of Sales*

Cost of sales consists primarily of royalties to third party providers of intellectual property and the direct costs and manufacturing overhead required to reproduce, package, fulfill and ship the software products. Direct costs and manufacturing overhead also include the amortized software development costs and the non-capitalized technical support wages. The direct costs and manufacturing overhead decreased approximately \$15,000 from approximately \$389,000 for the three months ended March 31, 2004 to approximately \$374,000 for the three months ended March 31, 2005 and decreased as a percentage of gross revenues approximately 4% from approximately 23% for the three months ended March 31, 2004 to approximately 19% for the three months ended March 31, 2005. The three months ended March 31, 2004 include the write down of a distinct category of obsolete inventory of approximately \$32,000. Furthermore, fulfillment costs from a third-party warehouse and included in the manufacturing overhead costs noted above decreased approximately \$20,000 from approximately \$35,000 for the three months ended March 31, 2004 to approximately \$15,000 for the three months ended March 31, 2005 as we moved our retail fulfillment to a new outside

entity in late October 2004. Both the write down of obsolete inventory and the fulfillment costs explain the decrease of the direct costs and manufacturing overhead when compared as a percentage of gross revenues. The amortization costs recognized during the three months ended March 31, 2004 resulted from several new software releases in late 2003 and early 2004 including QuickVerse® 8.0 and Membership Plus® 8.0. Similarly, the amortization costs recognized during the three months ended March 31, 2005 resulted from the December 2004 release of QuickVerse® 2005 and the February 2005 release of Membership Plus® 2005. The direct costs and manufacturing overhead percentage are expected to continue at the 2005 levels as working capital remains more consistent and as more development projects are implemented in a shortened timeframe.

-3-

---

Table of Contents

Royalties to third party intellectual property content providers increased approximately \$55,000 from approximately \$80,000 for the three months ended March 31, 2004 to approximately \$135,000 for the three months ended March 31, 2005. Royalties also increased as a percentage of gross revenues from approximately 4.7% for the three months ended March 31, 2004 to approximately 6.8% for the three months ended March 31, 2005. The increase of royalties reflects the release of the QuickVerse® 2005 editions in early December 2004, and the two additional QuickVerse® editions, specifically QuickVerse® Essentials and QuickVerse® Platinum, which were released in early March of 2005. Furthermore, we sold some of the older QuickVerse® versions to liquidators at a reduced price throughout the first quarter of 2005 but had no such sales during the first quarter of 2004. During the year ended 2004, we renegotiated several royalty contracts which resulted in some cases in a higher royalty rate along with access to more content. The royalty rate as a percentage of gross sales is expected to increase in the future as sales to new users are expected to increase and as more development projects are implemented for new and/or enhanced products. However, upgrade sales will continue to be subject to royalties only on content additions of the upgraded version.

Software development costs are expensed as incurred until technological feasibility and marketability has been established, at which time development costs are capitalized until the software title is available for general release to customers. 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). Software development is segregated by title and technology platform. Once a product has been successfully released, subsequent revisions and upgrades are considered development and the costs of the revision and upgrade are capitalized. Capitalized costs are amortized on a product-by-product basis using the greater of (i) the straight-line amortization over the estimated life of the product (generally from 12 to 18 months) or (ii) the ratio of current revenues from the product to the total projected revenue over the life of the product. Generally, we consider technological feasibility to have been established with the release of a beta version for testing.

Software development costs are summarized in the table below. The software development costs, consisting primarily of direct and indirect labor and related overhead charges, capitalized during the three months ended March 31, 2004 and 2005 were approximately \$74,000 and approximately \$265,000, respectively. Accumulated amortization of these development costs included in cost of sales totaled approximately \$152,000 and approximately \$183,000 for the three months ended March 31, 2004 and 2005, respectively. The increase in both the capitalization and amortization is a direct result of the increase in the number of development projects and the consistent one year turn around on enhanced versions of our two best-selling product lines QuickVerse® and Membership Plus®.

<b>Three Months Ended March 31,</b>	<b>2005</b>	<b>2004</b>
Beginning balance	<b>\$ 701,289</b>	\$ 584,706
Capitalized	<b>264,649</b>	73,628
Amortized (cost of sales)	<b>182,688</b>	152,213
Ending balance	<b>\$ 783,250</b>	\$ 506,121
Research and development expense (General and administrative)	<b>\$ 37,080</b>	\$ 16,174

***Sales, General and Administrative***

With gross revenues increasing approximately \$269,000 for the first quarter of 2005 from the first quarter of 2004, sales expenses also increased approximately \$185,000 from approximately \$243,000 for the three months ended March 31, 2004 to approximately \$428,000 for the three months ended March 31, 2005. Included in sales expenses, commissions to a third-party telemarketing firm increased approximately \$105,000 from approximately \$166,000 for the three months ended March 31, 2004 to approximately \$271,000 for the three months ended March 31, 2005. Commissions also increased as a percentage of gross revenues from approximately 9.7% to approximately 13.7% for the three months ended March 31, 2004 and 2005, respectively. This increase is attributed to the increased focus of our sales to the direct consumer along with the number of new and enhanced product releases during the first quarter of 2005 compared with just one product release during the first quarter of 2004. Advertising and direct marketing

costs increased approximately \$84,000 from approximately \$73,000 for the three months ended March 31, 2004 to approximately \$157,000 for the three months ended March 31, 2005 and increased as a percentage of gross revenues from approximately 4% to 8%, respectively. This increase is a direct result of continuing to market our products online through multiple sources, continuing to increase and focus more on our direct marketing efforts, and the increased number of publication advertisements due to the new product enhancements of QuickVerse® and Membership Plus®.

-4-

---

Table of Contents

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). Software development costs related to third-party developers and direct labor expensed as research and development (see table above) amounted to approximately \$16,000 for the three months ended March 31, 2004 compared to approximately \$37,000 incurred for the three months ended March 31, 2005. The increase in 2005 reflects more research and development costs associated with maintenance issues on titles after they are released to the general public along with exploring new platforms for future products. Research and development expenses are expected to increase in future periods as we add new products and versions to our product mix.

Total personnel costs decreased approximately \$13,000 from approximately \$395,000 for the three months ended March 31, 2004 to approximately \$382,000 for the three months ended March 31, 2005. Direct salaries and wages increased approximately \$64,000 from approximately \$356,000 for the three months ended March 31, 2004 to approximately \$420,000 for the three months ended March 31, 2005 but remained consistent as a percentage of gross revenues at approximately 21%. This includes approximately \$5,000 in expense for upper management year-end bonus accrual. This increase in salaries and wages is a result of increasing our sales and marketing team, technical support staff and development staff. However, the associated health care costs decreased approximately \$15,000 from approximately \$48,000 for the three months ended March 31, 2004 to approximately \$33,000 for the three months ended March 31, 2005 as we restructured our health benefits plans. The capitalization of direct and indirect labor and related overhead charges as software development costs (see "Cost of Sales" above) increased by approximately \$52,000 from approximately \$45,000 for the three months ended March 31, 2004 to approximately \$97,000 for the three months ended March 31, 2005. This increase is due to the addition of development staff and the increased amount of new development projects. It is anticipated that personnel costs will increase in future periods as operating capital is available to fund full staffing of our product development team and expansion of the direct sales staff.

Direct legal costs increased approximately \$30,000 for the three months ended March 31, 2005 as we continue to work through the registration process for our registration statement on Form SB-2. It is anticipated that legal costs will continue to increase as we hold our first annual meeting of stockholders later this year and pursue our business plan for growth by acquiring companies and software title properties that are synergistic with our current product line and customer base. Telecommunications costs decreased approximately \$23,000 for the three months ended March 31, 2005 as we switched our local and long distance carriers in order to take advantage of the provider's current technology. Our increased call volume enabled us to change our service to dedicated T-1 lines which in turn reduced the long distance charges. Furthermore, we invested in Internet protocol phones for our remote locations which reduced the overall local and long distance charges in our Illinois and Iowa locations. The increased call volume in the technical support and customer service departments resulted from the release of the two major product upgrades beginning in December 2004 through March 2005. Corporate service fees increased approximately \$33,000 for the three months ended March 31, 2005. These fees are related to the hiring of an outside consultant and the expense for a 2004 issuance of a warrant to purchase 600,000 shares of common stock allocated over the term of the consulting contract. Interest expense for the three months ended March 31, 2005 decreased by approximately \$11,000 compared to 2004. This is due to our continuing efforts to reduce our trade payables and meet the scheduled terms and the reduced loans and long-term note payables.

*Derivatives*

In November 2004, we issued two warrants to purchase an aggregate of 21,875,000 shares of our common stock in connection with a certain Stock Purchase Agreement completed with Barron Partners, LP, on July 19, 2004. The first warrant entitles the holder to purchase up to 10,937,500 shares of our common stock at a price of \$0.18 per share, and the second warrant entitles the holder to purchase up to 10,937,500 additional shares of our common stock at a price

of \$0.60 per share. Each warrant is subject to standard adjustment provisions and each provides for settlement in registered shares of our common stock and may, at the option of the holder, be settled in a cashless, net-share settlement. 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*. In accordance with the accounting mandate, the derivative liability associated with these warrants has been and, until our registration statement on Form SB-2 originally filed on November 22, 2004 is declared effective, shall continue to be adjusted to fair value at each balance sheet date and accordingly reassessed at each such date to determine whether the warrants should be classified (or reclassified, as appropriate) as a liability or as equity. The fair value of each warrant was initially assessed at \$2,187,500 (\$4,375,000 total) using the Black-Scholes valuation method. At March 31, 2005, the fair value of the derivative liability was approximately \$2,188,000 and a fair value adjustment of approximately \$219,000 has been included in other expenses for the three months then ended.

Table of Contents

***Amortization***

Amortization expense increased approximately \$7,000 for the three months ended March 31, 2005. The software license acquired from TLC in July of 1999 is amortized over a 10 year useful life. Amortization expense for 2005 reflects the continual amortization of the software license along with the amortization for the launch of our Website, www.quickverse.com, during the second quarter of 2004.

***Income Tax Benefits***

Our effective tax rate differs from the statutory federal rate due to differences between income and expense recognition prescribed by the Internal Revenue Code and Generally Accepted Accounting Principles. We utilize different methods and useful lives for depreciating property and equipment. Changes in estimates (reserves) are recognized as expense for financial reporting but are not deductible for income tax purposes.

We have recognized a net deferred tax asset whose realization depends on generating future taxable income. At March 31, 2005, management established the valuation allowance based on the assessment that we will produce sufficient income in the future to realize our net deferred tax asset. The resulting deferred tax liability reflects income taxes payable in future periods on the net deductible differences related to the software license. We currently have net operating loss carryforwards, for income tax purposes, of approximately \$7,648,000. The carryforwards are the result of income tax losses generated in 2000 (\$2,480,000 expiring in 2020) and 2001 (\$5,168,000 expiring in 2021). We will need to achieve a minimum annual taxable income, before deduction of operating loss carryforwards, of approximately \$450,000 to fully utilize the current loss carryforwards. We believe this is achievable through careful expense management and continued introduction of new products and enhanced versions of our existing products.

Although there can be no assurance, management expects the deductible temporary differences (reserves) to reverse sometime beyond the next fiscal year.

***Liquidity And Capital Resources***

Our primary need for liquidity and capital resources are the funding of our continued operations, which includes the ongoing internal development of new products and expansion and upgrade of existing products and our pursuit of future strategic product line and/or corporate acquisitions and licensing.

As of March 31, 2005, we had \$1,399,623 in current assets, \$3,421,703 in current liabilities and a retained deficit of \$6,284,905. We had a net loss of \$114,072 for the three months ended March 31, 2005.

Net cash provided by operating activities was approximately \$82,000 for the three months ended March 31, 2004 and approximately \$248,000 for the three months ended March 31, 2005. The increase in cash provided was primarily due to an increase in the amounts received from customers resulting from increased sales.

Net cash used in investing activities was approximately \$92,000 for the three months ended March 31, 2004 and approximately \$279,000 for the three months ended March 31, 2005. The increase in cash used for investing activities results from capitalizing costs associated with software development and upgrading our internal computer equipment and software in order to increase our operating efficiency capabilities.

Table of Contents

Net cash used by financing activities was approximately \$1,000 for the three months ended March 31, 2004 and approximately \$27,000 for the three months ended March 31, 2005. Cash used by financing activities reflects payments made on long-term note payables.

On July 19, 2004, we completed an equity financing in the amount of \$1,750,000 through a private placement with Barron Partners, LP. Under the terms of the agreement, Barron Partners purchased 21,875,000 restricted shares of common stock at a price of \$0.08 per share. In addition, according to the terms of the agreement, Barron Partners received two warrants to purchase common stock. The first warrant entitles Barron Partners to purchase up to 10,937,500 shares of common stock at a price of \$0.18 per share and the second warrant entitles Barron Partners to purchase up to 10,937,500 additional shares of common stock at a price of \$0.60 per share; each warrant is subject to standard adjustment provisions. The original terms of the agreement called for the exercise price associated with each of the warrants to be subject to adjustment based on the occurrence or non-occurrence of certain events. An amendment to the Barron Stock Purchase Agreement was entered into on September 30, 2004 which voided these provisions. See Exhibits 10.10, 10.11, 10.12, and 10.13. These warrants have been accounted for as a liability according to the guidance of EITF 00-19. In accordance with the accounting mandate, the derivative liability associated with these warrants has been and, until our registration statement on Form SB-2 originally filed on November 22, 2004 is declared effective, shall continue to be adjusted to fair value at each balance sheet date and accordingly reassessed at each such date to determine whether the warrants should be classified (or reclassified, as appropriate) as a liability or as equity. The fair value of each warrant was initially assessed at \$2,187,500 (\$4,375,000 total) using the Black-Scholes valuation method. At March 31, 2005, the fair value of the derivative liability was approximately \$2,188,000 and a fair value adjustment of approximately \$219,000 has been included in other expenses for the three months then ended.

**ITEM 3. CONTROLS AND PROCEDURES**

**(a) Evaluation of Disclosure Controls and Procedures.**

Our CEO and CFO have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the fiscal quarter covered by this report on Form 10-QSB. Based on this evaluation, our CEO and CFO have concluded that these disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the requisite time periods.

**(b) Changes In Internal Control over Financial Reporting.**

No changes in our disclosure controls and procedures, internal controls over financial reporting or other factors have occurred during the fiscal quarter covered by this report that would materially affect or be reasonably likely to materially affect our disclosure controls and procedures or internal controls over financial reporting.



Table of Contents

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

As of the date of this report, there were no pending material legal proceedings to which we were a party and we were 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. Moreover, there can be no assurance that our insurance coverage will prove adequate to cover all liabilities arising out of any claims that may be initiated against us in the future. Any finding of liability imposed against us coupled with a lack of corresponding insurance coverage is likely to have an adverse effect on our business, our financial condition, including liquidity and profitability, and our operating results.

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

Subsequent to December 31, 2004, the company restored a stale check that was issued to Business Investor Services, Inc. as payment in full of a note payable. This resulted in the conversion of the note payable into 466,666 shares of common stock. The conversion of such securities was effected without registration under the Securities Act of 1933, as amended, based on their being exempted securities under Section 3(a)(9) thereof. There were no underwriters or placement agents involved in this issuance and no commissions were paid.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

There were no reportable events under this Item 3 during the quarterly period ended March 31, 2005.

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

There were no reportable events under this Item 4 during the quarterly period ended March 31, 2005.

There were no material changes to the procedures by which security holders may recommend nominees to our board of directors.

**ITEM 5. OTHER INFORMATION.**

The Annual Meeting of the Stockholders of Findex.com, Inc. will be held on September 8, 2005. Stockholders of record who wish to submit a proposal at the 2005 Annual Meeting must provide written notice to the Secretary of the company in accordance with Article IX of our Articles of Incorporation. Under our Articles of Incorporation, such notice must be received by the Secretary no earlier than July 10, 2005, and no later than August 9, 2005.

There were no material changes to the procedures by which security holders may recommend nominees to our board of directors.

**ITEM 6. EXHIBITS.**

**No. Description of Exhibit**

2.1 Share Exchange Agreement between Findex.com, Inc. and the stockholders of Reagan Holdings, Inc. dated March 7, 2000, incorporated by reference to Exhibit 2.1 on Form 8-K filed March 15, 2000.

3(i)(1)

Edgar Filing: FINDEX COM INC - Form 10QSB/A

Articles of Incorporation of Findex.com, Inc., incorporated by reference to Exhibit 3.1 on Form 8-K filed March 15, 2000.

3(i)(2) Amendment to Articles of Incorporation of Findex.com, Inc. dated November 12, 2004 incorporated by reference to Exhibit 3.1(ii) on Form 10-QSB filed November 12, 2004.

3(ii) By-Laws of Findex.com, Inc., incorporated by reference to Exhibit 3.3 on Form 8-K filed March 15, 2000.

-8-

---

Table of Contents

- 10.1 Stock Incentive Plan of Findex.com, Inc. dated May 7, 1999, incorporated by reference to Exhibit 10.1 on Form 10-KSB/A filed May 13, 2004.
- 10.2 Share Exchange Agreement between Findex.com, Inc. and the stockholders of Reagan Holdings Inc., dated March 7, 2000, incorporated by reference to Exhibit 2.1 on Form 8-K filed March 15, 2000.
- 10.3 License Agreement between Findex.com, Inc. and Parsons Technology, Inc. dated June 30, 1999, incorporated by reference to Exhibit 10.3 on Form 10-KSB/A filed May 13, 2004.
- 10.4 Employment Agreement between Findex.com, Inc. and Steven Malone dated July 25, 2003, incorporated by reference to Exhibit 10.4 on Form 10-KSB/A filed May 13, 2004.
- 10.5 Employment Agreement between Findex.com, Inc. and Kirk Rowland dated July 25, 2003, incorporated by reference to Exhibit 10.5 on Form 10-KSB/A filed May 13, 2004.
- 10.6 Employment Agreement between Findex.com, Inc. and William Terrill dated June 7, 2002, incorporated by reference to Exhibit 10.6 on Form 10-KSB/A filed May 13, 2004.
- 10.7 Restricted Stock Compensation Agreement between Findex.com, Inc. and John A. Kuehne dated July 25, 2003, incorporated by reference to Exhibit 10.7 on Form 10-KSB/A filed May 13, 2004.
- 10.8 Restricted Stock Compensation Agreement between Findex.com, Inc. and Henry M. Washington dated July 25, 2003, incorporated by reference to Exhibit 10.8 on Form 10-KSB/A filed May 13, 2004.
- 10.9 Restricted Stock Compensation Agreement between Findex.com, Inc. and William Terrill dated July 25, 2003, incorporated by reference to Exhibit 10.9 on Form 10-KSB/A filed May 13, 2004.
- 10.10 Stock Purchase Agreement, including the form of warrant agreement, between Findex.com, Inc. and Barron Partners, LP dated July 19, 2004, incorporated by reference to Exhibit 10.1 on Form 8-K filed July 28, 2004.
- 10.11 Amendment No. 1 to Barron Partners, LP Stock Purchase Agreement dated September 30, 2004, incorporated by reference to Exhibit 10.3 on Form 8-K filed October 6, 2004.
- 10.12 Registration Rights Agreement between Findex.com, Inc. and Barron Partners, LP dated July 26, 2004, incorporated by reference to Exhibit 10.2 on Form 8-K filed July 28, 2004.
- 10.13 Waiver certificate between Findex.com, Inc. and Barron Partners, LP dated September 16, 2004, incorporated by reference to Exhibit 10.4 on Form 8-K filed October 6,

2004.

31.1 Certification of Findex.com, Inc. Chief Executive Officer, Steven Malone, required by Rule 13a-14(a) or Rule 15d-14(a), and dated December 21, 2005. FILED HEREWITH.

31.2 Certification of Findex.com, Inc. Chief Financial Officer, Kirk R. Rowland, required by Rule 13a-14(a) or Rule 15d-14(a), and dated December 21, 2005. FILED HEREWITH.

32.1 Certification of Findex.com, Inc. Chief Executive Officer, Steven Malone, required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), and dated December 21, 2005. FILED HEREWITH.

32.2 Certification of Findex.com, Inc. Chief Financial Officer, Kirk R. Rowland, required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), and dated December 21, 2005. FILED HEREWITH.

-9-

---

Table of Contents

**Signatures**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**FINDEX.COM,  
INC.**

Date: December  
21, 2005

By/s/ Steven  
Malone  
Steven Malone  
President and  
Chief Executive  
Officer

Date: December  
21, 2005

By/s/ Kirk R.  
Rowland  
Kirk R. Rowland,  
CPA  
Chief Financial  
Officer

Table of Contents