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

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

FORM 10-QSB/A
Amendment No. 1

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005.

[_] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

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

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

(402) 333-1900
(Issuer's telephone number)

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 [X] 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 October 20, 2005.

Transitional Small Business Disclosure Format (Check one): **Yes [_] No [X]**

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Findex.com, Inc.
CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) June 30, 2005
Assets		
Current assets:		
Cash and cash equivalents	$	**95,941**
Accounts receivable, trade		**617,692**
Inventory		**225,887**
Other current assets		**359,461**
Total current assets		**1,298,981**
Property and equipment, net		**134,350**
Software license, net		**2,014,030**
Capitalized software development costs, net		**931,103**
Other assets		**532,072**
Total assets	$	**4,910,536**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable, trade	$	**650,984**
Accrued royalties		**304,752**
Other current liabilities		**495,573**
Total current liabilities		**1,451,309**
Long-term obligations		**179,317**
Commitments and contingencies		
Stockholders' equity:		
Common stock		**48,620**
Paid-in capital		**9,198,417**
Retained (deficit)		**(5,967,127)**
Total stockholders' equity		**3,279,910**
Total liabilities and stockholders' equity	$	**4,910,536**

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004 (Restated)	**2005**	2004 (Restated)
Revenues, net of reserves and allowances	**$ 1,276,996**	$ 1,020,885	**$ 2,954,410**	$ 2,653,853
Cost of sales	**450,993**	271,410	**959,778**	740,069
Gross profit	**826,003**	749,475	**1,994,632**	1,913,784
Operating expenses:				
Sales and marketing	**307,521**	267,902	**734,968**	510,501
General and administrative	**690,078**	615,895	**1,325,796**	1,171,574
Bad debt expense	**22,016**	---	**22,669**	2,500
Depreciation and amortization	**145,780**	139,187	**291,548**	274,639
Total operating expenses	**1,165,395**	1,022,984	**2,374,981**	1,959,214
Loss from operations	**(339,392)**	(273,509)	**(380,349)**	(45,430)
Other expenses, net	**(2,920)**	(16,188)	**(6,775)**	(30,518)
Loss before income taxes	**(342,312)**	(289,697)	**(387,124)**	(75,948)
Provision for income taxes	**149,669**	(31,011)	**299,158**	(61,322)
Net loss	**$ (192,643)**	$ (320,708)	**(87,966)**	(137,270)
Retained deficit at beginning of year			**(5,879,161)**	(7,130,761)
Retained deficit at end of period			**$ (5,967,127)**	$ (7,268,031)
Net loss per share:				
Basic	**$ ---**	$ (0.01)	**$ ---**	$ (0.01)
Diluted	**$ ---**	$ (0.01)	**$ ---**	$ (0.01)
Weighted average shares outstanding:				
Basic	**48,619,855**	23,276,312	**48,619,855**	22,143,875
Diluted	**48,619,855**	23,276,312	**48,619,855**	22,143,875

See accompanying notes.

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

Six Months Ended June 30		**2005**		2004 (Restated)
Cash flows from operating activities:				
Cash received from customers	**$**	**2,887,090**	$	2,639,964
Cash paid to suppliers and employees		**(2,531,135)**		(2,409,585)
Other operating activities, net		**1,323**		(28,166)
Net cash provided by operating activities		**357,278**		202,213
Cash flows from investing activities:				
Software development costs		**(594,161)**		(178,049)
Other investing activities, net		**20,000**		(50,933)
Net cash (used) by investing activities		**(574,161)**		(228,982)
Cash flows from financing activities:				
Payments on line of credit, net		**---**		(2,999)
Payments made on long-term notes payable		**(28,535)**		(50,890)
Net cash (used) by financing activities		**(28,535)**		(53,889)
Net (decrease) in cash and cash equivalents		**(245,418)**		(80,658)
Cash and cash equivalents, beginning of year		**341,359**		41,668
Cash and cash equivalents, end of period	**$**	**95,941**	$	(38,990)
Reconciliation of net loss to cash flows from operating activities:				
Net loss	**$**	**(87,966)**	$	(137,270)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Software development costs amortized		**364,347**		258,258
Stock and warrants issued for services		**---**		44,186
Rebate reserve adjustment		**---**		(142,039)
Provision for bad debts		**22,669**		2,500
Depreciation & amortization		**291,548**		274,639
Loss on disposal of property, plant and equipment		**1,869**		---
Change in assets and liabilities:				
(Increase) decrease in accounts receivable		**(73,542)**		180,062
Decrease in inventories		**8,113**		110,697
Decrease in refundable taxes		**7,164**		---
(Increase) decrease in prepaid expenses		**30,177**		(75,406)
Increase (decrease) in accrued royalties		**17,238**		(204,937)
Increase (decrease) in accounts payable		**29,180**		(174,711)
Increase in income taxes payable		**180**		700
Increase (decrease) in deferred taxes		**(299,338)**		60,625
Increase in other liabilities		**45,639**		4,909
Net cash provided by operating activities	**$**	**357,278**	$	202,213

See accompanying notes.

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Findex.com, Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 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.

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

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 amortized over a 10 year

useful life.

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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 $2,342,895, less accumulated amortization of $1,411,792 at June 30, 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*, established 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 $67,243 and $43,696 for the six months ended June 30, 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 ("FASB'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.

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.

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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 $98,309, less accumulated amortization of $32,803 at June 30, 2005.

NET REVENUE

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 six months ended June 30, 2005 and 2004 and maintain a reserve for rebate claims remaining unpaid from 2000.

Service Revenue

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

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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 services, 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.

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.

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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.

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 June 30, 2005, inventories consisted of the following:

Raw materials	$ 138,587
Finished goods	87,300
Inventories	$ 225,887

During the six months ended June 30, 2004, we wrote-off obsolete inventory with a carried cost totaling $32,396. This has been included in cost of sales for 2004.

NOTE 3 - INCOME TAXES

The provision (benefit) for taxes on net income for the three and six months ended June 30, 2005 and 2004 consisted of the following:

	Three months ended June 30		**Six months ended June 30**	
	2005	2004	**2005**	2004
Current:				
Federal	$ ---	$ ---	**$ ---**	$ ---
State	---	700	**180**	700
	---	700	**180**	700
Deferred:				
Federal	**(141,093)**	25,001	**(282,186)**	50,002
State	**(8,576)**	5,310	**(17,152)**	10,620
	(149,669)	30,311	**(299,338)**	60,622
Total tax provision (benefit)	**($149,669)**	$ 31,011	**($299,158)**	$ 61,322

NOTE 4 - 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.

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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:

For the Three Months Ended June 30	**2005**	2004 (Restated)
Net Income (loss)	**$ (192,643)**	$ (320,708)
Preferred stock dividends	**---**	---
Net income (loss) available to common shareholders	**$ (192,643)**	$ (320,708)
Basic weighted average shares outstanding	**48,619,855**	23,276,312
Dilutive effect of:		
Stock options	**---**	---
Convertible notes payable	**---**	---
Convertible Preferred Series A	**---**	---
Convertible Preferred Series B	**---**	---
Warrants	**---**	---
Diluted weighted average shares outstanding	**48,619,855**	23,276,312

For the Six Months Ended June 30	**2005**	2004 (Restated)
Net Income (loss)	**$ (87,966)**	$ (137,270)
Preferred stock dividends	**---**	---
Net income (loss) available to common shareholders	**$ (87,966)**	$ (137,270)
Basic weighted average shares outstanding	**48,619,855**	22,143,875
Dilutive effect of:		
Stock options	**---**	---
Convertible notes payable	**---**	---
Convertible Preferred Series A	**---**	---
	---	---

Convertible Preferred Series B		
Warrants	**---**	---
Diluted weighted average shares outstanding	**48,619,855**	22,143,875

A total of 25,585,000 and 5,008,892 dilutive potential securities for the three and six months ended June 30, 2005 and 2004, respectively, have been excluded from the computation of diluted earnings per common share, as their inclusion would be anti-dilutive.

NOTE 5 - 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 statements taken as a whole.

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, bonuses ($54,064 included in Other current liabilities at June 30, 2005), and any vested deferred compensation ($28,311 included in Other current liabilities at June 30, 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.

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In 2003 and 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 the July 2004 financing transaction, we entered into a certain Registration Rights Agreement with a New York based private investment partnership pursuant to which we committed to registering all of the shares issued as part of such transaction, including those issuable under each of the two warrants. On November 22, 2004, we filed a registration statement on Form SB-2 covering the shares issued to Barron, as well as the shares underlying the warrants issued to Barron. 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 in an amount equal to $1,726 per day for the duration of any such delay. Through June 30, 2005, we have accrued a total of $119,000 in registration rights penalties, inclusive of an adjustment made pursuant to a tentative verbal agreement reached with Barron Partners in April 2005, for failing to cause the registration statement to be declared effective by the SEC by April 22, 2005. If we are unable to cause such 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 year then ending.

NOTE 6 - 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 7 - SUBSEQUENT EVENTS, (Restated)

As of June 30, 2005, the registration statement filed on November 22, 2004 had not yet been declared effective, and we have accrued $119,000 (69 days at $1,726 per day) in penalties under the Registration Rights Agreement, inclusive of an adjustment made pursuant to a tentative verbal agreement reached with Barron Partners in April 2005, wherein, in relation to the associated accruing penalties, we agreed to pay Barron Partners an amount in cash equal to $100,000 to toll the accrual of further penalties until June 21, 2005. Although this amount has been paid in full, penalties in the amount of $1,726 per day continue to accrue from June 21, 2005 until the registration statement is declared effective, at which time a negotiated reduction of such total amount is expected to be reached, the extent of which is as yet unknown, and terms of payment of which are expected to be agreed to which will allow us to reasonably meet our ongoing operating needs. We have experienced continued delays in effectiveness of such registration statement due principally to ongoing efforts made necessary by our determination to restate certain of our historical financial information. Although there can be no assurance, management is hopeful that we will cause the registration statement to be declared effective in the near future. The amount paid by us to date to satisfy this obligation has, and any continued delays in our ability to cause the registration statement to be declared effective coupled with additional amounts which we are and may be required to pay, will have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations, including a corresponding reduction in our net income and the likelihood of a net loss for the year.

NOTE 8 - RESTATEMENT AND RECLASSIFICATION

We have restated our financial statements for the three and six months ended June 30, 2004 to reflect certain issues identified during a regulatory review of our financial statements associated with a certain registration statement filed with the SEC on November 22, 2004 on Form SB-2. Our management and our board of directors have concluded these restatements are necessary to reflect the changes described below. There was no net effect on cash provided by

operating activities or cash used by investing and financing activities as a result of these corrections.

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§ In June 1999 we entered into a certain software license agreement with Parsons Technology, Inc. to manufacture, distribute and sell a variety of software titles, including QuickVerse®and Membership Plus®, by far our two largest selling titles. During the three month period ended June 30, 2002 we reached a tentative settlement agreement in an arbitration arising out of the 1999 license with TLC, the licensor-assignee at the time. The tentative settlement agreement forgave the final, unpaid installment of $1,051,785, which we offset against the carrying amount of the 1999 license. 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 an asset in which the consideration given is cash is measured by the amount of cash paid, management has concluded that too much time had elapsed between the date of the 1999 license and the date of the tentative settlement agreement for such an offset to be appropriate. Therefore, we have recognized the extinguishment of the liability owed to TLC as income, in the amount of$1,051,785, in our 2002 statement of operations. We have restated the retained deficit as of December 31, 2003 and there was no net effect on our consolidated statements of operations and consolidated statements of cash flows for the three and six months then ended as a result of this correction.

§ Also during the three month period ended June 30, 2002, we extended the estimated life of the 1999 license from 10 years to 50 years in accordance with the terms of the tentative settlement agreement with TLC. Although the 1999 license provides for the unlimited and exclusive use of the trademarks related to the software programs, and our management has assessed the useful life of the 1999 license as indefinite, though limited by the contractual provisions to 50 years, based on the estimated future direct or indirect cash flows from the 1999 license, as provided by paragraphs 11 and 53 of SFAS No. 142, *Goodwill and Other Intangible Assets*, our management has concluded that a 10 year life is appropriate on the basis of our going concern opinions for 2002 and 2003. We have restated our condensed consolidated statements of operations ($251,753) and consolidated statements of cash flows for the three and six months ended June 30, 2004.

§ 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 statement of operations. Our revised condensed consolidated statement of operations for the three and six months ended June 30, 2004 reflects this inventory adjustment in Cost of sales. There was no net effect on net income (loss) from this reclassification for the three and six months ended June 30, 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 loss for the three and six months ended June 30, 2004 or retained deficit at June 30, 2004 or December 31, 2003.

§ We have also reclassified various other expense items in our condensed consolidated statements of operations for the three and six months ended June 30, 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 and six months ended June 30, 2004.

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

Findex.com, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Six Months Ended June 30, 2004
(Unaudited)

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	$ 2,499,215	$ 2,653,853	$ 154,638	(a)
Cost of sales	630,791	740,069	109,278	(b)
Gross profit	1,868,424	1,913,784	45,360	
Operating expenses:				
Sales and marketing	497,049	510,501	13,452	(c)
General and administrative	1,249,306	1,171,574	(77,732)	(d)
Inventory write down	32,396	---	(32,396)	(e)
Rebate reserve adjustment	(266,301)	---	266,301	(f)
Bad deb provision	2,500	2,500	---	
Depreciation and amortization	22,886	274,639	251,753	(g)
Total operating expenses	1,537,836	1,959,214	421,378	
Earnings (loss) from operations	330,588	(45,430)	(376,018)	
Other expenses, net	(30,518)	(30,518)	---	
Income (loss) before income taxes	300,070	(75,948)	(376,018)	
Provision for income taxes	(2,305)	(61,322)	(59,017)	(h)
Net income (loss)	$ 297,765	$ (137,270)	$ (435,035)	
Net earnings (loss) per share:				
Basic	$ 0.01	$ (0.01)	$ (0.02)	
Diluted	$ 0.01	$ (0.01)	$ (0.02)	
Weighted average shares outstanding:				
Basic	22,143,875	22,143,875	---	
Diluted	23,821,007	22,143,875	(1,677,132)	(i)

(a) Increase from reclassification of rebate reserve adjustment from Sales and marketing expenses.
(b) Increase from reclassification of non-capitalized technical support wages from General and administrative expenses, reclassification of fulfillment costs from Sales and marketing expenses, and reclassification of Inventory write down expense from operating expenses.

(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 reclassification as an adjustment to revenue and allocation between 2003 and 2004.
(g) Increase from effects of additional amortization of the software license agreement.
(h) Income tax effects of additional software license amortization.
(i) Decrease due to change from net income to net loss.

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Findex.com, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended June 30, 2004
(Unaudited)

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	$ 961,951	$ 1,020,885	$ 58,934	(a)
Cost of sales	233,102	271,410	38,308	(b)
Gross profit	728,849	749,475	20,626	
Operating expenses:				
Sales and marketing	280,033	267,902	(12,131)	(c)
General and administrative	658,603	615,895	(42,708)	(d)
Rebate reserve adjustment	(266,301)	---	266,301	(e)
Depreciation and amortization	13,311	139,187	125,876	(f)
Total operating expenses	685,646	1,022,984	337,338	
Earnings (loss) from operations	43,203	(273,509)	(316,712)	
Other expenses, net	(16,188)	(16,188)	---	
Income (loss) before income taxes	27,015	(289,697)	(316,712)	
Provision for income taxes	(1,505)	(31,011)	(29,506)	(g)
Net income (loss)	$ 25,510	$ (320,708)	$ (346,218)	
Net earnings (loss) per share:				
Basic	$ ---	$ (0.01)	$ (0.01)	
Diluted	$ ---	$ (0.01)	$ (0.01)	
Weighted average shares outstanding:				
Basic	23,276,312	23,276,312	---	
Diluted	24,953,444	23,276,312	(1,677,132)	(h)

(a) Reclassification of rebate reserve adjustment from Sales and marketing expenses.
(b) Increase from reclassification of non-capitalized technical support wages from General and administrative expenses, and reclassification of fulfillment costs from Sales and marketing expenses.
(c) Decrease from reclassification of fulfillment costs to Cost of sales.
(d) Decrease from reclassification of non-capitalized technical support wages to Cost of sales.
(e) Increase from reclassification as an adjustment to revenue and allocation between 2003 and 2004.
(f) Increase from effects of additional amortization of the software license agreement.

(g) Income tax effects of additional software license amortization.
(h) Decrease due to change from net income to net loss.

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Findex.com, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2004
(Unaudited)

	As Originally Reported	As Restated	Change	
Cash flows from operating activities:				
Cash received from customers	$ 2,687,874	$ 2,639,964	$ (47,910)	(a)
Cash paid to suppliers and employees	(2,691,400)	(2,409,585)	281,815	(b)
Other operating activities, net	205,739	(28,166)	(233,905)	(c)
Net cash provided by operating activities	202,213	202,213	---	
Cash flows from investing activities:				
Acquisition of property and equipment	(18,612)	(18,612)	---	
Software development costs	(178,049)	(178,049)	---	
Website development costs	(31,836)	(31,836)	---	
Deposits made	(485)	(485)	---	
Net cash (used) by investing activities	(228,982)	(228,982)	---	
Cash flows from financing activities:				
Proceeds from (payments on) line of credit, net	(2,999)	(2,999)	---	
Payments made on long-term notes payable	(50,890)	(50,890)	---	
Net cash (used) by financing activities	(53,889)	(53,889)	---	
Net (decrease) in cash and cash equivalents	(80,658)	(80,658)	---	
Cash and cash equivalents, beginning of year	142,022	41,668	(100,354)	(d)
Cash and cash equivalents (overdraft), end of period	$ 61,364	$ (38,990)	$ (100,354)	
Reconciliation of net income (loss) to cash flows from operating activities:				
Net income (loss)	$ 297,765	$ (137,270)	$ (435,035)	

Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Software development costs amortized	258,258	258,258	---	
Provision for bad debts	2,500	2,500	---	
Stock and warrants issued for services	44,186	44,186	---	
Rebate reserve adjustment	(266,301)	(142,039)	124,262	(e)
Depreciation and amortization	22,886	274,639	251,753	(f)
Change in assets and liabilities:				
Decrease in accounts receivable	180,062	180,062	---	
Decrease in inventories	110,697	110,697	---	
(Increase) in prepaid expenses	(75,406)	(75,406)	---	
(Decrease) in accrued royalties	(204,937)	(204,937)	---	
(Decrease) in accounts payable	(174,711)	(174,711)	---	
Increase in income taxes payable	700	700	---	
Increase in deferred taxes	1,605	60,625	59,020	(g)
Increase (decrease) in other liabilities	4,909	4,909	---	
Net cash provided by operating activities	$ 202,213	$ 202,213	$ ---	

(a) Decrease from reclassification of estimated cost of sales returns against cash paid.
(b) Increase from reclassification of reserve for rebate adjustment from other operating activities, reclassification of inventory write-down from other operating activities, and estimated cost of sales returns from cash received.
(c) Decrease from reclassification of reserve for rebate adjustment and inventory write-down to cash paid.
(d) Decrease from reclassification of restricted cash as other asset.
(e) Allocation of rebate reserve adjustment to 2003 and 2004.
(f) Additional software license amortization.
(g) Net income tax effects of additional software amortization.

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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 statements. The words "may", "would", "could", "will", "expect", "estimate", "anticipate", "believe", "intend", "plan", "goal" and similar expressions and variations thereof are in 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 of Financial Condition and Results of Operations, 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 second quarter of 2005 and for the first time in our operating history, we introduced our flagship product, QuickVerse®, to the Macintosh® Operating System platform. QuickVerse®Macintosh is available in two new editions, QuickVerse® Macintosh Black which has a suggested retail price of $99.95 and QuickVerse®Macintosh White which has a suggested retail price of $49.95. We believe we are now the only publisher of Bible reference software for each of the Windows®, Macintosh®, PocketPC® and Palm® OS platforms. We also released an updated version of Bible Illustrator® 3.0 titled Sermon Builder® 4.0 during the second quarter of 2005. Sermon Builder® 4.0 was the first update to this particular program in over six years and has a suggested retail price of $69.95. Sermon Builder® 4.0 is ideal for pastors and teachers who want to create punctuated sermons, comprehensive lessons, and in-depth Bible studies. Furthermore, 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®, and 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 the four new QuickVerse®editions will provide us with an opportunity to broaden our customer base as our products are now available to PC and Macintosh users, and 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. As a result of these releases, as well as our release in December 2004 of our most recent upgrade to QuickVerse®, our second quarter 2005 revenues were higher than those during the second quarter of

2004. Our performance during the three months ended June 30, 2005 marks the second straight year in which we have increased our gross revenues during our second quarter, which is typically one of our slower quarters in revenue growth due to the seasonality of our products. Although there can be no assurance, we believe that we can sustain our revenue growth through the third and fourth quarters based upon our development schedule which includes an update to our QuickVerse® PDA software along with an update to our QuickVerse® Windows software.

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Results Of Operations for Quarters Ending June 30, 2005 and June 30, 2004

Statement of Operations for Six Months Ended June 30	**2005**	2004	Change	%
Net Revenues	**$ 2,954,410**	$ 2,653,853	$ 300,557	11%
Cost of Sales	**$ 959,778**	$ 740,069	$ 219,709	30%
Gross Profit	**$ 1,994,632**	$ 1,913,784	$ 80,848	4%
Total Operating Expenses	**$ (2,374,981)**	$ (1,959,214)	$ (415,767)	21%
Other Expenses	**$ (6,775)**	$ (30,518)	$ 23,743	-78%
Income (loss) before income taxes	**$ (387,124)**	$ (75,948)	$ (311,176)	410%
Provision for income taxes	**$ 299,158**	$ (61,322)	$ 360,480	-588%
Net loss	**$ (87,966)**	$ (137,270)	$ 49,304	-36%

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 33% of our annual sales.

During the six months ended June 30, 2004, we wrote down a distinct category of obsolete inventory of approximately $32,000 which is included in cost of sales. We also wrote down a reserve for rebates payable due to a change in accounting estimate of approximately $142,000 which is included as an adjustment to revenue in accordance with EITF Issue No. 01-09 for the six months ended June 30, 2004. These write down items had no effect on the cash flow statement. Our net loss decreased approximately $128,000 from a net loss of approximately $321,000 for the three months ended June 30, 2004 to a net loss of approximately $193,000 for the three months ended June 30, 2005 and decreased approximately $49,000 from a net loss of approximately $137,000 for the six months ended June 30, 2004 to a net loss of approximately $88,000 for the six months ended June 30, 2005. For the six months ended June 30, 2004, we recognized approximately $44,000 in non-cash expenses related to issuances of shares of common stock to our board of directors and employees as well as warrants issued for services. For the six months ended June 30, 2005 we did not recognize any non-cash expenses related to shares of common 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 elements and include software products, we allocate and defer revenue for the undelivered elements based on their vendor-specific objective evidence of fair value, which is generally the price charged when that element is sold separately.

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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 and six months ended June 30, 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. 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 or price protection concessions that exceed our reserves could materially adversely affect our business and operating results and could increase the magnitude of quarterly fluctuations in our operating and financial results. We do anticipate implementing a price protection program within the third quarter of 2005 on our current QuickVerse® 2005 titles within the Christian Booksellers Association retail channel in order to prepare for our next updated release of QuickVerse® 2006. QuickVerse® 2006 is anticipated to be released in late September 2005 or early October 2005, and we feel we have reserved appropriately for the anticipated price protections.

Software products are sold separately, without 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.

Revenues for Three Months Ended June 30	**2005**	**% to Sales**	2004	% to Sales	Change	%
Gross sales	**$ 1,527,334**	**100%**	$ 1,057,504	100%	$ 469,830	44%
Add rebate adjustment	**4,910**	**0%**	75,464	7%	(70,554)	-93%

Less reserve for sales returns and allowances	**(255,248)**	**-17%**	(112,083)	-11%	(143,165)	128%
Net sales	**$ 1,276,996**	**83%**	$ 1,020,885	96%	$ 256,111	25%

Revenues for Six Months Ended June 30	**2005**	**% to Sales**	2004	% to Sales	Change	%
Gross sales	**$ 3,511,370**	**100%**	$ 2,772,975	100%	$ 738,395	27%
Add rebate adjustment	**9,820**	**0%**	202,548	7%	(192,728)	-95%
Less reserve for sales returns and allowances	**(566,780)**	**-16%**	(321,670)	-12%	(245,110)	76%
Net sales	**$ 2,954,410**	**84%**	$ 2,653,853	95%	$ 300,557	8%

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Gross revenues increased approximately $470,000 from approximately $1,057,000 for the three months ended June 30, 2004 to approximately $1,527,000 for the three months ended June 30, 2005 and increased approximately $738,000 from approximately $2,773,000 for the six months ended June 30, 2004 to approximately $3,511,000 for the six months ended June 30, 2005. Such increase is due to our releases of an enhanced version of our top financial and data management product, Membership Plus®, an enhanced version of QuickVerse® Essentials and a new edition to the QuickVerse® family, the QuickVerse® Platinum edition, during the first quarter of 2005. QuickVerse® Essentials retails for $49.95. QuickVerse® Platinum contains the most Bible translations and reference titles of any QuickVerse® edition and retails for $799.95. During the second quarter of 2005, we introduced QuickVerse® Macintosh in two editions, White Box edition at the retail price of $49.95 and Black Box edition at the retail price of $99.95. This was our first product release on the Macintosh®Operating System platform. We also released an enhanced version of Bible Illustrator® 3.0 titled Sermon Builder® 4.0. This was the first update to this program in over six years and retails for $69.95. Comparatively, during the six months ended June 30, 2004, we had only the one product release of Membership Plus® 8.0 which ranged in price from $199.95 to $299.95. We anticipate that revenues will continue to increase throughout the year as we remain on schedule to have an updated annual release of our two major product lines, QuickVerse® and Membership Plus®.

Sales returns and allowances increased approximately $143,000 from approximately $112,000 for the three months ended June 30, 2004 to approximately $255,000 for the three months ended June 30, 2005 and increased approximately $245,000 from approximately $322,000 for the six months ended June 30, 2004 to approximately $567,000 for the six months ended June 30, 2005. As a percentage of gross sales, sales returns and allowances increased from approximately 11% for the three months ended June 30, 2004 to approximately 17% for the three months ended June 30, 2005 and increased from approximately 12% for the six months ended June 30, 2004 to approximately 16% for the six months ended June 30, 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 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. We have also increased our reserve for sales returns due to a higher price point in connection with QuickVerse® Platinum being released in the first quarter of 2005. Furthermore, due to the resignation of the primary developer of Membership Plus® and some unresolved maintenance issues, we have experienced higher actual returns on the Membership Plus® 2005 product line. However, we are currently utilizing both domestic and international contracted developers to not only resolve the maintenance issues but to also continue the development for our annual update on the Membership Plus® program. We are on track to continue to release enhanced versions of our products on an annual basis; however, we do 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. Incidents of return are lower for sales direct to the end-user 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 increased approximately $123,000 from approximately $229,000 for the three months ended June 30, 2004 to approximately $352,000 for the three months ended June 30, 2005 and increased approximately $99,000 from approximately $625,000 for the six months ended June 30, 2004 to approximately $724,000 for the six months ended June 30, 2005. As a percentage of gross revenues, the direct costs and manufacturing overhead slightly increased approximately 1% for the three months ended June 30, 2005 and slightly decreased approximately 2% for the six months ended June 30, 2005. The six months ended June 30, 2004 include the write down of a distinct category of obsolete inventory of approximately $32,000. Fulfillment costs from a

third-party warehouse and included in the manufacturing overhead costs noted above decreased approximately $15,000 from approximately $47,000 for the six months ended June 30, 2004 to approximately $32,000 for the six months ended June 30, 2005 as we moved our retail fulfillment to a new outside entity in late October 2004. The steady percentage of cost of sales reflects the continual software development cycle of enhancing our two major product lines within a one year timeframe and the amortization of those software development costs. The amortization recognized during the six months ended June 30, 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 recognized during the six months ended June 30, 2005 resulted from the December 2004 release of QuickVerse® 2005, the February 2005 release of Membership Plus® 2005, the late June 2005 releases of QuickVerse® Macintosh and Sermon Builder® 4.0 and the remainder of QuickVerse® 8.0 and Membership Plus® 8.0. 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.

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Royalties to third party providers of intellectual property increased approximately $66,000 from approximately $35,000 for the three months ended June 30, 2004 to approximately $101,000 for the three months ended June 30, 2005 and increased approximately $121,000 from approximately $115,000 for the six months ended June 30, 2004 to approximately $236,000 for the six months ended June 30, 2005. Royalties also increased as a percentage of gross revenues from approximately 3.3% for the three months ended June 30, 2004 to approximately 6.6% for the three months ended June 30, 2005 and increased from approximately 4.1% for the six months ended June 30, 2004 to approximately 6.7% for the six months ended June 30, 2005. The increase of royalties reflects the release of the QuickVerse® 2005 editions in early December 2004, and the three additional QuickVerse® editions, specifically QuickVerse® Essentials and QuickVerse® Platinum, which were released in early March of 2005 and QuickVerse® Macintosh which was released in June 2005. We also released Sermon Builder® 4.0 in June 2005 which was an update to Bible Illustrator® 3.0. This was the first update to Bible Illustrator® 3.0 in over six years and included not only technological updates but content additions. Furthermore, we sold some of the older QuickVerse® versions to liquidators at a reduced price throughout the first and second quarter of 2005 compared to no sales to liquidators during the first and second 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 June 30, 2004 and 2005 were approximately $104,000 and approximately $330,000, respectively and approximately $178,000 and $594,000 for the six months ended June 30, 2004 and 2005, respectively. Accumulated amortization of these development costs included in cost of sales totaled approximately $106,000 and approximately $182,000 for the three months ended June 30, 2004 and 2005, respectively and approximately $252,000 and 364,000 for the six months ended June 30, 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 we have undertaken in the last two years and the consistent one year turn around on enhanced versions of our two major product lines QuickVerse® and Membership Plus®.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2005	2004	**2005**	2004
Beginning balance	**$ 783,250**	$ 506,121	**$ 701,289**	$ 584,706
Capitalized	**329,512**	104,421	**594,161**	178,049
	181,659	106,045	**364,347**	258,258

Amortized (Cost of sales)				
Ending Balance	**$ 931,103**	$ 504,497	**$ 931,103**	$ 504,497
Research and development expense (General and administrative)	**$ 30,164**	$ 27,522	**$ 67,243**	$ 43,696

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Sales, General and Administrative

Sales, General and Adminstrative Costs for Six Months Ended June 30	**2005**	**% to Sales**	2004	% to Sales	Change	%
Selected expenses:						
Commissions	**$ 478,168**	**14%**	$ 345,461	12%	$ 132,707	38%
Advertising and direct marketing	**256,800**	**7%**	165,040	6%	91,760	56%
Total sales and marketing	**$ 734,968**	**21%**	$ 510,501	18%	$ 224,467	44%
Research and development	**$ 67,243**	**2%**	$ 43,696	2%	$ 23,547	54%
Personnel costs	**693,586**	**20%**	751,967	27%	(58,381)	-8%
Legal	**123,280**	**4%**	34,031	1%	89,249	262%
Telecommunications	**32,152**	**1%**	76,811	3%	(44,659)	-58%
Corporate services	**55,972**	**2%**	28,486	1%	27,486	96%
Administration	**10,749**	**0%**	53,388	2%	(42,639)	-80%
Other general and administrative costs	**342,814**	**10%**	183,195	7%	159,619	87%
Total general and administrative	**$ 1,325,796**	**38%**	$ 1,171,574	42%	$ 154,222	13%

Gross revenues increased approximately $470,000 from approximately $1,057,000 for the three months ended June 30, 2004 to approximately $1,527,000 for the three months ended June 30, 2005 and increased approximately $738,000 from approximately $2,773,000 for the six months ended June 30, 2004 to approximately $3,511,000 for the six months ended June 30, 2005. However, sales and marketing expenses also increased approximately $40,000 from approximately $268,000 for the three months ended June 30, 2004 to approximately $308,000 for the three months ended June 30, 2005 and increased approximately $225,000 from approximately $510,000 for the six months ended June 30, 2004 to approximately $735,000 for the six months ended June 30, 2005. Included in sales expenses, commissions to a third-party telemarketing firm increased approximately $133,000 from approximately $345,000 for the six months ended June 30, 2004 to approximately $478,000 for the six months ended June 30, 2005. Commissions also increased as a percentage of gross revenues from approximately 12.5% to approximately 13.6% for the six months ended June 30, 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 six months ended June 30, 2005 compared with just one product release during the six months ended June 30, 2004. Advertising and direct marketing costs increased approximately $94,000 from approximately $162,000 for the six months ended June 30, 2004 to approximately $256,000 for the six months ended June 30, 2005 and increased as a percentage of gross revenues from approximately 5.8% to 7.3%, respectively. This increase is a direct result in 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®along with the introduction of the three new QuickVerse® editions and the updated Sermon Builder® 4.0 during the six months ended June 30, 2005.

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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 $28,000 for the three months ended June 30, 2004 compared to approximately $30,000 incurred for the three months ended June 30, 2005 and approximately $44,000 for the six months ended June 30, 2004 compared to approximately $67,000 for the six months ended June 30, 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 along with new platforms for our current and future products.

Total personnel costs decreased approximately $58,000 from approximately $752,000 for the six months ended June 30, 2004 to approximately $694,000 for the six months ended June 30, 2005. However, direct salaries and wages increased approximately $96,000 from approximately $726,000 for the six months ended June 30, 2004 to approximately $822,000 for the six months ended June 30, 2005. As a percentage of gross revenues, direct salaries and wages decreased approximately 2.8% from approximately 26.2% for the six months ended June 30, 2004 to approximately 23.4% for the six months ended June 30, 2005. The direct salaries and wages include approximately $8,000 and $10,000 in expense for upper management year-end bonus accrual for the year ends December 31, 2004 and 2005, respectively. Furthermore, we recognized approximately $14,000 of expense related to 635,000 restricted common shares issued to employees during the six months ended June 30, 2004. The increase in direct salaries and wages is a direct result of increasing our sales and marketing team and our development staff. The associated health care costs decreased approximately $5,000 from approximately $76,000 for the six months ended June 30, 2004 to approximately $71,000 for the six months ended June 30, 2005 as we restructured our health benefits plans in late October 2004. The capitalization of direct and indirect labor and related overhead charges as software development costs (see “Cost of Sales” above) increased by approximately $158,000 from approximately $90,000 for the six months ended June 30, 2004 to approximately $248,000 for the six months ended June 30, 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 $89,000 for the six months ended June 30, 2005 as the company continues to work through the registration process for the SB-2 registration statement. It is anticipated that legal costs will continue at increased levels as we pursue our business plan for growth by acquiring companies that are synergistic with our current product line and customer base. Telecommunications costs decreased approximately $45,000 for the six months ended June 30, 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 in December 2004 and February 2005 along with the two new product releases during the second quarter of 2005. Corporate service fees increased approximately $27,000 for the six months ended June 30, 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. Administration expenses decreased approximately $43,000 for the six months ended June 30, 2005 due to not incurring interest and penalty fees on back payroll taxes as we did during the six months ended June 30, 2004. Interest expense for the six months ended June 30, 2005 decreased by approximately $25,000 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. Finally,

bad debt expense increased approximately $20,000 for the six months ended June 30, 2005 as we were notified by one of our liquidation customers of the possibility that they will not be able to pay on their full balance due to us.

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Other Income and Expenses

On July 19, 2004, we completed an equity financing in the amount of $1,750,000 through a private placement with Barron Partners, LP where Barron purchased 21,875,000 restricted shares of common stock and received two warrants to purchase up to an additional 21,875,000 shares of common stock. As part of the financing transaction, we also entered into a certain Registration Rights Agreement with Barron pursuant to which we became committed to registering all of the shares issued as part of such transaction, including those issuable under the warrants.

Upon receipt of the requisite stockholder approval to increase the number of authorized common shares so as to allow us to deliver the warrants, effectively obtained and effectuated as of November 10, 2004, we had 30 days within which to file 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. Such registration statement was filed on November 22, 2004. In accordance with the terms of the Registration Rights Agreement, as amended, we had another 150 days, until April 22, 2005, to cause such registration statement to be declared effective by the SEC, with any delays in meeting this obligation resulting in our being liable to Barron Partners, LP in an amount equal to $630,000 per year, pro-rated for the duration of any such delay, which amounts to $1,726 per day.

As of June 30, 2005, we had accrued a total of $119,000 in penalties under the Registration Agreement, inclusive of an adjustment made pursuant to a tentative verbal agreement reached with Barron Partners in April 2005, wherein, in relation to the associated accruing penalties, we agreed to pay Barron Partners an amount in cash equal to $100,000 to toll the accrual of further penalties until June 21, 2005. Although this amount has been paid in full to Barron Partners, penalties in the amount of $1,726 per day continue to accrue from June 21, 2005 until the registration statement is declared effective, at which time a negotiated reduction of such total amount is expected to be reached, the extent of which is as yet unknown, and terms of payment of which are expected to be agreed to which will allow us to reasonably meet our ongoing operating needs. We have experienced continued delays in effectiveness of the registration statement due principally to ongoing efforts made necessary by our determination to restate certain of our historical financial information. Although there can be no assurance, management is hopeful that we will cause such registration statement to be declared effective in the near future. The amount paid by us to date to satisfy this obligation has, and any continued delays in our ability to cause the registration statement to be declared effective coupled with additional amounts which we are and may be required to pay, will have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations, including a corresponding reduction in our net income and the likelihood of a net loss for the year.

Amortization

Amortization expense increased approximately $12,000 for the six months ended June 30, 2005. The software license acquired from The Learning Company 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 June 30, 2005, management established the valuation allowance based on the assessment that the company will produce

sufficient income in the future to realize its 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 agreement. 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.

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Liquidity And Capital Resources

Our primary needs 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. We believe our future cash provided by operations will be sufficient to fund our continued operations. However, our pursuit of future strategic product line and/or corporate acquisitions and licensing will require funding from outside sources. Funding from outside sources may include but are not limited to the exercise of outstanding warrants and pursuit of other financing options such as commercial loans, common stock and/or preferred stock issuances and convertible notes. At this time, we have no legally committed funds for future capital expenditures including software development.

Working Capital at June 30	**2005**	2004	Change	%
Current assets	**$ 1,298,981**	$ 442,470	$ 856,511	194%
Current liabilites	**$ 1,451,309**	$ 2,896,175	$ (1,444,866)	-50%
Retained deficit	**$ (5,967,127)**	$ (7,268,031)	$ 1,300,904	-18%

As of June 30, 2005, we had $1,298,981 in current assets, $1,451,309 in current liabilities and a retained deficit of $5,967,127. We had a loss before income taxes of $342,312 for the three months ended June 30, 2005 and a loss before income taxes of $387,124 for the six months ended June 30, 2005. In comparison, as of June 30, 2004 we had $442,470 in current assets, $2,896,175 in current liabilities and a retained deficit of $7,268,031.

Cash Flows for Six Months Ended June 30	**2005**	2004	Change	%
Cash flows provided by operating activities	**$ 357,278**	$ 202,213	$ 155,065	77%
Cash flows used by investing activities	**$ (574,161)**	$ (228,982)	$ (345,179)	151%
Cash flows used by financing activities	**$ (28,535)**	$ (53,889)	$ 25,354	-47%

Net cash provided by operating activities was approximately $202,000 for the six months ended June 30, 2004 and approximately $357,000 for the six months ended June 30, 2005. The increase in cash provided was primarily due to an increase in the amounts received from customers resulting from increased sales along with a decrease in the amount paid out to suppliers and employees.

Net cash used in investing activities was approximately $229,000 for the six months ended June 30, 2004 and approximately $574,000 for the six months ended June 30, 2005. The increase in cash used for investing activities results from capitalizing costs associated with software development and Website development along with upgrading our internal computer equipment and software in order to increase our operating efficiency capabilities. Furthermore, during the three months ended June 30, 2005 the restriction on the cash held in reserve by our merchant banker was lifted and made available to us.

Net cash used by financing activities was approximately $54,000 for the six months ended June 30, 2004 and approximately $29,000 for the six months ended June 30, 2005. Cash used by financing activities reflects payments

made on long-term note payables.

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As part of the July 19, 2004 financing transaction with Barron Partners, LP, we also entered into a certain Registration Rights Agreement pursuant to which we became committed to registering all of the shares issued as part of such transaction, including those issuable under the 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. In accordance with the terms of the Registration Rights Agreement, as amended, we had another 150 days, until April 22, 2005, to cause such registration statement to be declared effective by the SEC, with any delays in meeting this obligation resulting in our being liable to Barron Partners in an amount equal to $630,000 per year, pro-rated for the duration of any such delay, which amounts to $1,726 per day.

As of June 30, 2005 we have accrued $119,000 in penalties under the Registration Rights Agreement, inclusive of an adjustment made pursuant to a tentative verbal agreement reached with Barron Partners in April 2005, wherein, in relation to the associated accruing penalties, we agreed to pay Barron Partners an amount in cash equal to $100,000 to toll the accrual of further penalties until June 21, 2005. Although this amount has been paid in full, penalties in the amount of $1,726 per day continue to accrue from June 21, 2005 until the registration statement is declared effective, at which time a negotiated reduction of such total amount is expected to be reached, the extent of which is as yet unknown, and terms of payment of which are expected to be agreed to which will allow us to reasonably meet our ongoing operating needs. Although there can be no assurance, management is hopeful that we will cause such registration statement to be declared effective in the near future. The amount paid by us to date to satisfy this obligation has, and any continued delays in our ability to cause the registration statement to be declared effective coupled with additional amounts which we are and may be required to pay, will have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations, including a corresponding reduction in our net income and the likelihood of a net loss for the year. See Exhibits 10.10, 10.11, 10.12, and 10.13.

Contractual Liabilities

We lease office space/warehouse facilities in Omaha, Nebraska under an operating lease with a third-party with terms extending through 2007. We are responsible for all taxes, insurance and utility expenses associated with this lease. There is no lease renewal option contained in the lease.

We lease office space in Naperville, Illinois under an operating lease with a third-party with terms extending through March 2006. We are responsible for all insurance expenses associated with this lease.

At June 30, 2005, the future minimum rental payments required under these leases are as follows:

2005	$ 40,665
2006	69,451
2007	27,288
Total future minimum rental payments	$ 137,404

We lease telephone equipment under a capital lease expiring in November 2009. The asset and liability under the capital lease are recorded at the present value of the minimum lease payments. The asset is depreciated over a 5 year life. Minimum future lease payments under capital leases as of June 30, 2005 for each of the next five years and in the aggregate are:

2005	$ 6,863
2006	13,726
2007	13,726

2008	13,726
2009	12,582
Total minimum lease payments	60,623
Less: Amount representing interest	13,444
Total obligations under capital lease	47,179
Less: Current installments of obligations under capital lease	8,667
Long-term obligation under capital lease	$ 38,512

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

New Accounting Pronouncements

In the past, we have applied Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations in accounting as allowed by SFAS No 123, *Accounting for Stock Based Compensation*, for various forms of share-based awards including incentive and nonqualified stock options and stock appreciation rights attached to stock options; and therefore, no compensation cost had been recognized. However, in December 2004, the FASB issued SFAS No 123 (R), *Share-Based Payment*, which replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123 (R) requires compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the fair value on the grant date of the equity or liability instruments issued. Compensation cost will be recognized over the period that the service is provided for that award. This new standard will be effective for the company the first quarter of fiscal 2006. We did not grant any form of share-based awards during the six months ended June 30, 2005.

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/A. 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 Controls 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.

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, financial condition, and 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 June 30, 2005.

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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 June 30, 2005.

ITEM 5. OTHER INFORMATION.

The Annual Meeting of the Stockholders of Findex.com, Inc. will be held on December 9, 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 October 10, 2005, and no later than November 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)	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.
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.

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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 October 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 October 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 October 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 October 21, 2005. FILED HEREWITH.

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: October 21, 2005

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

Date: October 21, 2005

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

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