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

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

FORM 10-QSB/A
Amendment No. 2

(Mark One)

[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 December 21, 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)

		(Restated) 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
Derivative liabilities		2,515,621
Other current liabilities		495,573
Total current liabilities		3,966,930
Long-term obligations		179,317
Commitments and contingencies		
Stockholders' equity:		
Common stock		48,620
Paid-in capital		7,521,339
Retained (deficit)		(6,805,670)
Total stockholders' equity		764,289
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	**2005**	2004
	(Restated)	(Restated)	**(Restated)**	(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)
Loss on fair value adjustment of derivatives	**(328,123)**	---	**(546,871)**	---
Other expenses, net	**(2,920)**	(16,188)	**(6,775)**	(30,518)
Loss before income taxes	**(670,435)**	(289,697)	**(933,995)**	(75,948)
Provision for income taxes	**149,669**	(31,011)	**299,158**	(61,322)
Net loss	**$ (520,766)**	$ (320,708)	**(634,837)**	(137,270)
Retained deficit at beginning of year			**(6,170,833)**	(7,130,761)
Retained deficit at end of period			**$ (6,805,670)**	$ (7,268,031)
Net earnings (loss) per share:				
Basic	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Diluted	**$ (0.01)**	$ (0.01)	**$ (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)		(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)
Cash overdraft		---		38,990
Payments made on long-term notes payable		**(28,535)**		(50,890)
Net cash (used) by financing activities		**(28,535)**		(14,899)
Net (decrease) in cash and cash equivalents		**(245,418)**		(41,668)
Cash and cash equivalents, beginning of year		**341,359**		41,668
Cash and cash equivalents, end of period	**$**	**95,941**	$	---
Reconciliation of net loss to cash flows from operating activities:				
Net loss	**$**	**(634,837)**	$	(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
Loss on fair value adjustment of derivatives		**546,871**		---
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.

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.

DERIVATIVES, (Restated)

We account for warrants issued with shares of common stock in a private placement according to the guidance of EITF Issue 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. In accordance with the accounting mandate, the derivative liability associated with the warrants has been and, until our registration statement on Form SB-2 originally filed on November 22, 2004 is declared effective, shall continue to be adjusted to fair value (calculated using the Black-Scholes method) at each balance sheet date and accordingly reassessed at each such date to determine whether the warrants should be classified (or reclassified, as appropriate) as a liability or as equity. The corresponding fair value adjustment is included in the consolidated statements of operations as other expenses should the value of the warrants increase from an increase in our stock price at the balance sheet date and as other income should the value of the warrants decreases from a decrease in our stock price at the balance sheet date.

RECLASSIFICATIONS

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

NOTE 2 - INVENTORIES

At 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 - LOSS ON VALUATION OF DERIVATIVES, (Restated)

In November 2004, we issued two warrants to purchase an aggregate of 21,875,000 shares of our common stock in connection with a certain Stock Purchase Agreement completed with Barron Partners, LP, on July 19, 2004. The first warrant entitles the holder to purchase up to 10,937,500 shares of our common stock at a price of $0.18 per share, and the second warrant entitles the holder to purchase up to 10,937,500 additional shares of our common stock at a price of $0.60 per share. Each warrant is subject to standard adjustment provisions and each provides for settlement in registered shares of our common stock and may, at the option of the holder, be settled in a cashless, net-share settlement. These warrants have been accounted for as a liability according to the guidance of EITF 00-19 and the fair value of each warrant has been assessed at $1,257,810 ($2,515,621 total) using the Black-Scholes valuation method at June 30, 2005 with the following assumptions:

	Warrant A	Warrant B
Expected term - years	4.05	4.05
Stock price on June 30, 2005	$ 0.115	$ 0.115
Exercise price	$ 0.18	$ 0.60
Expected dividend yield	0%	0%
Expected stock price volatility	490%	490%
Risk-free interest rate	3.80%	3.80%

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

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

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

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

The warrants are revalued at each balance sheet date by using the parameters described above, reducing the expected term to reflect the passing of time, and using the stock price at the balance sheet date. Net fair value adjustments of $328,123 and $546,871, respectively, have been included in other expenses on the consolidated statements of operations for the three and six months ended June 30, 2005.

NOTE 4 - 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
	($149,669)	$ 31,011	**($299,158)**	$ 61,322

Total tax provision (benefit)

NOTE 5 - EARNINGS PER COMMON SHARE, (Restated)

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

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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)		(Restated)
Net loss	**$**	**(520,766)**	$	(320,708)
Preferred stock dividends		**---**		---
Net loss available to common shareholders	**$**	**(520,766)**	$	(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)		(Restated)
Net loss	**$**	**(634,837)**	$	(137,270)
Preferred stock dividends		**---**		---
Net loss available to common shareholders	**$**	**(634,837)**	$	(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 6 - COMMITMENTS AND CONTINGENCIES, (Restated)

We are subject to legal proceedings and claims that arise in the ordinary course of our business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect our financial 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 a July 2004 financing transaction, we entered into a certain Registration Rights Agreement with a New York based private investment partnership, Barron Partners, LP, pursuant to which we committed to registering all of the shares issued as part of such transaction, including those issuable under each of two warrants. On November 22, 2004, we filed a registration statement on Form SB-2 covering the shares issued to Barron Partners, as well as the shares underlying the warrants issued to Barron Partners. Under the terms of the Registration Rights Agreement, as amended, we had until April 22, 2005 to cause such registration statement to be declared effective by the SEC. In accordance with the terms of the Registration Rights Agreement, any delays in meeting this obligation subjected us to liability to Barron Partners in an amount equal to $1,726 per day for the duration of any such delay. Through June 30, 2005, we have accrued a total of $119,000 (69 days at $1,726 per day) 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 7 - RISKS AND UNCERTAINTIES

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

NOTE 8 - SUBSEQUENT EVENTS, (Restated)

As of 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, in two equal installments of $50,000 on each of April 22, 2005 and July 8, 2005, 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 9 - RESTATEMENT AND RECLASSIFICATION

We have restated our financial statements for the three and six months ended June 30, 2005 and 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 statements 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.

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§ We erroneously treated the warrants issued to a New York based private investment partnership in connection with a private placement as equity. The correct presentation is as a liability adjusted for changes in fair value, at each balance sheet date, through the consolidated statements of operations, as provided by EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.* We reclassified the initial fair value of the warrants ($4,375,000 at July 19, 2004) as a current liability ($2,515,621 at June 30, 2005) and have included the net change in fair value through June 30, 2005 ($546,871) in other expenses on the consolidated statements of operations.

§ 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, 2005 and 2004.

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

Findex.com, Inc.
CONDENSED CONSOLIDATED BALANCE SHEET
June 30, 2005
(Unaudited)

		As Previously Reported		As Restated		Change	
		Assets					
Current assets:							
Cash and cash equivalents	$	95,941	$	95,941	$	---	
Accounts receivable, trade		617,692		617,692		---	
Inventory		225,887		225,887		---	
Other current assets		359,461		359,461		---	
Total current assets		1,298,981		1,298,981		---	
Property and equipment, net		134,350		134,350		---	
Software license, net		2,014,030		2,014,030		---	
Capitalized software development costs, net		931,103		931,103		---	
Other assets		532,072		532,072		---	
Total assets	$	4,910,536	$	4,910,536	$	---	
Liabilities and stockholders' equity							
Current liabilities:							
Accounts payable, trade	$	650,984	$	650,984	$	---	
Accrued royalties		304,752		304,752		---	
Derivative liabilities		---		2,515,621		2,515,621	(a)
Other current liabilities		495,573		495,573		---	
Total current liabilities		1,451,309		3,966,930		2,515,621	
Long-term obligations		179,317		179,317		---	
Commitments and contingencies							
Stockholders' equity:							
Common stock		48,620		48,620		---	
Paid-in capital		9,198,417		7,521,339		(1,677,078)	(b)
Retained (deficit)		(5,967,127)		(6,805,670)		(838,543)	
Total stockholders' equity		3,279,910		764,289		(2,515,621)	
Total liabilities and stockholders' equity	$	4,910,536	$	4,910,536	$	---	

(a) Fair value of common stock warrants reclassified as derivatives under EITF 00-19.

(b) Net proceeds allocated to common stock warrants reclassified as derivative liability.

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Findex.com, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Six Months Ended June 30, 2005
(Unaudited)

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	$ 2,954,410	$ 2,954,410	$ ---	
Cost of sales	959,778	959,778	---	
Gross profit	1,994,632	1,994,632	---	
Operating expenses:				
Sales and marketing	734,968	734,968	---	
General and administrative	1,325,796	1,325,796	---	
Bad debt provision	22,669	22,669	---	
Depreciation and amortization	291,548	291,548	---	
Total operating expenses	2,374,981	2,374,981	---	
Loss from operations	(380,349)	(380,349)	---	
Loss on fair value adjustment of derivatives	---	(546,871)	(546,871)	(a)
Other expenses, net	(6,775)	(6,775)	---	
Loss before income taxes	(387,124)	(933,995)	(546,871)	
Provision for income taxes	299,158	299,158	---	
Net loss	$ (87,966)	$ (634,837)	$ (546,871)	
Net loss per share:				
Basic	$ ---	$ (0.01)	$ (0.01)	
Diluted	$ ---	$ (0.01)	$ (0.01)	
Weighted average shares outstanding:				
Basic	48,619,855	48,619,855	---	
Diluted	48,619,855	48,619,855	---	

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

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Findex.com, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended June 30, 2005
(Unaudited)

	As Originally Reported	As Restated	Change	
Revenues, net of reserves and allowances	$ 1,276,996	$ 1,276,996	$ ---	
Cost of sales	450,993	450,993	---	
Gross profit	826,003	826,003	---	
Operating expenses:				
Sales and marketing	307,521	307,521	---	
General and administrative	690,078	690,078	---	
Bad debt provision	22,016	22,016	---	
Depreciation and amortization	145,780	145,780	---	
Total operating expenses	1,165,395	1,165,395	---	
Loss from operations	(339,392)	(339,392)	---	
Loss on fair value adjustment of derivatives	---	(328,123)	(328,123)	(a)
Other expenses, net	(2,920)	(2,920)	---	
Loss before income taxes	(342,312)	(670,435)	(328,123)	
Provision for income taxes	149,669	149,669	---	
Net loss	$ (192,643)	$ (520,766)	$ (328,123)	
Net loss per share:				
Basic	$ ---	$ (0.01)	$ (0.01)	
Diluted	$ ---	$ (0.01)	$ (0.01)	
Weighted average shares outstanding:				
Basic	48,619,855	48,619,855	---	
Diluted	48,619,855	48,619,855	---	

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

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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 debt 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, 2005
(Unaudited)

	As Originally Reported	As Restated	Change	
Cash flows from operating activities:				
Cash received from customers	$ 2,887,090	$ 2,887,090	$ ---	
Cash paid to suppliers and employees	(2,531,135)	(2,531,135)	---	
Other operating activities, net	1,323	1,323	---	
Net cash provided by operating activities	357,278	357,278	---	
Cash flows from investing activities:				
Software development costs	(594,161)	(594,161)	---	
Other investing activities, net	20,000	20,000	---	
Net cash (used) by investing activities	(574,161)	(574,161)	---	
Cash flows from financing activities:				
Payments made on long-term notes payable	(28,535)	(28,535)	---	
Net cash (used) by financing activities	(28,535)	(28,535)	---	
Net (decrease) in cash and cash equivalents	(245,418)	(245,418)	---	
Cash and cash equivalents, beginning of year	341,359	341,359	---	
Cash and cash equivalents, end of period	$ 95,941	$ 95,941	$ ---	
Reconciliation of net loss to cash flows from operating activities:				
Net loss	$ (87,966)	$ (634,837)	$ (546,871)	
Adjustments to reconcile net loss to net cash				
provided by operating activities:				
Software development costs amortized	364,347	364,347	---	
	---	546,871	546,871	(a)

Loss on fair value adjustment of derivatives			
Provision for bad debts	22,669	22,669	---
Depreciation and amortization	291,548	291,548	---
Loss on sale of property and equipment	1,869	1,869	---
Change in assets and liabilities:			
(Increase) in accounts receivable	(73,542)	(73,542)	---
Decrease in inventories	8,113	8,113	---
Decrease in refundable taxes	7,164	7,164	---
Decrease in prepaid expenses	30,177	30,177	---
Increase in accrued royalties	17,238	17,238	---
Increase in accounts payable	29,180	29,180	---
Increase in income taxes payable	180	180	---
(Decrease) in deferred taxes	(299,338)	(299,338)	---
Increase in other liabilities	45,639	45,639	---
Net cash provided by operating activities	$ 357,278	$ 357,278	$ ---

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

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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:				
Payments made on line of credit, net	(2,999)	(2,999)	---	
Cash overdraft	---	38,990	38,990	(h)
Payments made on long-term notes payable	(50,890)	(50,890)	---	
Net cash (used) by financing activities	(53,889)	(14,899)	38,990	
Net (decrease) in cash and cash equivalents	(80,658)	(41,668)	38,990	
Cash and cash equivalents, beginning of year	142,022	41,668	(100,354)	(d)
Cash and cash equivalents, end of period	$ 61,364	$ ---	$ (61,364)	
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 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.
(h) Reclassify cash overdraft as financing activity.

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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 i specifically identify forward-looking statements. These statements appear in a number of places in this Form 10-QSB/A and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of us, our directors or our officers, with respect to, among other things (i) our liquidity and capital resources, (ii) our financing opportunities and plans, (iii) our ability to attract customers to generate revenues, (iv) market and other trends affecting our future financial condition or results of operations, (v) our growth strategy and operating strategy, and (vi) the declaration and/or payment of dividends.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The factors that might cause such differences include, among others, those set forth in Part I, Item 2 of this quarterly report on Form 10-QSB/A, entitled Management's Discussion and Analysis or Plan of Operation, including without limitation the risk factors contained in the company's annual report on Form 10-KSB/A for the period ending December 31, 2004. Except as required by law, we undertake no obligation to update any of the forward-looking statements in this Form 10-QSB/A after the date of this report.

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

MANAGEMENT OVERVIEW

During the 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%
Loss on fair value adjustment of derivatives	**$ (546,871)**	$ ---	$ (546,871)	0%
Other expenses	**$ (6,775)**	$ (30,518)	$ 23,743	-78%
Income (loss) before income taxes	**$ (933,995)**	$ (75,948)	$ (858,047)	1130%
Provision for income taxes	**$ 299,158**	$ (61,322)	$ 360,480	-588%
Net loss	**$ (634,837)**	$ (137,270)	$ (497,567)	362%

Our software products are highly seasonal. More than 50% of our annual sales are expected to occur in the five months of September through January; the five months of April through August are generally our weakest, generating only about 29% of our annual sales.

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. During the three and six months ended June 30, 2005, we recognized a loss of approximately $328,000 and $547,000, respectively, related to the fair value adjustment of derivatives in other expenses. Warrants issued with shares of common stock in a private placement are considered derivative liabilities. The derivative liability associated with the warrants has been adjusted to fair value at each balance sheet date and accordingly reassessed at each such date to determine whether the warrants should be classified (or reclassified, as appropriate) as a liability or as equity. See “Derivatives” below. Our net loss increased approximately $200,000 from a net loss of approximately $321,000 for the three months ended June 30, 2004 to a net loss of approximately $521,000 for the three months ended June 30, 2005 and increased approximately $498,000 from a net loss of approximately $137,000 for the six months ended June 30, 2004 to a net loss of approximately $635,000 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.

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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%

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.