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	**2005**	2004
		(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)
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				