FINDEX COM INC
Form 10KSB
April 17, 2006

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

FORM 10-KSB

(Mark One)

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

For the fiscal year ended December 31, 2005.

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

For the transition period from ________ to _________.

Commission file number: 0-29963

FINDEX.COM, INC.
(Name of small business issuer in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	88-0379462 (I.R.S. Employer Identification No.)
11204 Davenport Street, Suite 100, Omaha, Nebraska (Address of principal executive offices)	68154 (Zip Code)

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

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $.001 par value
(Title of class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. **[_]**

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 [_]**

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. **[_]**

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

Revenues for the fiscal year ended December 31, 2005 totaled $5,337,342.

As of March 31, 2006, the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average of the closing bid and asked prices on such date was approximately $2,542,000.

At March 31, 2006, the registrant had outstanding 49,058,317 shares of common stock, of which there is only a single class.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Transitional Small Business Disclosure Format (check one):

Yes __ No X

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PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Factors that might cause such differences include, among others, those set forth in Part II, Item 6 of this annual report on Form 10-KSB, entitled "Management's Discussion and Analysis or Plan of Operation", and including without limitation the "Risk Factors" section contained therein. Except as required by law, we undertake no obligation to update any of the forward-looking statements in this annual report on Form 10-KSB after the date hereof.

ITEM 1. DESCRIPTION OF BUSINESS.

OVERVIEW

We develop, publish, market, and distribute and directly sell off-the-shelf consumer and organizational software products for PC, Macintosh® and PDA platforms. We develop our software products through in-house initiatives supplemented by outside developers. We market and distribute our software products principally through direct marketing and Internet sales programs, but also through secular and non-secular wholesale retailers.

CORPORATE FORMATION, LEGACY & SUBSIDIARIES

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

Beginning in 1997, and although we were not then a reporting company under the Securities Exchange Act, our common stock was quoted on the OTC Bulletin Board (originally under the symbol "TIXX", which was later changed to "TIXXD"). On May 13, 1999, we changed our name to FINdex.com, Inc. On March 7, 2000, in an effort to satisfy a newly imposed NASD Rule eligibility requirement that companies quoted on the OTC Bulletin Board be fully reporting under the Securities Exchange Act (thereby requiring recently audited financial statements) and current in their filing obligations, we acquired, as part of a share exchange in which we issued 150,000 shares of our common stock, all of the outstanding capital stock of Reagan Holdings, Inc., a Delaware corporation. At the time of this transaction, Reagan Holdings was subject to the requirements of having to file reports pursuant to Section 13 of the Securities Exchange Act, had recently audited financial statements and was current in its reporting obligations. Having no operations, employees, revenues or other business plan at the time, however, it was a public shell company. As a result of this transaction, Reagan Holdings, Inc. became our wholly owned subsidiary and we became the successor issuer to Reagan Holdings for reporting purposes pursuant to Rule 12g-3 of the Securities Exchange Act. Shortly thereafter, we changed our stock symbol to “FIND”. Though it does not currently have any operations, employees, or revenues, Reagan Holdings remains our wholly owned subsidiary.

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

STRATEGY

The common thread among our current software products is their target constituency, consumers that share a devotion to or interest in Christianity and faith-based “inspirational” values. Our focus is to become the largest worldwide provider of Bible study and related faith-based software products as well as to continue our double-digit sales growth across all distribution channels and our double-digit market share growth in all of our current product categories. We plan for the continued broadening of our product lines through marketing and sales initiatives, ongoing internal development of new products, expansion and upgrade of existing products and strategic product line and/or corporate acquisitions and licensing. Specifically, our development strategy includes:

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

We are committed to creating and maintaining a diversified mix of titles and title versions to mitigate our operating risks, and broaden market appeal within our demographic. Therefore, we strive to develop and publish titles and title versions spanning a wide range of categories, including bible study, financial and church management, pastoral products, children’s software and language tutorials. We may also design our software for use on multiple platforms in order to reach a greater potential audience. There are a number of factors that we take into consideration when determining the appropriate platform for each of our titles and title versions, including, among others, economic cost, the platform’s user demographics and the competitive landscape at the time of a title or title version’s release.

Creating, Acquiring and Maintaining Strong Brands

We attempt to focus our development and publishing activities principally around software products that are, or have the potential to become, titles and title versions possessing sustainable consumer appeal and brand recognition. To that end, we are continually in pursuit of intellectual property licensing opportunities with respect to software titles and title versions that are strategically aligned with our existing product line and focus. We have entered into a number of such strategic relationships with the owners of various forms of intellectual property which have allowed us to acquire the rights to publish content and develop titles and title versions based upon such intellectual properties. In addition, we may acquire intellectual property licenses in the future for products outside of our current area of focus.

Our development strategy further includes the pursuit of acquisition and related strategic growth opportunities involving other companies that sell faith-based merchandise and services. As part of this strategy, we may acquire businesses that (i) only recently commenced operations, (ii) are development-stage enterprises in need of additional funds to expand into new products or markets, or (iii) are established businesses that may be experiencing financial or operating difficulties and need additional capital. We may also pursue other strategic growth opportunities, including, but not limited to, the acquisition of new product lines, content licensing, proprietary technology licensing or acquisitions, asset acquisitions, or acquisitions of other operating businesses, provided, however, that any such opportunities fit our corporate growth strategy and provide immediate or near term added value and provide a measurable increase in our existing customer base or a new, related customer base to which we can cross-market our products and produce greater revenues and/or earnings. Furthermore, although we have no current intentions or plans to do so, we have not ruled out the pursuit of transactional opportunities in areas outside the faith-based market demographic.

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There are significant risks and complexities associated with any such growth opportunities and/or acquisitions including but not limited to due diligence investigation, comparative investigation, comparative analysis, financing, operational transitions, and growth control or abatement. Because acquisition and related opportunities may occur in relation to businesses at various stages of development, the task of comparative investigation and analysis of such business opportunities is likely to be extremely difficult and complex. In connection with our pursuit of such opportunities, we are also likely to incur significant transition and integration costs, ongoing operations costs, legal and accounting costs, including the legal fees for preparing acquisition documentation, due diligence investigation costs and the costs of preparing reports and filings with the SEC.

Disciplined Product Selection and Development Processes

The success of our business depends, in significant part, on our ability to develop titles and title versions that will generate appreciable unit volume sales while simultaneously meeting our high quality standards. We use a formal control process for the selection, development, production and quality assurance of our titles and title versions. We apply this process to products under development with external, as well as internal, resources. This control process includes upfront concept evaluation as well as in-depth reviews of each project on numerous levels and at various intervals during the development process by a team that includes our senior management and a number of our key technical, marketing and product development personnel.

Internal and External Development Groups

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

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

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

In March 2004, we opened an in-house development office in Naperville, Illinois.

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

PRODUCT DEVELOPMENT

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

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

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

Our total product development costs incurred during the years ended December 31, 2004 and 2005, were approximately $757,000 and approximately $1,029,000, respectively, of which capitalized costs accounted for approximately $692,000 and approximately $812,000, respectively and expensed costs accounted for $65,000 and approximately $217,000, respectively.

OUR PRODUCTS

Our focus is to become the largest worldwide provider of Bible study and related faith-based software products. To that end, we utilize a brand structure and market our largest selling titles and title versions under the distinct key brand: QuickVerse® and Membership Plus®. We support this strategy through the regularly scheduled introduction of new titles and title versions featuring this brand. In the year ended December 31, 2005 we released a total of seventeen titles and title versions for PC, Macintosh® and PDA platforms. Through the remainder of the fiscal year 2006 we currently plan on releasing a total of approximately sixteen titles and title version for PC, Macintosh® and PDA platforms.

Our faith-based software titles and title versions are currently divided among the following six categories:

- Bible Study;
- Financial/Office Management Products for Churches and other Faith-Based Ministries;
- Print & Graphic Products;
- Pastoral Products;
- Children’s Products; and
- Language Tutorial Products.

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Bible Study

For the fiscal year ended December 31, 2005, approximately 66% of our revenues were derived from sales of our flagship QuickVerse®, an industry-leading Bible-study software now in its 17th year and 10th version, which is available in an array of content package variations ranging in retail price from $9.95 to $799.95. Originally introduced into the market in 1989, QuickVerse® has sold over one million copies since its introduction and is currently believed by us to be the market leader in its category.

QuickVerse® simplifies biblical research, allowing users to view multiple reference materials, including Bibles, dictionaries, commentaries and encyclopedias, side-by-side on the computer screen. A built-in "QuickSearch" feature enables the user to highlight a word or Bible verse and find all of its occurrences in a particular text. Advanced search features enable users to search by word, phrase or verse across multiple books, offering search options that find all forms of a given search word without the need for embedded symbols, for example, a search for the word "rise" will yield the words "arise", "risen", "rising", and "rise". QuickVerse® 2006, our latest version, is currently available in eight CD-Rom editions for PC. Each edition of QuickVerse® contains several Bible translations (*e.g.*, the King James Version, the American Standard Version, etc.) along with numerous reference titles (*e.g.*, dictionaries, commentaries, encyclopedias, etc.). The QuickVerse® family of products for PC includes: the QuickVerse® Starter Edition (which includes 1 Bible and 3 reference titles, retail price: $9.95), the QuickVerse® Parable® Edition (which includes 6 Bibles and 44 reference titles, retail price: $49.95), the QuickVerse® Bible Suite (which contains 8 Bibles and 40 reference titles, retail price: $29.95), the QuickVerse® Essentials Edition (which includes 9 Bibles and 41 reference titles, retail price: $49.95), the QuickVerse® Standard Edition (which includes 13 Bibles and 62 reference titles, retail price: $99.95), the QuickVerse® Expanded Edition (which includes 15 Bibles and 100 reference titles, retail price: $199.95), the QuickVerse® Deluxe Edition (which includes 21 Bibles and 147 reference titles, retail price: $299.95), and the QuickVerse® Platinum Edition (which includes 23 Bibles and 261 reference titles, retail price: $799.95). Each QuickVerse® purchase includes access to additional books and content, which can be unlocked or downloaded and made accessible for an additional fee.

QuickVerse® Mobile, an industry-leading Mobile Bible-study software, is compatible with both Pocket PC® and Palm® OS operating systems, and is currently in its 4th year and 3rd version. This program provides the same simplified access and many of the personal Bible study features found in the desktop QuickVerse® versions. QuickVerse® Mobile is currently available in four editions as a download and in CD-Rom. Each edition of QuickVerse® Mobile contains several Bible translations (*e.g.*, the King James Version, the American Standard Version, etc.) along with numerous reference titles (*e.g.*, dictionaries, commentaries, encyclopedias, etc.). The QuickVerse® Mobile family of products includes: the Standard Edition (which includes 3 Bibles and 5 reference titles, retail price: $29.95), the Deluxe Edition (which includes 5 Bibles and 8 reference titles, retail price: $39.95), the Platinum Edition (which includes 7 Bibles and 13 reference titles, retail price: $69.95), and the Life Application Study Bible (which includes 1 Bible and 8 reference titles, retail price: $39.95). Each edition contains 100 scripture reading plans and provides the user with the ability to create their own.

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During the fiscal year 2005, we introduced QuickVerse® Macintosh, which is compatible with Macintosh® OS X 10.3 or higher operating systems. This program is available in two editions and provides access to several Bible translations (*e.g*., the King James Version, the American Standard Version, etc.) along with numerous reference titles (*e.g*., dictionaries, commentaries, encyclopedias, etc.). The QuickVerse® Macintosh family of products includes the QuickVerse® White Box Edition (which includes 9 Bibles and 40 reference titles, retail price: $49.95) and the QuickVerse® Black Box Edition (which includes 12 Bibles and 56 reference titles, retail price: $99.95). Each QuickVerse® Macintosh product contains numerous "Search Panel" features, including user-defined book categorization, desktop books, download books, interactive workbooks and daily reading plans, as well as an exclusive "Preview Drawer", allowing users to have an unlimited number of books open at any time.

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

In addition to QuickVerse®, we also develop and market certain other Bible study software packages. These include the Warren Wiersbe® Collection, the John MacArthur® Collection, the Life Application Bible Commentary® Collection, the Willmington Guide to the Bible® Collection, and the Fisherman Study Guide® Collection. Although our prices are subject to change from time to time, these titles currently range in retail price from $9.95 to $249.95 per unit.

Financial/Office Management Products for Churches and other Christian Faith-Based Ministries

For the fiscal year ended December 31, 2005, approximately 26% of our revenues were derived from sales of Membership Plus®, an industry-leading church management software now in its 10th version. Membership Plus® is available in each of a standard and a deluxe package at retail prices of $149.95 and $349.95 respectively. Each of these product packages provides church database, financial management and church productivity tools, including those designed to streamline church office accounting, tasks and scheduling, track membership and contributions, organize membership databases, and provide efficiency in producing targeted mailings, attendance reports and IRS-compliant contribution receipts. The deluxe package is equipped with a broader functionality and range of features, including, for example, a number of templates for legal agreements frequently used by these types of organizations and a fund based accounting function.

Membership Plus® is designed to serve the unique needs of churches, "para-church" organizations and ministries, and non-profit entities. The term "para-church" has been developed by the religious community to refer to religious organizations which have some of the characteristics of a church, but which are not what most people would generally consider to constitute a church including a defined congregation. Some "para-church" organizations are treated as churches for some reasons, and as religious organizations which are not churches for others. A few examples of "para-church" organizations are Campus Crusade for Christ, Promise Keepers®, and Josh McDowell Ministry.

Over 80,000 churches and faith-based organizations have purchased Membership Plus® since its introduction in 1990. Membership Plus® 2005, our latest version, is currently available in two CD-Rom editions: Membership Plus® Standard and Membership Plus® Deluxe. We have approximately 50,000 registered users for this product.

Print & Graphic Products

We currently sell/distribute ClickArt Christian Publishing® Suite III (retail price: $39.95), which is a full desktop publishing package containing over 13,000 Christian images, icons, maps, Catholic and Jewish imagery and ethnically diverse, family-oriented illustrations to be used in the creation of a wide range of printed materials including newsletters, bulletins, posters, fliers, mailings, calendars, and reports. We also publish/distribute ClickArt Christian Graphics Deluxe® (retail price: $29.95), which contain faith-based and Christian graphical images that can be used in the production of other content related projects. We also distribute several titles produced and distributed by International Microcomputer Software, Inc. (“IMSI”) a developer of software for both professional and home users, including ClipArt & More 2.5 Million (retail price: $29.99) and Print Studio Pro Deluxe (retail price: $19.99). In addition, we distribute titles produced and distributed by SummitSoft Corporation a publisher of productivity software for professional and home users, including Logo Design Studio (retail price: $29.99) and Essential Office Font Pack (retail price: $19.99).

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Although our prices are subject to change from time to time, our print and graphic products range in price from $9.99 to $39.99 per unit. In the aggregate, and for the fiscal year ended December 31, 2005, 2% of our revenues were derived from sales of these products.

Pastoral Products

We currently produce and distribute/sell a line of pastoral products designed to assist faith-based ministries in streamlining sermon development and research tasks and in organizing responsibilities. These titles include the following:

Sermon Builder® 4.0 Deluxe (retail price: $69.95), which is a database compilation of illustrations, anecdotes, quotations, proverbs and bits of humor from general topics like children and angels to specific Bible passages, which users can use to bring messages to a congregation or classroom.
Ministry Notebook® 2.0 (retail price: $29.95), which is an organizational tool for users to keep better track of ministry-related paperwork including sermons, prayer requests, personal libraries, telephone contacts, and expense reports.
Today's Best Sermons® (retail price: $99.95), which is a three volume collection of the best sermons from the *Preaching Today* monthly audiotape series, which users can use to gain spiritual refreshment and strengthen their preaching.

Although our prices are subject to change from time to time, our pastoral products range in price from $29.95 to $99.95 per unit. In the aggregate, and for the fiscal year ended December 31, 2005, 3% of our revenues were derived from sales of these products.

Children's Products

We currently produce and distribute/sell a line of children's CD-Rom products designed to appeal to faith-conscious families interested in spiritually-enriched entertainment and play-along educational content. Collectively, these titles include Jonah and the Whale® (retail price: $5.97), Noah and the Ark® (retail price: $5.97), Daniel in the Lion's Den® (retail price: $5.97), The Story of Creation® (retail price: $5.97), and American History Explorer® (retail price: $29.95). In addition, we also distribute the Veggie Tales® (retail price: $5.97), a popular line of children's software programs involving interactive adventures with biblical themes and the DVD video Junior's Giants® (retail price: $12.95) produced by Divine Comedy Productions.

Although our prices are subject to change from time to time, our children's products range in price from $5.97 to $39.97 per unit. In the aggregate, and for the fiscal year ended December 31, 2005, less than 1% of our revenues were derived from sales of these products.

Language Tutorial Products

We currently produce tutorial software programs for learning Greek and Hebrew languages frequently studied in conjunction with a Bible-study curriculum or by biblical scholars. Each of these two programs, Greek Tutor® and Hebrew Tutor® (retail price: $49.95 each), covers all of the essential language development skills, including letters, vocabulary and grammar. Although our prices are subject to change from time to time, our language tutorial products range in price from approximately $10.00 to $69.95 per unit. In the aggregate, and for the fiscal year ended December 31, 2005, 3% of our revenues were derived from sales of these products.

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Other Products

In addition to our own software products, we resell certain titles and title versions that we purchase at a discount and that are published by others, including IMSI, SummitSoft, Veggie Tales®, Divine Comedy Productions and Webroot®. These are non-exclusive, purchase-order only type arrangements in connection with which we carry only limited inventory. Sales from these titles are derived exclusively online through our Website and, apart from on our Website, we do not promote these products. Although prices are subject to change from time to time, these software products range in price from approximately $5.97 to $39.99 per unit. In the aggregate, and for the fiscal year ended December 31, 2005, less than 1% of our revenues were derived from sales of these products.

OUR MARKET

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

According to the most recent survey released in July 2003 by the Christian Bookseller’s Association (“CBA”), Christian-product sales for the year 2002 were $4.2 billion. The survey also revealed that $2.4 billion of the $4.2 billion total was sold through Christian retail, with $1.1 billion sold through general retail, and $725 million sold direct-to-consumer, and through ministry sales channels. The 2,300-store CBA segment includes several different chains, Family Christian Stores being the largest with 325 stores. As faith-based retailing increases, secular stores are offering more faith-based products as evidenced by the $1.1 billion sales figure in 2002 as reported by the CBA. It is this faith-based demographic that we seek to target.

MARKETING AND ADVERTISING

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

- our Website (www.quickverse.com) and the Internet sites of others;
- print advertising;
- opt-in e-mail campaigns;
- affiliate merchants;
- product sampling through demonstration software;
- in-store promotions, displays and retailer assisted co-operative advertising;
- publicity activities; and
- trade shows.

SALES

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Direct Marketing / Online Sales

Direct sales accounted for approximately 61% of our 2005 fiscal year revenue. Over the past three years, we have devoted significant and increasing resources to the development of our direct-marketing program. Through this program, we market our products directly to consumers and church and “para-church” organizations through a combination of direct-mailings and opt-in e-mailings of our product title catalogs and brochures. An important aspect of this initiative is our online sales. In May of 2004, we launched a full-service online store with many of the kinds of features and capabilities that online shoppers have come to expect from cutting-edge Internet retailers. We are currently marketing our products online through multiple sources including our own www.quickverse.com Internet Website, other Internet Websites such as www.amazon.com, as well as several widely used search engines such as Google® and Yahoo®. Furthermore, in October of 2005 we joined an affiliate network through www.shareasale.com and have gained approximately 100 affiliate merchants that market our products through their Websites. While we market our products through these other Internet Websites, search engines and affiliate merchants, we are not substantially dependent upon these marketing relationships and have no written agreements with any one or more of them. The revenue generated from these Internet Websites, search engines and affiliate merchants, excluding our own www.quickverse.com Internet Website, accounted for less than approximately 1% of our 2005 fiscal year revenue.

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

Retail Sales

Retail sales accounted for approximately 39% of our 2005 fiscal year revenue. Our domestic retail sales involve thousands of retail stores across the United States through which our products are sold, many of which are members of the CBA. These stores vary from small, family-owned Christian bookstores to large chain bookstores such as LifeWay Christian Stores, Family Christian Stores® and Berean Christian Stores. We face the continuing challenge of reaching these stores on a consistent basis to keep them informed of new releases, promotional offers, etc. In addition to advertising in trade publications and maintaining visibility at CBA trade shows and events, we believe that it is critical to be in direct personal contact with each customer routinely, in order to maintain or increase our market position. Towards that end, our sales representatives are expected to contact each of our customers as well as each of the independent stores that are not yet our customers regularly and present them with the latest in our products and promotions. We believe our personalized approach to marketing provides us with an edge over our competition, which we believe rely predominantly on advertising to maintain and develop their relations with CBA customers.

In the secular retail market, which includes chains such as Best Buy™, CompUSA®, OfficeMax™ and Apple® Stores we believe that we continue to be a top seller of Bible study software and we are developing additional product offerings and promotions to grow our market share.

International Sales

International sales accounted for approximately 3% of our 2005 fiscal year revenue. We currently sell to distributors and retailers in Canada, New Zealand, Australia, Philippines, Faroe Island, Korea, Africa, the United Kingdom, and Singapore. These distributors and retailers, in turn, sell our products into both Christian and large, secular retail outlets that sell off-the-shelf consumer software packages.

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Returns and Price Concessions

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

We give all of our distributors and retail customers a written product return policy providing for returns, upon written request, within nine months of the invoice date for credit only. If a new title or title version release falls within that nine month time span, a distributor has 60 days from the announced release date to return the old title or title version in exchange for the new title or title version only. We provide our end-user consumers with a 45 day satisfaction guarantee, allowing them to return a title or title version within that time frame if for any reason unsatisfied. Our warranty policy for defective software is to provide replacement or repair for a period of 45 days from the invoice date. We believe that these measurement dates provide a consistent period for assessment and the opportunity to adequately estimate channel inventory levels for appropriately estimating our return reserves.

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

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

MANUFACTURING AND FULFILLMENT

We prepare a set of master program copies, documentation and packaging materials for each platform on which a title or title version is available. All of our software products are manufactured through third-party subcontractors, with orders for PC-based titles and title versions generally taking seven to ten days, and reorders taking three to five days. Packaging, printing and assembly are also performed by third-party subcontractors. To date, we have not experienced any material returns due to product defects.

We currently fulfill all of our direct-to-consumer sales out of our own warehouse located in Omaha, Nebraska and a third-party fulfillment company, also located in Omaha, Nebraska, fulfills our bulk retail sales.

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SIGNIFICANT CUSTOMERS AND SUPPLIERS

During the fiscal years ended December 31, 2005 and 2004, we had no major customers that individually accounted for 10% or more of annual sales. As we introduce new and enhanced software titles into the market, we anticipate our sales to a single customer, as a percentage of gross consolidated revenue, will continue to remain below 10%.

Also for the fiscal years ended December 31, 2005 and 2004, product and material purchases from IsoDisc accounted for 24% and 29%, respectively, Frogs Copy and Graphics accounted for 23% and 17%, respectively, Midlands Packaging Corporation accounted for 19% and 18%, respectively, S.P.A., Inc. accounted for 6% and 0%, respectively, and GP Direct, LLC accounted for 5% and 0%, respectively, of the total product and material purchases made by us. We currently have no long-term written agreements with any of these suppliers. The payment terms are generally net 30 days, and we are not substantially dependent upon any one or more of them; all are easily replaceable with any locally available supplier.

REGULATION

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

COMPETITION

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

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

We face competition from other software publishers, all of which generally sell through the same combination of channels that we do, including chain store, secular, CBA, direct and online sales.

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

- Logos Research Systems, Inc. - Logos Series X®
- Biblesoft, Inc. - BibleSoft PC Bible Study® Version 4
- Thomas Nelson, Inc. - Nelson eBible®
- WordSearch Bible Publishers - WordSearch® 7
- Zondervan - Zondervan Bible Study Library®

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

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In relation to our QuickVerse® Mobile products, we currently compete with the following companies and products, among others:

Laridian - My Bible®
Thomas Nelson, Inc. - Nelson eBible® for PDA
Zondervan - NIV Bible Study Suite PDA®
WordSearch Bible Publishers - Life Application Bible Pocket Library®
Olive Tree Bible Publishers - Olive Tree Bible Software®

We believe that QuickVerse® Mobile is the market leader in CBA retail and a top performer in overall sales in the PDA Bible Software market. We believe QuickVerse® Mobile offers a high quality product along with a substantial amount of content at an affordable price.

Furthermore, we currently compete with the following companies and comparable products, among others, in relation to our QuickVerse® Macintosh products:

Zondervan - Zondervan Bible Study Suite® for Macintosh®
Oak Tree Software, Inc. - Accordance Bible Software®

QuickVerse® Macintosh was released in June 2005, and we believe that it is the market leader in CBA retail. QuickVerse® Macintosh was developed from the ground up to be a truly native OS-X application. As with the other QuickVerse® family of products, we believe QuickVerse® Macintosh tends to be the least expensive product in its category given its features and extensive collection of Bibles and Bible reference content.

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

ACS Technologies®
CCIS Church Software®
Church Data Master Plus®
Church Windows/Computer Helper®
Church Office®
Logos Management Software®
Power Church Software®
Servant PC®
Shelby Systems®
Shepherd's Staff® (Concordia Publishing House)
Specialty Software®

We believe that Membership Plus® is the market leader by a margin of over 100% in the church management software publishing category in terms of registered users. Our Membership Plus® packages are also among the least expensive products in the category.

We rely upon our product quality, marketing and sales abilities, proprietary technology and product development capability, the depth of our retail distribution channels and management experience to compete in the software industry. Although we believe that we are among the market leaders in each of our primary product categories, some of our competitors have longer operating histories, larger customer bases and greater financial, marketing, service, support, technical and other resources than we do. Due to these greater resources, certain of our competitors have the ability to undertake more extensive marketing campaigns, adopt more aggressive pricing policies, pay higher fees to licensors and pay more to third-party software developers than we can. Moreover, we believe that competition from new entrants will increase as the market for faith-based products and services expands.

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INTELLECTUAL PROPERTY

Overview

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

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

Copyrights

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

We entered into a license agreement in June 1999 with Parsons Technology, Inc. which forms the basis of our copyright protection for products that accounted for approximately 99% of our revenues in 2005, including those generated from sales of QuickVerse® and Membership Plus®, by far our two largest selling software titles. A copy of the license that we obtained from Parsons Technology, which has since been assigned to Riverdeep, Inc., the latest licensor-assignee in a succession of assignments by Parsons Technology that have occurred since June 1999, is incorporated by reference into this annual report on Form 10-KSB for the year ended December 31, 2005 as Exhibit 10.3. At the time, it was acquired as part of a combination of related transactions involving ourselves, Parsons Technology, then a wholly owned subsidiary of Mattel, Inc.®, and TLC Multimedia Inc., then also a wholly owned subsidiary of Mattel, Inc.® Aside from the license, the transactions involved an asset sale, a product distribution agreement, and a related services agreement. Taken as a whole, and essentially, we had acquired from TLC Multimedia a software publishing and sales division (known and referred to by many then as the “Parsons Church Group”). In accordance with its terms, we agreed to pay a one-time non-recurring fee of $5 million to obtain the license, which fee was payable over a subsequent approximate one year period. The related asset sale involved separate consideration.

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

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

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In October 2001, due to being in arrears with respect to certain royalty payments owed to The Zondervan Corporation then, a content provider to QuickVerse®, we became party to a second mediation ultimately resulting in a multi-party settlement agreement, on October 20, 2003, the terms of which provided for our payment to Zondervan of $500,000 plus 5% simple interest in installments, as well as for our destruction of all inventory containing Zondervan-owned content, all of which we satisfied within months thereafter. As part of the settlement agreement, we received a covenant in perpetuity with respect to our rights under the 1999 license, effectively extending it indefinitely with no continuing financial obligations owed by us. A copy of the settlement agreement which resulted in the effective extension is incorporated by reference into this annual report on Form 10-KSB for the fiscal year ended December 31, 2005 as Exhibit 10.14.

Since 1999, the developments, including modifications and improvements, that we have made to the originally acquired copyrighted programs covered by the license have been extensive. We have used both in-house developers and third-party contractors in these modifications and improvements over which we retain the exclusive ownership. Given these developments, which have been made through five subsequent versions, eight different editions and three new platforms of QuickVerse®, four subsequent versions and one new edition of Membership Plus®, and various subsequent versions of some of the other titles to which we acquired rights under the license (including those in each of the print and graphics, pastoral, children's, and language tutorial product categories), we believe that the real value of the copyrights associated with these titles lay almost exclusively at this point in the improvements that we own rather than the base copyrights that we were originally granted and that continue to be owned by Riverdeep, Inc. Moreover, it is our belief that the original source code covered by the license has been effectively rendered valueless by virtue of these subsequent modifications and improvements. Although we do not believe that any third parties have been granted any rights to date in addition to our own to publish or sell these titles into secular channels, and do believe that, even if this has occurred or should occur in the future, the barriers to entry created by the extensive developments that we have made and now own to these otherwise licensed titles would make it practically infeasible for any third party to effectively compete with us in relation to these products in any market, there can be no assurance that one or more competitors will not emerge at some point or that they will not impact on our sales and revenues.

As noted above, our largest-selling title, QuickVerse®, is one from which we originally derived our rights under the 1999 license. One of the features that make QuickVerse® such a popular title is its breadth of content. A very significant percentage of this content is licensed by us from various third-party content providers for inclusion in QuickVerse®. We are therefore responsible for paying royalties on a regular basis to these providers in connection with our sales of QuickVerse®. In total, we currently have content licensing agreements with 45 different publishers for approximately 765 individual Bible translations and other Biblical or related scholarly works which are incorporated in various editions of our QuickVerse® products, or in some cases sold as stand-alone or add-on content. These licensing agreements are typically non-exclusive and for a fixed duration (*e.g.*, a term of 3 or 5 years). Royalties are generally paid within 30 days following the end of a quarter and are calculated as a percentage of net sales from a work (*e.g.*, ranging from 3% to 10% according to the licensing agreements), based upon factors such as value as a stand-alone product as compared to, for example, value when bundled with other titles within a collective work. These license agreements typically cover content in the context of both stand-alone products and as bundled works. For example, consumers who purchase QuickVerse® pay the suggested retail price and are in part paying for the technology within the program along with the content. QuickVerse® titles sold to new consumers or new users are subject to royalties on all content within each specific QuickVerse® title. However, upgrade sales to existing users are only subject to royalties on new content additions of the upgraded version.

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

Trademarks

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

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Trade Secrets

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

EMPLOYEES

As of March 31, 2006, we had thirty full-time employees. Of those thirty, four were part of the senior-level executive and financial management team, five were in the product development team, eleven were on the sales team, and ten were in fulfillment, administration, and related support positions. For the fiscal year ended December 31, 2005, our annual payroll was approximately $1,603,000, equivalent to 25% of gross revenues. In addition, we have engaged the services of several consulting firms who are working full or part-time for us in the area of product development and marketing.

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

SEASONALITY

Our business is 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.

ITEM 2. DESCRIPTION OF PROPERTY.

Our principal executive offices are located at 11204 Davenport Street, Suite 100, Omaha, Nebraska. We lease this 6,500 square foot premises under a five year lease agreement with 11204, LLC. Our monthly rent is $7,094.79 and, as of March 31, 2006, there were approximately fourteen months remaining under the lease.

We maintain additional leased office space in Naperville, Illinois for certain product development activity. We lease this 880 square foot premises under a three year lease agreement with Transwestern Great Lakes, L.P. Our monthly rent is $1,320.00 and there are twelve months remaining under the lease.

Three of our full-time employees work in home offices located in Cedar Rapids, Iowa. We do not pay for any space associated with these operations.

ITEM 3. LEGAL PROCEEDINGS.

As of the date of this annual report on Form 10-KSB for the year fiscal year ended December 31, 2005, there were no pending material legal proceedings to which we were a party and we are not aware that any were contemplated. There can be no assurance, however, that we will not be made a party to litigation in the future. Moreover, there can be no assurance that our insurance coverage will prove adequate to cover all liabilities arising out of any claims that may be initiated against us in the future. Any finding of liability imposed against us coupled with a lack of corresponding insurance coverage is likely to have an adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations.

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

No matters were submitted to a vote of our stockholders during the fourth quarter of the fiscal year ended December 31, 2005.

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PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

RECENT SALES OF UNREGISTERED SECURITIES

There were no previously unreported sales of unregistered securities during the fiscal years ended December 31, 2004 or 2005.

MARKET INFORMATION

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

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

	Common Stock	
2004	**High**	**Low**
First Quarter	$0.055	$0.020
Second Quarter	$0.400	$0.018
Third Quarter	$0.250	$0.090
Fourth Quarter	$0.190	$0.060
2005	**High**	**Low**
First Quarter	$0.150	$0.070
Second Quarter	$0.150	$0.090
Third Quarter	$0.140	$0.070
Fourth Quarter	$0.170	$0.070

STOCKHOLDERS

As of March 31, 2006, there were approximately 800 holders of record of our common stock, with any shares held by persons or companies in street or nominee name counted only under such street or nominee name.

DIVIDENDS

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

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	855,000	$0.11	645,000
Equity compensation plans not approved by security holders	2,800,000	$0.0879	---
Total	3,655,000	$0.093	645,000

Our 1999 Stock Incentive Plan authorizes the issuance of various forms of stock-based awards including incentive and nonqualified stock options, stock appreciation rights attached to stock options, and restricted stock awards to our directors, officers and other key employees. The plan has been approved by our stockholders and as such, provides certain income tax advantages to employees as provided under Sections 421, 422, and 424 of the Internal Revenue Code. Stock options are granted at an exercise price as determined by our board at the time the option is granted and may not be less than the par value of such shares of common stock. Stock options vest quarterly over three years and have a term of up to ten years. The plan authorizes an aggregate of 1,500,000 shares of common stock that may be issued.

In addition, we issue various forms of stock-based awards including nonqualified stock options and restricted stock awards to directors, officers, other key employees and third-party consultants, outside of the Stock Incentive Plan. Awards granted outside of the plan have been granted pursuant to equity compensation arrangements that have not been approved by our stockholders. These awards are granted at an exercise price as determined by our board at the time of grant and are not less than the par value of such shares of common stock. Stock options granted outside of the plan vest as determined by our board at the time of grant and have a term of up to ten years. Non-employee directors, though treated as employees for financial reporting purposes under Financial Accounting Standards Board Interpretation No. 44, are excluded from the income tax advantages afforded employees by the Internal Revenue Code.

All issued options, whether under the plan or not, create the obligation for stock issuance at the established exercise price.

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ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The following discussion should be read together with our consolidated financial statements for the period ended December 31, 2005 and the notes to the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

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

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.

Royalty Agreements

We have entered into certain agreements whereby we are obligated to pay royalties for content of software published. We generally pay royalties based on a percentage of sales on respective products or on a fee per unit sold basis. We expense software royalties as product costs during the period in which the related revenues are recorded.

Accounts Receivable

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

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.

Intangible Assets

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

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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.

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

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

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.

Revenue Recognition

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

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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.

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

Derivatives

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

Income Taxes

We follow SFAS No. 109, *Accounting for Income Taxes*, which 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.

RESULTS OF OPERATIONS FOR YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

Statement of Operations for Years Ended December 31	**2005**	2004	Change	%
Net revenues	**$ 5,337,342**	$ 5,322,842	$ 14,500	0%
Cost of sales	**1,973,944**	1,721,298	252,646	15%
Gross profit	**3,363,398**	3,601,544	(238,146)	-7%
Total operating expenses	**(4,425,429)**	(4,177,705)	(247,724)	6%
Other income	**14,855**	1,012,744	(997,889)	-99%
Other adjustments	**(436,686)**	(154,569)	(282,117)	183%
Loss on fair value adjustment of derivatives	**(33,797)**	(291,672)	257,875	-88%
Other expenses	**(12,898)**	(42,148)	29,250	-69%

Loss before income taxes	**(1,530,557)**	(51,806)	(1,478,751)	2854%
Provision for income taxes	**(50,709)**	1,015,859	(1,066,568)	-105%
Net income (loss)	**$ (1,581,266)**	$ 964,053	$ (2,545,319)	-264%

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Despite a modest increase in our gross revenue, our net loss before income taxes increased approximately $1,479,000 from a loss of approximately $52,000 for the year ended December 31, 2004 to a loss of approximately $1,531,000 for the year ended December 31, 2005. Further, we incurred a net loss of approximately $1,581,000 for the year ended December 31, 2005, representing a reduction of approximately $2,545,000 in our net income of approximately $964,000 for the year ended December 31, 2004. These negative results of operations are primarily attributable to the following:

1) For the year ended December 31, 2004:

a) write downs of each the following:

§ a reserve for rebates payable from a change in accounting estimate of approximately $142,000 (and recognized as an adjustment to revenue);

§ actual rebates payable of approximately $61,000 due to an overstatement (and recognized as an adjustment to revenue); and

§ obsolete inventory of approximately $32,000 (which is included in cost of sales);

b) we recognized a gain of approximately $1,000,000 from extinguishment of debt (classified as other income) which resulted from our having settled with various vendors and content providers for lump-sum payments at reduced amounts of balances previously owed;

c) we recognized an expense of approximately $155,000 (classified as other adjustments) related to a settlement with an institutional private equity investor; and

d) we recognized a loss of approximately $292,000 related to the fair value adjustment of derivatives.

2) For the year ended December 31, 2005:

a) our cost of sales increased approximately $253,000 from the year ended December 31, 2004 despite an increase in net sales year over year of only $14,500, due for the most part to an increase of approximately $231,000 in amortization expense related to software development costs resulting from the increased number of development projects completed and shipped in late 2004 and 2005 (including QuickVerse® 2005 in December 2004, Membership Plus® 2005 in February 2005, QuickVerse® Macintosh in June 2005, QuickVerse® 2006 in September 2005, and QuickVerse® 2006 Mobile in October 2005);

b) our bad debt expense (included in total operating expenses) increased approximately $114,000 from the year ended December 31, 2004 due primarily to our inability to collect on a balance due of $42,000 from a single liquidation customer. In addition, we wrote off approximately $58,000 related to uncollectible receivables arising out of a sales campaign that we initiated in 2005 which focused on offering new churches a beginning line of credit of approximately $500, and which has since been discontinued;

c) we incurred liquidated damage penalties of approximately $437,000 in connection with our continued failure to meet certain contractual registration obligations (which are included in other adjustments);

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d) our legal expenses (included in general and administrative) increased approximately $117,000 from the year ended December 31, 2004 attributable in large part to ongoing matters associated with fulfillment of our contractual registration obligations and related restatements of certain of our historical financial statements; and

e) we recognized a loss of approximately $34,000 related to the fair value adjustment of derivatives.

Offsetting to some degree the negative results of operations detailed above were two positive developments during the year ended December 31, 2005. First, non-cash expenses related to equity-based compensation for services decreased by approximately $179,000 for the year ended December 31, 2005 as a result of our not having issued any. Second, interest expense for the year ended December 31, 2005 decreased, by approximately $42,000, from the year ended December 31, 2004, due to a reduction in trade payables coupled with an increase in timely payments.

Revenues

We derive revenues from the sale of packaged software products, product support and multiple element arrangements that may include any combination of these items. Revenue is recognized when persuasive evidence of an arrangement exists (generally a purchase order), we have delivered the product, the fee is fixed or determinable and collectibility is probable. For our packaged software products, we typically recognize revenue from the sale when we ship the product. We sell some of our products on consignment to a limited number of resellers. We recognize revenue for these consignment transactions only when the end-user sale has occurred. Service revenue resulting from technical support plans is recognized over the life of the plan, which is generally one year. Revenue associated with advance payments from our customers is deferred until we ship the product or offer the support service. Revenue for software distributed electronically via the Internet is recognized when the customer has been provided with the access codes that allow the customer to take immediate possession of the software on its hardware and evidence of the arrangement exists. For revenue arrangements involving multiple products or product and service packages, we allocate and defer revenue for the undelivered products or product and service packages based on their vendor-specific objective evidence of fair value, which is generally the price charged when that product or product and service package is sold separately.

We reduce product revenue for estimated returns and price protections that are based on historical experience and other factors such as the volume and price mix of products in the retail channel, trends in retailer inventory and economic trends that might impact customer demand for our products. Estimated returns are also based upon a percentage of total retail and direct sales. Direct sales accounted for approximately 61% of our 2005 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 years ended December 31, 2004 and 2005, respectively.

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

Product returns from distributors and Christian bookstores are allowed primarily in exchange for new products or for credit towards purchases as part of a stock-balancing program. These returns are subject to certain limitations that may exist in the contract. Under certain circumstances, such as termination or when a product is defective, distributors and bookstores could receive a cash refund if returns exceed amounts owed. Returns from sales made directly to the consumer are accepted within 45 days of purchase and are issued a cash refund. Product returns, price protections or price concessions that exceed our reserves could materially adversely affect our business and operating results and could increase the magnitude of quarterly fluctuations in our operating and financial results. We did implement a price protection program within the third quarter of 2005 on our QuickVerse® 2005 titles within the Christian Booksellers Association retail channel due to our updated release of QuickVerse® 2006. QuickVerse® 2006 was released in late September 2005, and we believe we reserved appropriately for the price protections.

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

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

Revenues for Years Ended December 31	**2005**	**% to Sales**	2004	% to Sales	Change	%
Gross sales	**$ 6,309,017**	**100%**	$ 5,786,427	100%	$ 522,590	9%
Add rebate adjustment	**19,640**	**0%**	203,313	4%	(183,673)	0%
Less reserve for sales returns and allowances	**(991,315)**	**-16%**	(666,898)	-12%	(324,417)	49%
Net sales	**$ 5,337,342**	**84%**	$ 5,322,842	92%	$ 14,500	0%

Gross revenues increased approximately $523,000 from approximately $5,786,000 for the year ended December 31, 2004 to approximately $6,309,000 for the year ended December 31, 2005. We believe that this increase was attributable primarily to the following product releases throughout the year:

First Quarter 2005

- an enhanced version of our top financial and data management product, Membership Plus®, including Membership Plus® Standard Edition (retail price: $149.95) and Membership Plus® Deluxe Edition (retail price of $349.95); and
- an enhanced version of QuickVerse® 2005 Essentials (retail price: $49.95) and QuickVerse® 2005 Platinum Edition (retail price: $799.95).

Second Quarter 2005

- our first product release on the Macintosh® Operating System platform, QuickVerse® Macintosh, including QuickVerse® Macintosh White Box edition, (retail price: $49.95) and QuickVerse® Macintosh Black Box edition (retail price: $99.95) and ;
- an enhanced version of Bible Illustrator® 3.0 titled Sermon Builder® 4.0 (retail price: $69.95), which marked the first update to this program in over six years.

Third Quarter 2005

- an upgrade to our flagship product, QuickVerse® (three months earlier within the calendar year than our 2004 upgrade release of this product, and the first QuickVerse® upgrade release in over five years that was shipped early enough to be in retail stores prior to the beginning of the holiday sales season), including QuickVerse® 2006 Starter Edition (retail price: $9.95), QuickVerse® 2006 Parable® Edition (retail price: $49.95), QuickVerse® 2006 Bible Suite (retail price: $29.95), QuickVerse® 2006 Essentials (retail price: $49.95), QuickVerse® 2006 Standard (retail price: $99.95), QuickVerse® 2006 Expanded (retail price: $199.95), QuickVerse® 2006 Deluxe (retail price: $299.95), and QuickVerse® 2006 Platinum (retail price: $799.95).

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Fourth Quarter 2005

- an upgrade to our four editions of QuickVerse® 2006 Mobile, including Standard (retail price: $29.95), Deluxe (retail price: $39.95), Platinum Edition (retail price: $69.95), and Life Application Study Bible (retail price: $39.95).

During the year ended December 31, 2004, our product releases included Membership Plus® 8.0 (retail price: $199.95 to $299.95), QuickVerse® 2005 PDA (retail price: $14.95 to $39.95), and QuickVerse® 2005 (retail price: $99.95 to $299.95). Of note, and generally, the retail price points for the products released during the year ended December 31, 2004 were significantly less than those released during the year ending December 31, 2005. Furthermore, due to delays in programming, duplication, packaging and distribution, QuickVerse® 2005 began shipping in early-December 2004, several months after the holiday sales season had already begun. Due to these delays, we believe that we lost otherwise realizable sales revenues of approximately $500,000 for the year ended December 31, 2004.

During each of the years ending December 31, 2004 and 2005, our sales efforts were focused on directly targeting end-users through telemarketing and Internet sales, resulting in more consistent sales. While sales into the retail market (both CBA and secular) have continued to increase, they have not returned to the levels of 1999 or 2000. Upgrade sales, however are not increasing at a rapid rate due to the consistency in our development schedule and the annual releases of our flagship product, QuickVerse®. We anticipate that revenues will continue to increase through 2006 the following year as we continue to expand the content available for our QuickVerse® products, develop new products for multiple platforms, as well as offer our products at a range of price points intended to appeal to various market sub-segments.

Sales returns and allowances increased approximately $324,000 from approximately $667,000 for the year ended December 31, 2004 to approximately $991,000 for the year ended December 31, 2005, and increased as a percentage of gross sales from approximately 12% for the year ended December 31, 2004 to approximately 16% for the year ended December 31, 2005. This increase is largely attributable to the following:

- price protections afforded to consumers and retailers who had purchased prior versions of Membership Plus® and QuickVerse® within one year or less of our release of upgraded versions of each of Membership Plus®, in February 2005, and QuickVerse®, in September 2005. Historically, our product upgrades have extended over two to three years and therefore, price protections were not issued;
- a single return from a liquidator of approximately $42,000 during the fourth quarter of the year end December 31, 2005, which although we were not obligated to accept, we did accept based on a conclusion that it was in our best interest to do so;
- the unexpected loss of our primary developer for Membership Plus® in May 2005, together with certain unresolved maintenance issues at the time, of which are now resolved, led to higher actual returns on the Membership Plus® 2005 product line; and
- increased price points associated with recently introduced products.

As a result of the overall increase in sales returns and allowances, we have increased our reserves from approximately $100,000 to approximately $125,000 to cover estimated retail channel inventory levels. Moreover, we expect to release enhanced versions of our biggest-selling products on an annual basis generally going forward, and anticipate sales returns and allowances as a percentage of gross revenues to decrease over time as a result of increased stability in the functionality of our products, decreasing reliance on retail sales and increasing reliance on direct sales, which have historically resulted in fewer returns, and improved planning in the timing of new product version releases.

For the year ended December 31, 2004, and due to a change in accounting estimate of approximately $142,000, we wrote down a reserve for rebates payable. Due to overstatements of approximately $20,000 and $61,000, we additionally wrote down actual rebates payable, both of which are included as an adjustment to revenue (in accordance with EITF Issue No. 01-09) for the years ended December 31, 2005 and 2004, respectively.

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Cost of Sales

Cost of Sales for Years Ended December 31	2005	% to Sales	2004	% to Sales	Change	%
Direct costs	**$ 601,156**	**13%**	$ 579,946	15%	$ 21,210	4%
Less reserve for sales returns and allowances	**(148,245)**	**-3%**	(99,255)	-3%	(48,990)	49%
Amortization of software development costs	**806,531**	**17%**	575,480	15%	231,051	40%
Royalties	**471,651**	**10%**	417,604	11%	54,047	13%
Freight-out	**171,904**	**4%**	172,634	4%	(730)	0%
Fulfillment	**70,947**	**1%**	74,889	2%	(3,942)	-5%
Cost of sales	**$ 1,973,944**	**42%**	$ 1,721,298	44%	$ 252,646	15%

Cost of sales consists primarily of royalties paid to third party providers of intellectual property and the direct costs and manufacturing overhead required to reproduce, package, fulfill and ship the software products. Direct costs and manufacturing overhead also include the amortized software development costs and the non-capitalized technical support wages. The direct costs and manufacturing overhead increased approximately $198,000 from approximately $1,304,000 for the year ended December 31, 2004 to approximately $1,502,000 for the year ended December 31, 2005 and decreased slightly as a percentage of gross revenues approximately 1% for the year ended December 31, 2005. The overall increase resulted directly from amortization of software development costs. The amortization recognized during the year ended December 31, 2005 resulted from several new software releases in 2005 including Membership Plus®2005, QuickVerse® Macintosh, Sermon Builder® 4.0, QuickVerse® 2006 and QuickVerse® 2006 Mobile. The shorter timeframes between our product upgrades during the year of 2005 as compared to 2004, especially QuickVerse® 2005 and QuickVerse® 2006, also led to the increased amount of amortization recognized. During the year ended December 31, 2004 we continued to amortize the costs associated with QuickVerse® 8.0 along with Membership Plus® 8.0, the updated release of QuickVerse® PDA 2005 and the release of QuickVerse® 2005.

The slight decrease in the percentage of cost of sales reflects the continual software development cycle of enhancing our two major product lines within a one year timeframe or less and the increased amortization of those software development costs. The direct costs and manufacturing overhead percentage are expected to continue at the 2005 levels as working capital remains more consistent and as more development projects are implemented in a shortened timeframe. Fulfillment costs from a third-party warehouse and included in the manufacturing overhead costs noted above decreased approximately $4,000 from approximately $75,000 for the year ended December 31, 2004 to approximately $71,000 for the year ended December 31, 2005 as a direct result of having moved our retail fulfillment operations to a new outside entity in late October 2004. Furthermore, our fulfillment center continues to improve its efficiency which has led to a decrease in fulfillment, as well as freight, costs. The write down of a distinct category of obsolete inventory of approximately $32,000 is included in the direct costs and manufacturing overhead for the year ended December 31, 2004.

Royalties paid to third party providers of intellectual property increased approximately $54,000 from approximately $418,000 for the year ended December 31, 2004 to approximately $472,000 for the year ended December 31, 2005 and decreased approximately 1% as a percentage of gross revenues for the year ended December 31, 2005. The overall increase in royalties paid for the year ended December 31, 2005 reflects the following:

- the release of the QuickVerse® 2005 editions in early December 2004;
- the release of three additional QuickVerse® 2005 editions , QuickVerse® Essentials, QuickVerse® Platinum, and QuickVerse® Macintosh;

- the release of Sermon Builder® 4.0 in June 2005, which was an update to Bible Illustrator® 3.0, and the first update to Bible Illustrator® 3.0 in over six years (including not only technological updates but content additions);
- the release of the QuickVerse® 2006 editions in September of 2005, which was three months earlier in the calendar year than was the case in 2004, and which allowed us to capitalize much more upon the holiday selling season; and
- the release of the QuickVerse® 2006 Mobile editions in October of 2005.

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During the year ended December 31, 2004, we renegotiated several royalty contracts which resulted, in some cases, in a higher royalty rate but more content. The royalty rate as a percentage of gross sales is expected to increase in the future as sales to new users are expected to increase, more development projects are implemented for new and/or enhanced products, and as we continue to expand the content available for our QuickVerse® line of products.

The slight decrease in cost of sales as a percentage of gross sales reflects the fact that our sales results continue to be largely influenced by our reliance on direct marketing initiatives aimed at our consumers rather than retail distribution initiatives, and that upgrade sales are only subject to royalties on their content additions.

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

Our software development costs for the years ending December 31, 2004 and 2005 are summarized in the table below. These costs, consisting primarily of direct and indirect labor and related overhead charges, and capitalized during the years ended December 31, 2004 and 2005, were approximately $692,000 and approximately $812,000, respectively. Accumulated amortization of these development costs, which were included in cost of sales, totaled approximately $575,000 and approximately $807,000 for the years ended December 31, 2004 and 2005, respectively. The increase in both the capitalization and amortization is a direct result of the increase in the number of development projects.

Software Development Costs For Years Ended December 31	**2005**	2004
Beginning balance	**$ 701,289**	$ 584,706
Capitalized	**812,309**	692,063
Amortized (cost of sales)	**806,531**	575,480
Ending balance	**$ 707,067**	$ 701,289
Research and development expense (General and administrative)	**$ 216,397**	$ 64,653

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Sales, General and Administrative

Sales, General and Administrative Costs for Years Ended December 31	**2005**	**% to Sales**	2004	% to Sales	Change	%
Selected expenses:						
Commissions	**$ 695,914**	**15%**	$ 814,623	21%	$ (118,709)	-15%
Advertising and direct marketing	**577,317**	**12%**	466,138	12%	111,179	24%
Total sales and marketing	**$ 1,273,231**	**27%**	$ 1,280,761	33%	$ (7,530)	-1%
Research and development	**$ 216,397**	**5%**	$ 64,653	2%	$ 151,744	235%
Personnel costs	**1,237,706**	**26%**	1,310,506	34%	(72,800)	-6%
Legal	**187,499**	**4%**	71,003	2%	116,496	164%
Accounting	**27,735**	**1%**	10,709	0%	17,026	159%
Rent	**82,172**	**2%**	75,555	2%	6,617	9%
Telecommunications	**53,092**	**1%**	149,443	4%	(96,351)	-64%
Corporate services	**73,972**	**2%**	87,223	2%	(13,251)	-15%
Administration	**18,762**	**0%**	118,474	3%	(99,712)	-84%
Other general and administrative costs	**535,332**	**11%**	422,272	11%	113,060	27%
Total general and administrative	**$ 2,432,667**	**51%**	$ 2,309,838	59%	$ 122,829	5%

With gross revenues increasing approximately $523,000 from 2004 to 2005, total sales, general and administrative costs also increased approximately $115,000 from approximately $3,591,000 for the year ended December 31, 2004 to approximately $3,706,000 for the year ended December 31, 2005. Of the total sales, general and administrative costs, sales and marketing expenses decreased approximately $8,000 from approximately $1,281,000 for the year ended December 31, 2004 to approximately $1,273,000 for the year ended December 31, 2005. Included in sales expenses, third-party telemarketing commissions decreased approximately $119,000 from approximately $815,000 for the year ended December 31, 2004 to approximately $696,000 for the year ended December 31, 2005, and decreased as a percentage of gross revenues from approximately 21% to approximately 15% for the year ended December 31, 2004 and 2005, respectively. This decrease is attributed to the use of our own in-house direct telemarketing sales team which was developed specifically to reduce our reliance on third-party telemarketing services. Advertising and direct marketing costs increased approximately $111,000 from approximately $466,000 for the year ended December 31, 2004 to approximately $577,000 for the year ended December 31, 2005 and remained consistent as a percentage of gross revenues at approximately 12% over both years. The net increase in advertising and direct marketing costs year over year is the combined result of our continuing efforts to enhance our product visibility online, to increase and focus more on our direct marketing efforts, and our having increased the scope and frequency of our print advertising campaigns in order to maximize sales associated with the new product enhancements of Membership Plus® 2005, the three new QuickVerse® editions (QuickVerse® Platinum, Macintosh and Essentials), the updated Sermon Builder® 4.0, QuickVerse® 2006, and QuickVerse® 2006 Mobile during the year ended December 31, 2005.

Research and development costs include direct production costs (including labor directly associated with the development projects), indirect costs (including allocated fringe benefits, payroll taxes, facilities costs and management supervision), and other direct costs (including costs of outside consultants, purchased software to be included in the software product being developed, travel expenses, material and supplies, and other direct costs).

Software development costs related to third-party developers and direct labor expensed as research and development (see table above) amounted to approximately $65,000 for the year ended December 31, 2004 compared to approximately $216,000 incurred for the year ended December 31, 2005. The increase in 2005 reflects more research and development costs associated with maintenance issues on titles following release as well as experimentation and development in connection with new system platforms for future products. Research and development expenses are expected to increase in future periods as we add new products and product versions, and as we continue to expand the array of platforms upon which are products are made available.

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Total personnel costs decreased approximately $73,000, from approximately $1,310,000 for the year ended December 31, 2004, to approximately $1,238,000 for the year ended December 31, 2005 despite the fact that direct salaries and wages increased approximately $80,000, from approximately $1,523,000 to approximately $1,603,000, over the same period. The increase in direct salaries and wages was a direct result of expanding our sales and marketing team, including the addition of our own telemarketing sales team, and expanding our product development staff. As a percentage of gross revenues, direct salaries and wages decreased approximately 1% from approximately 26% for the year ended December 31, 2004 to approximately 25% for the year ended December 31, 2005. The direct salaries and wages include approximately $67,000 and $-0- in expense for upper management year-end bonus accrual for the years ending December 31, 2004 and 2005, respectively. Furthermore, we recognized approximately $14,000 of expense in connection with the issuance to various employees of 635,000 restricted common shares during the year ended December 31, 2004. As a result of having restructured our health benefits plans in October 2004, our employment-related health care costs decreased approximately $15,000 from approximately $155,000 for the year ended December 31, 2004 to approximately $140,000 for the year ended December 31, 2005. The capitalization of direct and indirect labor and related overhead charges as software development costs (see “Cost of Sales” above) increased by approximately $16,000 from approximately $379,000 for the year ended December 31, 2004 to approximately $395,000 for the year ended December 31, 2005. This increase is due to the addition of development staff and an increase in new development projects. It is anticipated that personnel costs will continue to increase in future periods as operating capital is available and deployed to further fund staffing requirements of our product development and direct sales teams.

Direct legal costs increased approximately $117,000 for the year ended December 31, 2005 as a result of ongoing registration initiatives with the SEC, increased current reporting requirements on Form 8-K, increased compliance initiatives associated with the Sarbanes-Oxley Act of 2002, and preparation for our first annual meeting of shareholders in over five years. This year over year change was also due in part to the fact that approximately $44,000 of legal costs for the year ended December 31, 2004 were related to the stock offering costs incurred in July 2004, the related preparation of a 14C information statement related to an increase in our authorized capital stock, and the preparation and filing of a related registration statement, all of which was recorded as a reduction to additional paid-in capital. It is anticipated that legal costs will continue at increased levels as we continue to meet our ongoing SEC reporting and corporate governance obligations, possibly raise additional capital, and pursue our business plan for growth by potentially acquiring other companies or product lines.

Accounting and audit related expenses increased approximately $17,000 for the year ended December 31, 2005 as a result of continuing delays in the effectiveness of a registration statement, due principally to efforts made necessary by our determination to restate certain of our historical financial information. It is anticipated that accounting costs will continue to increase in the future, and that such increases may be substantial. Our expectation in this regard derives from the fact that we have recently engaged a new principal accounting firm for our year end 2005 audit, and we expect that our fees payable to such firm, which we expect to utilize on an ongoing basis, will generally be higher than those payable to our former auditors.

Rent costs increased approximately $7,000 for the year ended December 31, 2005 as a result of provisions in our leases calling for periodic percentage increases.

Telecommunications costs decreased approximately $96,000 for the year ended December 31, 2005 resulting from switching our local and long-distance carriers. Our increased call volume enabled us to change our service to dedicated T-1 lines which in turn reduced the long-distance charges. We also invested in internet protocol phones for our remote locations which reduced the overall local and long distance charges in our Illinois and Iowa locations. The increased call volume in the technical support and customer service departments resulted from the multiple product releases in 2005 including Membership Plus®2005, QuickVerse® Macintosh, Sermon Builder® 4.0, QuickVerse® 2006 and QuickVerse® 2006 Mobile.

Corporate service fees decreased approximately $13,000 for the year ended December 31, 2005 resulting from the expiration of an independent consulting agreement and the resultant ability on our part to cease carrying the associated expense for a 2004 issuance to such consultant of a warrant to purchase 600,000 shares of common stock which had been allocated over the term of the agreement.

Administration expenses decreased approximately $100,000 for the year ended December 31, 2005 due to our not having incurred interest and penalty fees on back payroll taxes as we had during the year ended December 31, 2004.

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Finally, bad debt expense increased approximately $114,000 for the year ended December 31, 2005 due primarily to our inability to collect on a balance due of $42,000 from a single liquidation customer. In addition, we wrote off approximately $58,000 related to uncollectible receivables arising out of a sales campaign that we initiated in 2005 which focused on offering new churches a beginning line of credit of approximately $500, and which has since been discontinued.

Other Income and Adjustments

During the year ended December 31, 2004, we recognized an approximately $1,000,000 gain from extinguishment of debt which is included in other income. The extinguishment of debt is a direct result from one-time settlement arrangements with various vendors and content providers for lump-sum payments ranging from approximately 17% to approximately 60% of balances owed at the time. Vendors who were offered the settlement had previously provided services and/or goods to us, and the content providers were owed royalties from us in connection with our prior sales of product. We do not anticipate this to be a recurring event in the future. Below is a list of the vendors and content providers who we settled with:

American Bible Society (content provider)
David Epstein (content provider)
Depository Trust Company (corporate services)
Explorer's Bible Study (content provider)
Genesis Marketing Group (sales services)
Historical Exegetical Electronic Publishing (content provider)
Innovative Church Marketing Group (advertising services)
Interactive Pictures Corporation (content provider)
InterVarsity Press (content provider)
Ivy Hill/Warner Media Services (manufacturing services)
Lernout & Hauspie Speech Products (content provider)
MicroBytes, Inc. (CD duplication services)
Moody Publishers (content provider)
National Council of the Churches of Christ in the United States of America (content provider)
NavPress Publishing Group (content provider)
Oxford University Press (content provider)
Pillsbury, Madison & Sutro LLP (legal services)
Rutledge Hill Press (content provider)
Sonopress (manufacturing services)
Standard Publishing (content provider)
The Lockman Foundation (content provider)
World Publishing (content provider)

During the year ended December 31, 2004, we additionally incurred approximately $155,000 in expenses related to a settlement agreement with Swartz Private Equity, an institutional private equity investor, for early termination of the agreement. As part of a settlement agreement, we issued 295,692 shares of common stock and paid a cash lump sum of $125,000. The shares were valued at $0.10 per share. This has been included in other adjustments.

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On July 19, 2004, we completed an equity financing in the amount of $1,750,000 through a private placement with Barron Partners, LP in which Barron Partners purchased 21,875,000 restricted shares of common stock and received two warrants to purchase up to an additional 21,875,000 shares of common stock. As part of the financing transaction, we also entered into a certain Registration Rights Agreement with Barron Partners pursuant to which we became committed to registering all of the shares issued as part of such transaction, including those issuable under the warrants. Upon receipt of the requisite stockholder approval to increase the number of authorized common shares so as to allow us to deliver the warrants, effectively obtained and effectuated as of November 10, 2004, we had 30 days within which to file a registration statement on Form SB-2 covering the shares issued to Barron Partners, as well as the shares underlying the warrants issued to Barron Partners. Such registration statement was filed on November 22, 2004. In accordance with the terms of the Registration Rights Agreement, as amended, we had another 150 days, until April 22, 2005, to cause such registration statement to be declared effective by the SEC, with any delays in meeting this obligation resulting in our being liable to Barron Partners in an amount equal to $630,000 per year, pro-rated for the duration of any such delay, which amounts to $1,726 per day. As of December 31, 2005, we had accrued a total of approximately $437,000 (253 days at $1,726 per day) in penalties under the terms of the Registration Agreement, inclusive of an adjustment made pursuant to an 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 continued to accrue from June 21, 2005 until the registration statement was declared effective on February 1, 2006 by the SEC. We had experienced continued delays in effectiveness of the registration statement due principally to ongoing efforts made necessary by our determination to restate certain of our historical financial information. The amount paid by us to date ($150,000 as of March 31, 2006) to satisfy this obligation, and the continued delays in our ability to cause the registration statement to be declared effective coupled with additional amounts which we are required to pay, has had 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 net loss for the year.

Derivatives

In November 2004, we issued two warrants to purchase an aggregate of 21,875,000 shares of our common stock in connection with a certain Stock Purchase Agreement completed with Barron Partners, LP, on July 19, 2004. The first warrant entitles the holder to purchase up to 10,937,500 shares of our common stock at a price of $0.18 per share, and the second warrant entitles the holder to purchase up to 10,937,500 additional shares of our common stock at a price of $0.60 per share. Each warrant is subject to standard adjustment provisions and each provides for settlement in registered shares of our common stock and may, at the option of the holder, be settled in a cashless, net-share settlement. These warrants have been accounted for as a liability according to the guidance of EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. In accordance with the accounting mandate, the derivative liability associated with these warrants has been and shall continue to be, until each is either fully exercised or expires, adjusted to fair value at each balance sheet date and is accordingly reassessed at each such time to determine whether the warrants should be classified (or reclassified, as appropriate) as a liability or as equity. The fair value of each warrant was initially assessed at $2,187,500 ($4,375,000 total) using the Black-Scholes valuation method. At December 31, 2004 and 2005, the fair value of the derivative liability was approximately $1,969,000 and $2,062,000, respectively, and a fair value adjustment of approximately $292,000 and $34,000, respectively, has been included in other expenses for the years then ended.

Amortization

Amortization expense increased approximately $12,000 for the year ended December 31, 2005. The software license acquired from TLC in July of 1999 is amortized over a 10 year useful life. Amortization expense for 2005 reflects the continual amortization of the software license as well as the amortization of our new Website, www.quickverse.com, which we launched during the second quarter of 2004.

Income Tax Benefits

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

We have recognized a net deferred tax asset whose realization depends on generating future taxable income. At December 31, 2005, management adjusted the amount of valuation allowance based on the assessment that we will produce sufficient income in the future to realize our net deferred tax asset. The resulting deferred tax liability reflects income taxes payable in future periods on the net deductible differences related to the 1999 license. We currently have net operating loss carryforwards, for income tax purposes, of approximately $8,462,000. The carryforwards are the result of income tax losses generated in 2000 ($2,338,000 expiring in 2020), 2001 ($5,168,000 expiring in 2021) and 2005 ($956,000 expiring in 2025). We will need to achieve a minimum annual taxable income, before deduction of operating loss carryforwards, of approximately $527,000 to fully utilize the current loss carryforwards. We believe this is achievable through careful expense management and continued introduction of new products and enhanced versions of our existing products.

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

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LIQUIDITY AND CAPITAL RESOURCES

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

Working Capital at December 31	**2005**	2004	Change	%
Current assets	**$ 867,750**	$ 1,551,447	$ (683,697)	-44%
Current liabilities	**$ 3,893,447**	$ 3,351,893	$ 541,554	16%
Retained deficit	**$ (7,752,097)**	$ (6,170,831)	$ (1,581,266)	26%

As of December 31, 2005, we had $867,750 in current assets, $3,893,447 in current liabilities and a retained deficit of $7,752,097. We had a loss before income taxes of $1,530,557 and a net loss after income taxes of $1,581,266 for the year ended December 31, 2005. Non-recurring expenses for 2005 included registration rights penalties totaling approximately $437,000and a related loss of approximately $34,000 from the fair value adjustment of derivatives. See "Results Of Operations" above. By contrast, as of December 31, 2004 we had $1,551,447 in current assets, $3,351,893 in current liabilities and a retained deficit of $6,170,831. Operating expenses for 2004 included approximately $149,000 in non-cash expenses related to shares of common stock and warrants issued for services, and approximately $30,000 in non-cash expenses related to shares of common stock issued in connection with a settlement agreement. Other income for 2004 included approximately $1,000,000 from extinguishment of debt, and other expenses for 2004 included a loss of approximately $292,000 from the fair value adjustment of derivatives.

Cash Flows for Years Ended December 31	**2005**	2004	Change
Cash flows provided (used) by operating activities	**$ 612,345**	$ (643,668)	$ 1,256,013
Cash flows (used) by investing activities	**$ (801,422)**	$ (746,932)	$ (54,490)
Cash flows provided (used) by financing activities	**$ (32,722)**	$ 1,690,291	$ (1,723,013)

Net cash used by operating activities was approximately $644,000 for the year ended December 31, 2004, while net cash provided by operating activities was approximately $612,000 for the year ended December 31, 2005. The increase was primarily due to an increase in the amounts received from customers resulting from increased sales coupled with a decrease in the amount paid out to suppliers and employees.

Net cash used in investing activities was approximately $747,000 for the year ended December 31, 2004 and approximately $801,000 for the year ended December 31, 2005. The increase was mainly the result of our having capitalized costs associated with software development. Further, during the year ended December 31, 2005, the restriction on the cash held in reserve by our merchant banker was lifted, thereby freeing up additional cash not previously accessible by us.

Net cash provided by financing activities was approximately $1,690,000 for the year ended December 31, 2004, while net cash used by financing activities was approximately $33,000 for the year ended December 31, 2005. The 2004 result reflects final settlement on our accounts receivable line of credit, payment made on long-term note payables, stock offering costs associated with the Barron Partners, LP equity financing, and the proceeds received from convertible debentures and the issuance of stock to Barron Partners. The 2005 result reflects payments made on long-term note payables.

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As part of the July 19, 2004 financing transaction with Barron Partners, LP, we entered into a certain Registration Rights Agreement pursuant to which we became committed to registering all of the shares issued as part of such transaction, including those issuable under 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. In accordance with the terms of the Registration Rights Agreement, as amended, we had another 150 days, until April 22, 2005, to cause such registration statement to be declared effective by the SEC, with any delays in meeting this obligation resulting in our being liable to Barron Partners in an amount equal to $630,000 per year, pro-rated for the duration of any such delay, which amounts to $1,726 per day. As of December 31, 2005, we had accrued a total of approximately $437,000 (253 days at $1,726 per day) in penalties under the terms of the Registration Agreement, inclusive of an adjustment made pursuant to a tentative verbal agreement reached with Barron Partners in April 2005, wherein, in relation to the associated accruing penalties, we agreed to pay Barron Partners an amount in cash equal to $100,000 to toll the accrual of further penalties until June 21, 2005. Although this amount has been paid in full, 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 continued to accrue from June 21, 2005 until the registration statement was declared effective on February 1, 2006 by the SEC. We had experienced continued delays in effectiveness of the registration statement due principally to ongoing efforts made necessary by our determination to restate certain of our historical financial information. The amount paid by us to date ($150,000 as of March 31, 2006) to satisfy this obligation, and the continued delays in our ability to cause the registration statement to be declared effective coupled with additional amounts which we are required to pay, has had 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 net loss for the year.

Contractual Liabilities

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

We lease office space in Naperville, Illinois under an operating lease with a third-party with terms extending through March 2007. We are responsible for all insurance expenses associated with this lease.

At December 31, 2005, the future minimum rental payments required under these leases are as follows:

2006	$ 81,331
2007	31,248
Total future minimum rental payments	$ 112,579

We lease telephone equipment under a capital lease expiring in November 2009. The asset and liability under the capital lease are recorded at the present value of the minimum lease payments. The asset is depreciated over a 5 year life. Minimum future lease payments under capital leases as of December 31, 2005 for each of the next five years and in the aggregate are:

2006	$ 13,726
2007	13,726
2008	13,726
2009	12,582
2010	---
Total minimum lease payments	53,760
Less: Amount representing interest	10,788

Total obligations under capital lease	42,972
Less: Current installments of obligations under capital lease	9,185
Long-term obligation under capital lease	$ 33,787

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

New Accounting Pronouncements

In the past, we have applied Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees,* and related interpretations in accounting as allowed by SFAS No 123, *Accounting for Stock Based Compensation*, for various forms of share-based awards including incentive and nonqualified stock options and stock appreciation rights attached to stock options; and therefore, no compensation cost had been recognized. However, in December 2004, the FASB issued SFAS No 123 (R), *Share-Based Payment*, which replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123 (R) requires compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the fair value on the grant date of the equity or liability instruments issued. Compensation cost will be recognized over the period that the service is provided for that award. This new standard will be effective for us the first quarter of fiscal 2006. We did not grant any form of share-based awards during the year ended December 31, 2005.

RISK FACTORS

Several of the matters discussed in this annual report on Form 10-KSB for the fiscal year ended December 31, 2005 contain forward-looking statements that involve risks and uncertainties. Factors associated with the forward-looking statements that could cause actual results to differ from those projected or forecast are included in the statements below. In addition to other information contained in this annual report, readers should carefully consider the following cautionary statements and risk factors.

GENERAL BUSINESS RISKS

Our liquidity and capital resources are very limited.

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

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

Our financial statements for the period ending December 31, 2005, including the footnotes thereto, call into question our ability to operate as a going concern. This conclusion is drawn from the fact that, as of the date of those financial statements, we had a negative current ratio and total liabilities in excess of total assets. Those factors, as well as uncertainty in securing financing for continued operations, created an uncertainty at the time regarding our ability to continue as a going concern. (See Note 20 in the Notes to the Consolidated Financial Statements for the year ended December 31, 2005).

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

As of December 31, 2005, and as a result of historical losses in prior years, our accumulated deficit was $7,752,097. The fact that we maintain an accumulated deficit, as well as the extent of our accumulated deficit relative to recent earnings, negatively affects our ability to borrow funds because lenders generally view an accumulated deficit as a negative factor in evaluating creditworthiness. Any inability on our part to borrow funds if and when required, or any reduction in the favorability of the terms upon which we are able to borrow funds if and when required, including amount, applicable interest rate and collateralization, would likely have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations.

RISKS ASSOCIATED WITH OUR BUSINESS AND INDUSTRY

We face serious competition in our business segment.

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

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

We face competition from other software publishers, all of which generally sell through the same combination of channels that we do, including chain store, secular, CBA, direct and online sales. Specifically, we currently compete with Logos Research Systems, Inc., Biblesoft, Inc., Thomas Nelson, Inc., WordSearch Bible Publishers and The Zondervan Corporation, among others.

To remain competitive in our market segment we rely heavily upon our product quality, marketing and sales abilities, proprietary technology and product development capability. However, some of our competitors have longer operating histories, larger customer bases and greater financial, marketing, service, support, technical and other resources than we do. Due to these greater resources, certain of our competitors have the ability to undertake more extensive marketing campaigns, adopt more aggressive pricing policies, pay higher fees to licensors and pay more to third-party software developers than we can. Only a small percentage of titles introduced into the software market achieve any degree of sustained market acceptance. If our titles, including special editions, are not successful, our business, our financial condition, including liquidity and profitability, and our results of operations will be negatively impacted. Moreover, we believe that competition from new entrants will increase as the market for faith-based products and services continues to expand.

We depend on only two titles for the overwhelming majority of our revenue.

In fiscal year 2005, approximately 92% of our total revenue was derived from two software titles; QuickVerse®, comprising 66% of total revenue, and Membership Plus®, comprising 26% of total revenue. We expect that a very limited number of popular products will continue to produce a disproportionately large amount of our revenue for the foreseeable future. Due to this dependence on a limited number of titles, the failure of one or more titles or title versions to achieve anticipated results would likely have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations.

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

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

We cannot be certain that we will be able to meet planned release dates for some or all of our new titles or title versions. In the past, we have experienced significant delays in our introduction of some new titles and title versions. For instance, delays in duplication, packaging and distribution caused our QuickVerse® 2005 to begin shipping in early-December 2004, long after the holiday season had been underway. As a result, we experienced fewer sales than we might otherwise have had the product been available before the holiday selling season began, which we believe had a material adverse effect on our results of operations for the 2004 fourth quarter. Presently, we are behind schedule in our annual release of Membership Plus® 2006, which had been scheduled to commence shipping in February 2006 but which, due to delays associated with the loss of one of our key developers, has not yet been released. It is likely in the future that delays will continue to occur and that some new titles or title versions will not be released in accordance with our internal development schedule or the expectations of public market analysts and investors, having a negative impact on our business, our financial condition, including liquidity and profitability, and our results of operations in that period.

Due to the limited life cycle of our products, we have experienced, and may continue to experience, reductions and fluctuations in our quarterly revenues that could adversely affect our operating results.

The average life cycle of a new title ranges anywhere from a few years to indefinitely, and the average life cycle of a new title version ranges anywhere from twelve to upwards of eighteen months, making our revenue and operating results difficult to predict and susceptible to substantial fluctuations from quarter to quarter. While there can be no assurance, we expect, based on experience, that a majority of sales for any new title or title version will occur within the first thirty to one hundred twenty days following its release, and that net revenue associated with the initial introduction will generally account for a disproportionately high percentage of the total net revenue over the life of the title or title version. For example, our QuickVerse® 2006 began shipping in September 2005, nine months following the release of QuickVerse® 2005 and three months following the release of QuickVerse® 2005 Platinum, resulting, we believe, in a product market overlap causing fewer of our customers to upgrade upon the initial release QuickVerse® 2006 and leading to lower initial sales. Furthermore, factors such as competition, market acceptance, seasonality and technological, developmental and/or promotional expenses associated with a title or title version can shorten the life cycle of older titles and title versions and increase the importance of our ability to regularly release new titles and title versions. Consequently, if net revenue in a given period is below expectation, our business, our financial condition, including liquidity and profitability, and our results of operations for that period are likely to be negatively affected, as has repeatedly occurred in the past.

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

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

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

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

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

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

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

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

Our cash outlays for product development for the fiscal year ended December 31, 2005 were higher than the fiscal year ended December 31, 2004, and our product development cash outlays may continue to increase in the future as a result of the higher costs associated with releasing more software titles or new title versions across multiple user interface platforms, and the complexity of developing such titles and title versions for next-generation systems, among other reasons. We anticipate that our profitability will continue to be impacted by the levels of research and development expenditures relative to revenue and by fluctuations relating to the timing of development in anticipation of future user interface platforms.

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

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

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

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

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

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

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

Approximately 99% of our revenues in 2005, including those generated from sales of QuickVerse® and Membership Plus®, by far our two largest selling software titles, were derived from the publication and sale of software titles to which we have only the exclusive license to publish and sell into non-secular channels. Although to date we do not believe that any third parties have been granted rights in addition to our own to publish or sell these titles into secular channels, and we believe that, even if this has occurred or should occur in the future, the barriers to entry created by the extensive developments that we have made and now own to these otherwise licensed titles would make it practically infeasible for any third party to effectively compete with us in relation to these products in any market, there can be no assurance that one or more competitors will not emerge at some point or that they will not impact on our sales and revenues.

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

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

New Internet access devices may change the way information is displayed requiring us to change our products.

Recent increases in the use of Internet devices to access inspirational content and the continued development of Internet devices as a medium for the delivery of network-based information, content, and services may require us to change our products. Our success depends on our ability to understand the method upon which our search engines operate and our ability to service new and emerging devices to access the Internet, such as browser phones, personal digital assistants, and other wireless devices. To the extent these new Internet access devices change the way that information is displayed to the end-user or causes a change in the medium that is searched, we may be required to revise the methodology of our products. We cannot predict the impact that new devices will have on our services across the entire spectrum of developing technologies, and any required product adaptations may result in loss of revenue and goodwill, increased expenses, and reduced operating margins.

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

Our business is 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. The seasonal pattern is due primarily to the increased consumer demand for software during the year-end holiday selling season and the reduced demand for software during the summer months. Our earnings vary significantly and are materially affected by releases of popular titles and title versions and, accordingly, may not necessarily reflect the seasonal patterns of the industry as a whole. We expect that operating results will continue to fluctuate seasonally in the future.

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RISKS ASSOCIATED WITH AN INVESTMENT IN OUR COMMON STOCK

We may incur derivative liabilities in an as yet unknown amount in connection with our issuance of two common stock warrants.

In November 2004, in connection with a certain Stock Purchase Agreement, we issued two warrants to purchase an aggregate of 21,875,000 shares of our common stock to Barron Partners, LP. Subject to standard adjustment provisions, each warrant provides for settlement in registered shares of our common stock and each, for the duration of any period in which there is not an effective registration statement covering the shares underlying the warrants, may be settled in a cashless, net-share settlement. In accordance with applicable accounting mandates, until each of the warrants issued to Barron Partners are either fully exercised or expire the derivative liability associated with these warrants must continuously be adjusted to fair value at each balance sheet date and accordingly reassessed at each such time to determine whether the warrants should be classified (or reclassified, as appropriate) as a liability or as equity. The fair value of each warrant was initially assessed at $2,187,500 using the Black-Scholes valuation method, with such fair value directly relating and fluctuating in response to the share price of our common stock. At December 31, 2005, the fair value of the derivative liability was approximately $2,062,000, and a fair value adjustment of approximately $34,000 will be included in other expenses for our fiscal year then ended.

In the event that the fair value of the derivative liability exceeds the amount of any cashless, net-share settlement under the warrants, we may find it necessary to compensate the holder through cash payments, which would have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations, including a corresponding reduction in our net income and the likelihood of a net loss for the year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Derivatives".

Up to 47,491,666 shares of our common stock are eligible for public sale as a result of a resale registration statement filing which is likely to depress our stock price.

As of the date of the filing of this annual report on Form 10-KSB for the fiscal year ended December 31, 2005, we also have on file with the SEC a registration statement on Form SB-2, declared effective on February 1, 2006, which registration statement caused to be eligible for immediate resale on the public market 24,341,666 shares of our common stock and an additional 23,150,000 shares of our common stock underlying warrants (the resale offering of which shall only be made by means of a separate prospectus). As a percentage of our total outstanding common stock, this represents 65.8%. If a significant number of shares are offered for sale simultaneously, which is likely to occur, it would have a depressive effect on the trading price of our common stock on the public market. Any such depressive effect may encourage short positions and short sales, which could place further downward pressure on the price of our common stock. Moreover, all of the shares sold in the offering are freely transferable without restriction or further registration under the Securities Act (except for any shares purchased by our "affiliates", as defined in Rule 144 of the Securities Act), which could place even further downward pressure on the price of our common stock. Furthermore, should a simultaneous sell-off occur, and due to the thinly-traded market for our common stock, stockholders may have difficulty selling shares of our common stock, at or above the price paid, at a fair market value or even at all.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The volatility of our common stock is illustrated by reference to the fact that, during fiscal year 2005, our trading price fluctuated from a low of $0.07 to a high of $0.17 per share.

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

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

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

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

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

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

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

The lack of a majority of independent directors on our board of directors may affect our ability to be listed on a national securities exchange or quotation system.

We are not currently subject to the listing requirements of any national securities exchange or quotation system. The listing standards of the national securities exchanges and automated quotation systems require that a company's board of directors consist of a majority of directors who are independent as defined by the Sarbanes-Oxley Act of 2002 and as defined by applicable listing standards, and that the audit committee of the board of directors must consist of at least two members, both of whom are independent. Similarly, the compensation and nominating committees of company boards of directors must also consist of independent directors. As of March 31, 2006, only two of our directors, who were the only members of our audit committee, met the definition of an "independent" director as defined by the Sarbanes-Oxley Act of 2002 and as defined by listing standards. On March 31, 2006, however, one of our independent directors resigned as a result of other professional obligations, leaving us with only one independent director, and as of the date of the filing of this annual report on Form 10-KSB for the fiscal year ended December 31, 2005, and despite our efforts to do so, we have not yet identified a suitable replacement. Two of our remaining three directors are currently serving as our executive officers and thereby do not qualify as independent. There is no guarantee that we will be able to appoint an additional director who will satisfy these independence requirements. For so long as we remain unable to appoint an additional independent director to our board, we will be unqualified to list any of our capital stock on a national securities exchange or quotation system.

There may exist a potential conflict of interest between us and each of our former and current counsel.

In the past we have issued, and we may continue in the future to issue, warrants to purchase our common stock as equity compensation for legal and other services rendered in connection with the preparation of our securities filings. Specifically, we have issued warrants to the law firm of Membrado & Montell, LLP, and to Michael M. Membrado, our corporate counsel. Due to these issuances, there exists the potential for a conflict of interest between us and each of our current and former counsel insofar as the recipients may have been or may be motivated by personal interests that are not necessarily aligned with our own.

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ITEM 7. FINANCIAL STATEMENTS.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
FindEx.com Inc.

We have audited the accompanying consolidated balance sheets of FindEx.com Inc. and subsidiaries as of December 31, 2005 and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The restated consolidated financial statements of FindEx.com, Inc. as of December 31, 2004, were audited by other auditors whose report dated February 18, 2005 except for Notes 1, 5, 8, 9, 10, 11, 12, 13, 15, 16 and 19 dated December 13, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FindEx.com Inc. and subsidiaries as of December 31, 2005 and the results of operations and cash flows for the year ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

/s/ BRIMMER, BUREK & KEELAN LLP

Brimmer, Burek & Keelan LLP

Tampa, Florida
April 12, 2006

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Findex.com, Inc.:

We have audited the accompanying consolidated balance sheets of Findex.com, Inc. as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Findex.com, Inc. as of December 31, 2004 and 2003 and the results of its operations and cash flows for the years then ended in conformity with U.S. Generally Accepted Accounting Principles.

As discussed in Note 19 to the consolidated financial statements, there were errors in reporting the Company's settlement agreement for the software license, errors in reporting some of the classifications, errors in reporting the rebate reserve adjustment, and errors in reporting the warrants issued in connection with a private placement in the balance sheets and the statements of operations that were discovered by management as a result of a regulatory review. Accordingly, the consolidated financial statements have been restated to correct the errors.

Chisholm, Bierwolf & Nilson, LLC
Bountiful, UT
February 18, 2005 except for Notes 1, 5, 8, 9, 10, 11, 12, 13, 15, 16, and 19 dated December 13, 2005

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Findex.com, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
December 31, 2005 and 2004

		2005		2004
Assets				
Current assets:				
Cash and cash equivalents	$	**119,560**	$	341,359
Accounts receivable, trade		**405,380**		566,819
Inventories		**214,604**		234,000
Deferred income taxes, net		**85,392**		300,191
Other current assets		**42,814**		109,078
Total current assets		**867,750**		1,551,447
Property and equipment, net		**114,191**		131,019
Software license, net		**1,762,276**		2,265,783
Capitalized software development costs, net		**707,067**		701,289
Deferred income taxes, net		**183,195**		157,840
Restricted cash		**---**		50,354
Other assets		**69,806**		94,101
Total assets	$	**3,704,285**	$	4,951,833
Liabilities and stockholders' equity				
Current liabilities:				
Current maturities of long-term debt	$	**11,955**	$	35,495
Accrued royalties		**472,548**		287,514
Accounts payable, trade		**556,042**		621,804
Accrued registration rights penalties		**336,686**		---
Accrued payroll		**206,988**		209,984
Reserve for sales returns		**125,492**		100,180
Derivatives		**2,062,462**		1,968,750
Other current liabilities		**121,274**		128,166
Total current liabilities		**3,893,447**		3,351,893
Long-term debt		**33,786**		42,972
Deferred income taxes, net		**19,105**		157,840
Commitments and contingencies (Note 17)				
Stockholders' equity:				
Common stock, $.001 par value				
120,000,000 shares authorized,				
48,619,855 shares issued and outstanding		**48,620**		48,620
Paid-in capital		**7,461,424**		7,521,339
Retained (deficit)		**(7,752,097)**		(6,170,831)
Total stockholders' equity		**(242,053)**		1,399,128
Total liabilities and stockholders' equity	$	**3,704,285**	$	4,951,833

See accompanying notes.

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Findex.com, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended December 31		**2005**		2004
Revenues, net of reserves and allowances	**$**	**5,337,342**	$	5,322,842
Cost of sales		**1,973,944**		1,721,298
Gross profit		**3,363,398**		3,601,544
Operating expenses:				
Sales and marketing		**1,273,231**		1,280,761
General and administrative		**2,432,667**		2,309,838
Bad debt expense		**137,303**		22,778
Amortization expense		**531,524**		519,850
Depreciation expense		**50,704**		44,478
Total operating expenses		**4,425,429**		4,177,705
Loss from operations		**(1,062,031)**		(576,161)
Interest income		**1,059**		1,378
Other income		**13,796**		1,011,366
Other adjustments		**(436,686)**		(154,569)
Loss on fair value adjustment of derivatives		**(33,797)**		(291,672)
Loss on disposition of assets		**(1,869)**		(141)
Interest expense		**(11,029)**		(42,007)
Loss before income taxes		**(1,530,557)**		(51,806)
Provision for income taxes		**(50,709)**		1,015,859
Net income (loss)	**$**	**(1,581,266)**	$	964,053
Earnings (loss) per share:				
Basic	**$**	**(0.03)**	$	0.03
Diluted	**$**	**(0.03)**	$	0.03
Weighted average shares outstanding:				
Basic		**48,619,855**		34,520,754
Diluted		**48,619,855**		35,195,840

See accompanying notes.

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Findex.com, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock		Common Stock		Paid-In	Retained Earnings	
	Series A	Series B	Shares	Amount	Capital	(Deficit)	Total
Balance, December 31, 2003	$ 11	$ 40	21,011,438	$ 21,011	$ 7,080,629	$ (7,130,759)	$ (29,068)
Common stock issued for services	---	---	2,774,105	2,774	100,445	---	103,219
Common stock warrants issued for services	---	---	---	---	75,715	---	75,715
Common stock cancelled	---	---	(48,387)	(48)	48	---	---
Preferred Series A common stock dividend	---	---	56,356	56	4,069	(4,125)	---
Conversion of preferred stock	(11)	(40)	484,677	485	(434)	---	---
Common stock issued in connection with private placement, net of $51,047 of issuance costs	---	---	21,875,000	21,875	---	---	21,875
Conversion of notes payable	---	---	2,466,666	2,467	260,867	---	263,334
Net income, December 31, 2004	---	---	---	---	---	964,053	964,053
Balance, December 31, 2004	$ ---						