

FINDEX COM INC
Form 10KSB
April 15, 2008

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB
ANNUAL REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

Commission file number: 0-29963

FINDEX.COM, INC.

(Name of small business issuer in its charter)

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

620 North 68154
129th Street,
Omaha,
Nebraska
(Address of (Zip Code)
principal
executive
offices)

(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

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, 2007 totaled \$3,165,401.

As of April 14, 2008, 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 \$960,000.

At April 14, 2008, the registrant had outstanding 53,250,817 shares of common stock, of which there is only a single class.

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 expressions 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 consumer and business software products for PC, Macintosh® and Mobile devices. 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 retailers and distributors.

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

We are currently in the early stages of a defining transformative period in our development. In recent years, we have come to be recognized as a consumer desktop software company that serves a demographic defined largely by an interest in Christianity and faith-based “inspirational” values. The nature of our products historically, and the fact that our product lines have not extended materially beyond the boundaries of this affinity group, have fostered this perception. Indeed, as the publisher of one of the industry-leading Bible study desktop software products, QuickVerse®, we are known to many users of that product only as “QuickVerse”, not Findex. While we believe that the QuickVerse® brand is among our most valuable assets, and we greatly value the goodwill that our reputation in this regard has engendered, we also believe that working to expand that reputation into one which is more closely associated with providing high quality branded software and content products generally – and ones that extend across both consumer and business segments – will afford us significantly greater opportunities in both the near and long term to steadily increase revenues and earnings, and, ultimately, to enhance shareholder value. We believe, moreover, that coupling this strategic diversification with a commitment to an increasing reliance on a sales and distribution model through which our products are sold on a subscription basis and can be purchased and downloaded directly from us online will be instrumental in furthering these financial objectives. Consequently, while we expect to continue for the indefinite future to invest substantially in the growth and development of our existing primary software titles and content, we also expect as we go forward to invest substantially in not only building a significantly more diverse line of product titles, but also in building our technology platform and infrastructure so as to enable our evolution over time into a principally Webcentric provider of software solutions, content, and online products.

As part of that objective, we acquired FormTool.com and the FormTool® line of products in February of this year. In the second quarter of 2008, we expect to re-launch the FormTool.com website as an online marketplace for purchasing the FormTool® line of form creation and form filler products, and also a one-stop shop for finding, purchasing and downloading customizable forms for a wide range of business and consumer needs. Our model will include the ability to purchase forms on an individual basis, in bulk packs, or on a subscription basis. Further, and in partnership with a third party, through FormTool.com, we will offer secure data storage for all types of documents, forms and other media on a subscription basis. This service will allow for data backup and security as well as remote access to critical data from anywhere via the Internet. This service will be targeted to both the business and consumer markets.

PRODUCT LINE DEVELOPMENT

We plan for the continued broadening of our product lines through the following several strategies:

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

We are committed to creating and maintaining a diversified mix of titles to mitigate our operating risks and to reach as broad a market as possible while maximizing unit sales volume. In this regard, we strive to develop and publish titles that span a wide range of categories and subjects, and that are available for use on multiple platforms. We use a formal control process for the selection, development, production, and quality control 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. There are a number of factors that we consider 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's (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 possessing sustainable consumer or business appeal and brand recognition. We are also in continual pursuit of both licensing opportunities with respect to software titles and title versions as well as corporate acquisition opportunities, in each case where we determine such opportunities offer attractive returns on capital investment and that may additionally provide strategic value to our existing product lines in terms of cross-marketing opportunities. As part of this initiative, 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.

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.

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.

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 Russian Federation and several others of which are located in the United States and India.

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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.

We maintain an in-house development office in Naperville, Illinois, and we also maintain development and technical staff at our Omaha, Nebraska headquarters.

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.

Our total product development costs incurred during the years ended December 31, 2007 and 2006, were approximately \$421,000 and approximately \$682,000, respectively, of which capitalized costs accounted for approximately \$282,000 and approximately \$491,000, respectively and expensed costs accounted for \$139,000 and approximately \$191,000, respectively.

OUR PRODUCTS

Faith-Based Software

Bible Study

For the fiscal year ended December 31, 2007, approximately 72% of our revenues were derived from sales of our flagship product, QuickVerse®, an industry-leading Bible-study software now in its 19th year and 12th version. 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 options enable users to search by word, phrase or verse across multiple books, offering search options that locate 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® 2008, our latest version, is currently available in seven CD-Rom editions for PC with a range in retail price from \$39.95 to \$799.95. Each edition and platform 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.). Furthermore, 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 is compatible on both Pocket PC® and Palm OS® operating systems. QuickVerse® 2007 Mobile, our latest version, is currently available in three editions as a download and in CD-Rom with a range in retail price from \$29.95 to \$69.95. QuickVerse® Macintosh is compatible with Macintosh® OS X 10.3 or higher operating

systems. QuickVerse® 2007 Macintosh, our latest version, is currently available in three editions with a range in retail price from \$59.95 to \$349.95. QuickVerse® Mobile and QuickVerse® Macintosh each provide the same simplified access and many of the personal Bible study features found in the QuickVerse® PC versions.

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.

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In addition to QuickVerse®, we also develop and market certain other Bible study software packages such as the Vine's® Complete Collection, the Nelson's® Reference Collection, the Warren Wiersbe® Collection, the John MacArthur® Collection and many others. These titles currently range in retail price from \$19.95 to \$249.95 per unit.

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

For the fiscal year ended December 31, 2007, approximately 21% of our revenues were derived from sales of Membership Plus®, an industry-leading church management software. As of October, 2007, however, this product line was sold.

Other Faith-Based Products

Our faith-based software titles and title versions also include those categorized as Print and Graphic, Pastoral, Children's and Language products. These categories include titles such as ClickArt Christian Publishing® Suite III, Sermon Builder® 4.0 Deluxe, Ministry Notebook® 2.0, Jonah and the Whale®, Greek Tutor® and Hebrew Tutor®. These titles currently range in retail price from \$5.97 to \$69.95. For the fiscal year ended December 31, 2007, approximately 7% of our revenues were derived from sales of our other faith-based software titles.

Productivity Software

Based on our evolving strategic objectives, we expect to significantly expand our product offerings in the productivity software category over time. As of the date of this annual report, however, and given our very recent entry into this market, our offerings in this category are currently very limited.

Form Creation

Our productivity software titles currently consist of the FormTool® software product line. On February 25, 2008 we acquired the FormTool® software product line from ORG Professional, LLC. FormTool.com and the FormTool® product line offers quality, professionally designed forms for business, accounting, construction, sales, real estate, human resource and personal organization needs. FormTool® is currently available in four editions that range in retail price from \$29.99 to \$199.99. For the fiscal year ended December 31, 2007, we did not derive revenues from sales of these products.

OUR MARKET

Generally

While, historically, we have defined ourselves by virtue of the niche faith-based market we have been focused upon serving, we expect that, going forward, our markets will broaden significantly as we introduce products and content with much wider appeal and which serve not only consumers, but also businesses and other organizations more generally. Taking a somewhat opportunistic approach to our future growth in this regard, and recognizing consequently that future products and content are likely to be aimed at target demographics that we cannot reasonably predict, an analysis of our market is only meaningful as it relates to our current products and product lines.

Faith-Based Products

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”.

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According to the most recent survey released in July 2006 by the Christian Bookseller's Association ("CBA"), Christian-product sales for the year 2004 were \$4.34 billion. The survey also revealed that \$2.3 billion of the \$4.34 billion total was sold through Christian retail, with \$1.3 billion sold through general retail, and \$694 million sold direct-to-consumer, and through ministry sales channels. The 2,055-store CBA segment includes several different chains, Family Christian Stores being the largest with over 300 stores. As faith-based retailing increases, secular stores are offering more faith-based products as evidenced by the \$1.3 billion sales figure in 2004 as reported by the CBA. It is this faith-based demographic that we seek to target.

Form Creation Products

Given that most businesses, large and small, routinely use forms of some sort or another, we believe the FormTool® line of products has broad applicability across the entire business spectrum, regardless of business size or scope. Therefore, it is difficult for us to quantify the potential market size for the FormTool® line of products.

MARKETING AND ADVERTISING

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

- our Websites (www.quickverse.com/www.formtool.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

Generally

Our approach to sales methodology depends in all cases on the specific products and/or product lines involved, and is dictated to a significant degree by historical results obtained. In general, we seek to adopt the lowest-cost sales methodologies that enable us to achieve satisfactory unit volume and corresponding revenue levels. We also seek to become increasingly less reliant over time on retail distribution and increasingly more reliant upon direct sales, including most notably those realized through online channels.

Direct Marketing / Online Sales

Direct sales accounted for approximately 54% of our 2007 fiscal year revenue. Over the past five 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 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. We maintain 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. Furthermore, we have made technological advancements to our Website in order to provide more downloadable products and/or content. We are currently marketing our products online through multiple sources including our own www.quickverse.com and www.formtool.com Internet Websites, 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 500 affiliate merchants that market our products through their Websites.

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

Retail Sales

Retail sales accounted for approximately 46% of our 2007 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.

The secular retail market includes chains such as Best Buy™, Sam's Club, Frys, OfficeMax™ and Apple® Stores. We have also partnered with Avanquest USA, a major publisher and distributor of software in the secular market, to distribute our products. We expect this channel to grow for us in the 2008 fiscal year.

International Sales

International sales accounted for approximately 3% of our 2007 fiscal year revenue. We currently sell to distributors and retailers in Africa, Australia, Canada, Faroe Island, Korea, New Zealand, Philippines, Singapore, and the United Kingdom. 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.

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.

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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. Orders for master program copies and documentation for our PC, Macintosh and Mobile based titles and title versions generally take seven to ten days, and reorders take three to five days. Orders for packaging materials for similar titles and title versions generally take fourteen to twenty-one days, and reorders take seven to fourteen days. To date, we have not experienced any material returns due to product defects.

We currently fulfill all of our direct-to-consumer sales and all of our retail sales out of our own warehouse located in Omaha, Nebraska.

SIGNIFICANT CUSTOMERS AND SUPPLIERS

During the fiscal years ended December 31, 2007 and 2006, we had one major customer, Lifeway Christian Resources, that individually accounted for 10% or more of annual sales. As we introduce new and enhanced software titles into the market and increase our focus on direct sales, we anticipate our sales to a single customer, as a percentage of gross consolidated revenue, will remain below 10%.

Also for the fiscal years ended December 31, 2007 and 2006, product and material purchases from Midlands Packaging Corporation accounted for 22% and 20%, respectively, Frogs Copy and Graphics accounted for 20% and 19%, respectively, IsoDisc accounted for 15% and 19%, respectively, and GP Direct, LLC accounted for 7% and 17%, 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.

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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, Macintosh and Mobile categories:

Logos Research Systems, Inc. – Logos Bible Software® 3
Biblesoft, Inc. – PC Study Bible® Version 5
Thomas Nelson, Inc. – Nelson eBible® for PC and Mobile devices
WordSearch Bible Publishers – WordSearch® 8
Zondervan – Zondervan Bible Study Library® for PC and Macintosh
Oak Tree Software, Inc. – Accordance Bible Software®
Laridian – PocketBible®
WordSearch Bible Publishers – Life Application Bible Pocket Library®
Zondervan – NIV Bible Study Suite PDA®
Olive Tree Bible Publishers – Olive Tree Bible Software®

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 QuickVerse® offers the best value in that it is relatively inexpensive but the most comprehensive in terms of the number of Bibles and reference titles included. We believe QuickVerse's® reputation to be among the most well-respected in its category.

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

FormDocs, LLC – FormDocs for Windows
Nuance Communications, Inc. – OmniPage 16

While FormDocs publishes software packages in several different variations, generally in a range that includes a basic edition, a deluxe edition, and a professional edition package, (as is true with our FormTool®), in each of these respective categories we believe that FormTool® offers the best value in that it is relatively inexpensive but more comprehensive in terms of the number of form templates it includes. Additionally, FormDocs does not have an “on the shelf” presence in the retail market place.

While in the general category as our FormTool®, we believe that the OmniPage product line is more focused on document conversion from paper to electronic format than form creation and editing. OmniPage also sells at a considerably higher price point than the FormTool® product line.

Our general approach to competition as it relates to our FormTool® products is to offer competitive products at lower price points.

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 our primary product category, 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 2007, 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, 2007 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, 2007 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 eight subsequent versions, eight different editions and three new platforms of QuickVerse®, five 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 46 different publishers for approximately 770 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.

While approximately 82% of our copyrighted software programs are registered with the U.S. Copyright Office, approximately 18% remains unregistered, including all of the works included in the enhancements that we have made to titles from which we originally derived our rights under the 1999 license. In the U.S., works afforded the benefit of copyright protection can either be registered with the U.S. Copyright Office or remain unregistered, and, although registration offers certain advantages to the holder in being able to assert its rights (including a rebuttable presumption of ownership and entitlement to statutory damages and attorneys fees), the fact remains that an original work in the U.S. becomes protected by the copyright laws from the moment it is “fixed in a tangible medium,” which, as it relates to software, has long been interpreted to mean when it is stored on a hard drive or removable disk.

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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.

Following our acquisition of FormTool®, earlier this year, we filed a trademark application for the FormTool® name with the United States Patent and Trademark Office. This application is currently pending.

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 April 15, 2008, we had nineteen full-time employees and one part-time employee. Of those twenty, four were part of the senior-level executive and financial management team, four were in the product development team, five were on the sales team, and seven were in fulfillment, administration, and related support positions. For the fiscal year ended December 31, 2007, our annual employee costs (including wages, related payroll taxes and benefits) totaled approximately \$1,514,000, equivalent to 41% 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.

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

Historically, our business has been highly seasonal. More than 50% of our annual sales have generally occurred in the five months of September through January; the five months of April through August have generally been our weakest, historically accounting for less than 30% of annual sales. Although we believe that a shifting strategy toward more business-oriented products over time is likely to reduce the seasonality of our business generally, we expect that operating results will continue to fluctuate seasonally to some degree for the foreseeable future.

ITEM 2. DESCRIPTION OF PROPERTY.

Our principal executive offices are located at 620 North 129th Street, Omaha, Nebraska. We lease this 4,000 square foot premises under a five year lease agreement with Metro Realty. Our monthly rent is \$5,480.33 and, as of April 15, 2008, there were approximately forty-nine months remaining under the lease. In addition, our warehouse facility is located at 4437 South 134th Street, Omaha, Nebraska. We lease this 5,000 square foot facility under a three year lease agreement with Dock High, LLC. Our monthly rent is \$2,500.00 and, as of April 15, 2008, there were approximately twenty-six months remaining under the lease. In accordance with the terms of these leasehold agreements, we are responsible for all associated taxes, insurance, and utility expenses.

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 \$1,356.67 and, as of April 15, 2008, there were eleven months remaining under the lease.

Two of our full-time employees work at their homes in Cedar Rapids, Iowa. We do not pay for any space associated with these operations.

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ITEM 3. LEGAL PROCEEDINGS.

As of the date of this annual report on Form 10-KSB for the year fiscal year ended December 31, 2007, 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. Although we currently maintain liability insurance coverage in an amount equal to \$6,000,000, there can be no assurance that such 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, 2007.

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PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES.

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 Yahoo.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		
2006	High	Low
First Quarter	\$0.150	\$0.090
Second Quarter	\$0.150	\$0.040
Third Quarter	\$0.080	\$0.030
Fourth Quarter	\$0.060	\$0.030
2007		
2007	High	Low
First Quarter	\$0.050	\$0.030
Second Quarter	\$0.050	\$0.030
Third Quarter	\$0.050	\$0.030
Fourth Quarter	\$0.080	\$0.040

STOCKHOLDERS

As of April 15, 2008, 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

Since inception, 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.

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 right (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	805,000	\$ 0.11	695,000
Equity compensation plans not approved by security holders	5,130,000	\$ 0.06	---
Total	5,935,000	\$ 0.07	695,000

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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 1999 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, which is based on the last available closing price of our common stock 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.

All issued options, whether under the plan or not, create the obligation for stock issuance upon payment of the corresponding exercise price.

RECENT SALES OF UNREGISTERED SECURITIES

Date Securities Issued	Securities Title	Issued to	Number of Securities Issued	Consideration
11/19/2007	Common Stock	Donald Casey	100,000	\$6,000 in Consulting Services
2/25/2008	Common Stock	Robert Borsari	475,000	\$19,000 in Assets Acquired
2/25/2008	Common Stock	Joseph Kolinger	525,000	\$21,000 in Assets Acquired

For these unregistered sales, we relied on the private offering exemption of Section 4(2) of the Securities Act and/or the private offering safe harbor provision of Rule 506 of Regulation D promulgated thereunder based on the following factors: (i) the number of offerees or purchasers, as applicable, (ii) the absence of general solicitation, (iii) representations obtained from the acquirors relative to their accreditation and/or sophistication (or from offeree or purchaser representatives, as applicable), (iv) the provision of appropriate disclosure, and (v) the placement of restrictive legends on the certificates reflecting the securities coupled with investment representations obtained from the acquirors.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

There were no purchases of equity securities by the Company itself, or any affiliated purchaser during the fiscal years ended December 31, 2006 or 2007.

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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, 2007 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.

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.

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.

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 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.

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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.

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.

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. Estimated returns are also based upon a percentage of total retail and direct sales. 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.

Trends that our returns typically follow include (i) the seasonality of sales, and (ii) the fact that, generally, relatively higher return rates occur in connection with recently released title or title versions. 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 in order to move channel inventory.

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 provided for in the contract between us and the corresponding distributor/retailer. Returns from sales made directly to consumers are accepted within 45 days of purchase and involve 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 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.

Deferred Tax Asset Valuation Allowance

In accordance with SFAS No. 109, Accounting for Income Taxes, we record deferred tax assets for deductible temporary differences, net of operating loss carryforwards. To the extent that it is more likely than not that some portion or all of the deferred tax asset will not be realized, a valuation allowance is established.

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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, and the guidance of EITF 00-19-2, Accounting for Registration Payment Arrangements. In accordance with the 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.

MANAGEMENT OVERVIEW

During the year ended December 31, 2007, we continued to concentrate on our core products, QuickVerse® and Membership Plus® (although the Membership Plus® product line was sold as of October 18, 2007, as more specifically detailed below). Specifically for QuickVerse®, we focused on the product's features in order to prepare for our annual upgrade release as well as focused on expanding the content for our QuickVerse® users. Most recently during the fourth quarter of 2007, we released an upgrade to our flagship product, QuickVerse®. For the third consecutive year, QuickVerse® 2008 reached retail stores prior to the beginning of the holiday season.

During September 2007, we reacquired certain content publishing rights to Zondervan's New International Version® (NIV), heralded by many Bible enthusiasts as the most widely read and universally respected Bible translation currently in publication. The NIV content had been incorporated into our QuickVerse® product lines for a number of years prior to 2001 when we were required to remove it as a result of a now long-since settled dispute with the holder of its primary publishing rights. Our newly acquired NIV rights entitle us to resell the NIV to both existing customers and new customers across all currently offered software platforms.

During October 2007, we sold all of the assets and liabilities associated with our Membership Plus® product line for \$1,675,000 in cash. The Membership Plus® product line had accounted for approximately 27% of our 2006 aggregate revenues and approximately 25% of our 2007 aggregate revenues through the date of the sale.

During the year ended December 31, 2007, we released the following:

- QuickVerse® 2008 (Windows), in seven different editions with a range in retail price from \$39.95 to \$799.95;

- QuickVerse® Bible Suite Hybrid, which includes access to all currently offered software platforms with a retail price of \$39.95;

- NIV Family® package, which includes access to all currently offered software platforms with a retail price of \$39.95;

- The Biblical Illustrator®, a reference collection with a retail price of \$99.95;

- The Pulpit Commentary®, a reference collection with a retail price of \$99.95;

- Word Studies in the Greek New Testament®, which comes in a three volume set with a retail price of \$59.95;

- Theological Dictionary of the New Testament: Abridged®, commonly known as "Little Kittel", with a retail price of \$59.95; and

- QuickVerse® 2007 Macintosh, in three different editions with a range in retail price from \$59.95 to \$349.95.

Comparatively, during the year ended December 31, 2006, we released the following:

Membership Plus® 2007, in two different editions with a range in retail price from \$199.95 to \$399.95;
QuickVerse® 2007 Mobile, in three different editions with a range in retail price from \$29.95 to \$69.95;
Vine's Complete Collection®, a reference collection with a retail price of \$59.95;
QuickVerse® 2007 (Windows), in six different editions with a range in retail price from \$39.95 to \$799.95;
QuickVerse® 2006 Macintosh Gold Edition with a retail price of \$349.95;
Holman Christian Standard Bible® with a retail price of \$29.95;
QuickVerse® 2006 Parable Edition with a retail price of \$49.95; and
QuickVerse® 2006 Bible Suite with a retail price of \$29.95.

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RESULTS OF OPERATIONS FOR YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

Statement of Operations for Years Ended December 31			
	2007	2006	Change
Net revenues	\$ 3,165,401	\$ 3,742,751	\$ (577,350)
Cost of sales	(1,352,794)	(1,755,400)	402,606
Gross profit	\$ 1,812,607	\$ 1,987,351	\$ (174,744)
Sales, marketing and general and administrative expenses	(2,783,435)	(3,039,670)	256,235
Gain on sale of software product line	1,300,349	---	1,300,349
Income (loss) from operations	\$ 329,521	\$ (1,052,319)	\$ 1,381,840
Other income	29,040	4,238	24,802
Other expenses	(39,947)	(126,411)	86,464
Gain (loss) on fair value adjustment of derivatives	(379,406)	1,535,594	(1,915,000)
Income (loss) before income taxes	\$ (60,792)	\$ 361,102	\$ (421,894)
Provision for income taxes	(541,300)	292,598	(833,898)
Net income (loss)	\$ (602,092)	\$ 653,700	\$ (1,255,792)

The differing results of operations are primarily attributable to the following:

- a decrease in net revenues for the year ended December 31, 2007 partly attributable to the following:
 - an overall net decrease in unit sales of our QuickVerse® product line due to a reduction in the perceived value on the part of customers of certain upgrades based on the relative frequency thereof;
 - a three month timing difference of our annual upgrade release of our flagship product QuickVerse®; and
 - the sale of our Membership Plus® product line during October 2007;
- a decrease in cost of sales for the year ended December 31, 2007 due primarily to decreased amortization of software development costs;
- a decrease in sales and marketing and general and administrative expenses for the year ended December 31, 2007 arising from our continuous efforts to cut costs;
- a gain on the sale of our Membership Plus® product line;
- a decrease in interest expense as we incurred interest expense during the year ended December 31, 2006 due to a loan agreement that was entered into in order to fund our working capital deficit;
- a decrease in registration rights penalties for the year ended December 31, 2007 as our registration statement on Form SB-2, originally filed by us on November 22, 2004 was declared effective by the SEC on February 1, 2006; and
- most notably, the recognition of a loss related to the fair value adjustment of derivatives for the year ended December 31, 2007 due to expired warrants and a decrease in the estimated life of the remaining warrants compared to a significantly large gain on the fair valued adjustment of derivatives for the year ended December 31, 2006 resulting from fluctuation in our stock price.

Our software products are highly seasonal. More than 50% of our annual sales are expected to occur in the five months of September through January; the five months of April through August are generally our weakest, generating less than 30% of our annual sales.

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Revenues

The following table presents our revenues for 2007 and 2006 and dollar and percentage changes from the prior year.

Revenues for Years Ended December 31	2007	% to Sales	2006	% to Sales	Change	%
Gross revenues	\$ 3,674,514	100%	\$ 4,146,086	100%	\$ (471,572)	11%
Less estimated sales returns and allowances	(509,113)	14%	(403,335)	10%	(105,778)	26%
Net revenues	\$ 3,165,401	86%	\$ 3,742,751	90%	\$ (577,350)	15%

Our decrease in gross revenues for the year ended December 31, 2007 was attributable to the three month timing difference of our annual upgrade release for our flagship product QuickVerse®. QuickVerse® 2007, last year's upgrade release, was released in late August of 2006, and the QuickVerse® 2008 upgrade was released in mid-November 2007. This delay resulted in fewer upgrade and direct sales in 2007 as compared to 2006. In addition, during 2007, our retail sales consisted of more QuickVerse® Bible Suite editions (which is the least expensive edition of our QuickVerse products with a retail price of \$29.95) than in 2006 from the date of product release through the end of the year. Furthermore and of greater impact, our revenues decreased for the year ended December 31, 2007 due to the sale of our Membership Plus® product line in mid-October 2007. For comparison, Membership Plus® product revenue was approximately \$370,000 from mid-October 2006 through December 31, 2006.

During each of the years ended December 31, 2006 and 2007, our sales efforts were focused on directly targeting end-users through telemarketing and Internet sales. However, due to increased frequency and consistency in our development schedule, and the annual releases of our flagship product, QuickVerse®, upgrade sales have not been increasing at as rapid a rate as they have in previous years. Although there can be no assurance, we anticipate that our revenues related to the QuickVerse® product line will increase in the future at rates generally consistent with our industry sector as we continue to expand the content available for our QuickVerse® products, develop new products for multiple platforms, offer our products at a range of price points intended to appeal to various market sub-segments and offer new venues to gain access to the expanded content available for our QuickVerse® users.

Due to the sale of our Membership Plus® product line, we anticipate that our reported revenues will experience a substantial decline in the near term. However, and although there can be no assurance, we are currently pursuing opportunities for strategic product line acquisitions which we are hopeful will enable us to achieve more favorable results of operations than we have historically achieved throughout the period in which we owned the Membership Plus® product line. Our divestiture of our Membership Plus® product line was driven by a combination of our need to raise cash and a strategic determination to begin a long-term shift in our product lines away from those within the faith-based vertical market and more towards those that extend across business-to-business and consumer segments more generally.

Typically, product returns trend upward after a new version is released as distributors and retail stores return old product in exchange for the new version release. For the year ended December 31, 2007, our estimated sales returns and allowances increased due to the following:

- an increase of overstock returns for the QuickVerse® 2007 products in the retail channel;
- an increase in actual returns from distributors and retail stores as they exchanged the QuickVerse® 2007 products for the newly released QuickVerse® 2008 products; and

an increase in actual returns due to the return of liquidated products sold during the first and second quarter of 2007.

Although the above-mentioned liquidated product was sold as non-returnable, we accepted a return of the product due to a determination on our part as to the difficulty and probability of collection of the receivables originally generated from the sale. Furthermore, the return of this product resulted in a significant decrease in accrued royalties that were otherwise payable to certain of our content providers, as well as prevented a significant increase in bad debts.

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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.

Cost of Sales

The following table presents our cost of sales for 2007 and 2006 and dollar and percentage changes from the prior year.

Cost of Sales for Years Ended December 31	2007	% to Sales	2006	% to Sales	Change	%
Direct costs	\$ 492,446	13%	\$ 522,358	13%	\$ (29,912)	6%
Less estimated cost of sales returns and allowances	(76,665)	2%	(59,925)	1%	(16,740)	28%
Amortization of software development costs	381,941	10%	706,445	17%	(324,504)	46%
Royalties	324,328	9%	354,464	9%	(30,136)	9%
Freight-out	152,770	4%	120,291	3%	32,479	27%
Fulfillment	77,974	2%	111,767	3%	(33,793)	30%
Cost of sales	\$ 1,352,794	37%	\$ 1,755,400	42%	\$ (402,606)	23%

Cost of sales consists primarily of direct costs, amortization of capitalized software development costs, non-capitalized technical support wages, royalties accrued to third party providers of intellectual property and the costs associated with reproducing, packaging, fulfilling and shipping our products.

The net decrease in cost of sales between the year ended December 31, 2007 and the corresponding period during 2006 is predominantly attributable to decreased amortization of capitalized software development costs. The amortization recognized during the year ended December 31, 2007 resulted mainly from the following software releases:

QuickVerse® 2006 Macintosh (released June 2005),
QuickVerse® 2007 (released August 2006),
Membership Plus® 2007 (released October 2006),
QuickVerse® 2007 Mobile (released December 2006),
QuickVerse® 2007 Macintosh (released March 2007) and
QuickVerse® 2008 (released November 2007).

Comparatively, during the year ended December 31, 2006, the amortization recognized resulted mainly from the following software releases:

QuickVerse® 2005 (released December 2004),
Membership Plus® 2005 (released February 2005),
QuickVerse® 2006 Macintosh (released June 2005),
Sermon Builder® 4.0 (released June 2005),

QuickVerse® 2006 Windows (released September 2005),
QuickVerse® 2006 Mobile (released October 2005),
QuickVerse® 2006 Macintosh Gold Edition (released June 2006),
QuickVerse 2007® Windows (released August 2006),
Membership Plus® 2007 (released October 2006) and
QuickVerse® 2007 Mobile (released December 2006).

The large amount of amortization recognized during the year December 31, 2006 resulted primarily from the continued amortization of QuickVerse® 2006 Macintosh (released June 2005). QuickVerse® 2006 Macintosh was our first product produced on the Macintosh platform and the amount of capitalized development cost recognized for that development project was therefore quite significant as compared to our development projects on the Windows platform. Furthermore, the shorter timeframes between our product upgrades along with the increased amount of product releases during the fiscal year 2005 led to the increased amount of amortization for the year ended December 31, 2006.

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Royalties accrued to third party providers of intellectual property decreased slightly for the year ended December 31, 2007. However, as a percentage of gross revenues, royalties remained relatively stable at approximately 9% for the years ended December 31, 2007 and 2006. Our royalty accruals are expected to increase in the future in real terms as sales to new users 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. However, through a realignment of our content mix in the QuickVerse® 2008 versions, we have managed to decrease the royalty rates on our higher end editions (i.e. Deluxe and Platinum). Upgrade sales will remain only subject to royalties on their content additions.

Freight costs increased for the year ended December 31, 2007 as a direct result from the escalating per unit freight costs attributable to industry-wide rising fuel costs. Fulfillment costs decreased for the year ended December 31, 2007 as a direct result of our deliberate initiatives to decrease our reliance on a third-party warehouse as we began operating our own fulfillment center as of June 2007.

On a percentage basis, we anticipate that direct costs and manufacturing overhead will remain relatively stable as we continue to keep pace with a more intensive development schedule than we had generally maintained in the past.

Despite the sale of our Membership Plus® product line, we expect our cost of sales in real terms to increase over time consistent with anticipated overall increases in revenues due to our aggressive product development and release schedules as well as the acquisitions of new product lines.

Software Development Costs For Years Ended December 31	2007	2006
Beginning balance	\$ 491,695	\$ 707,067
Capitalized	282,419	491,073
Amortized (cost of sales)	(381,941)	(706,445)
Ending balance	\$ 392,173	\$ 491,695
Research and development expense (General and administrative)	\$ 139,281	\$ 190,726

Our software development costs for the years ended December 31, 2007 and 2006 are summarized in the table above. The relative decrease in capitalized costs reflects an increased efficiency from our development staff (including internal and external developers) as our development projects for the twelve months ended December 31, 2007 focused on the annual releases of QuickVerse®, Membership Plus® and new content for our QuickVerse® products. As noted above, the relative decrease in amortization reflects the overall reduction in the number of products released during the years ended December 31, 2007 and 2006 as well as the amortization recognized for QuickVerse® 2006 Macintosh, our first product produced on the Macintosh platform, brought to an end.

Sales, General and Administrative

Sales, General and Administrative Costs for Years	2007	% to Sales	2006	% to Sales	Change	%
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Ended December 31						
Selected expenses:						
Commissions	\$ 183,522	5%	\$ 192,812	5%	\$ (9,290)	5%
Advertising and direct marketing	245,274	7%	253,676	6%	(8,402)	3%
Sales and marketing wages, reclassified	321,964	9%	334,295	8%	(12,331)	4%
Other sales and marketing costs	26,250	1%	(3,858)	0%	30,108	780%
Total sales and marketing	\$ 777,010	21%	\$ 776,925	19%	\$ 85	0%
Personnel costs	\$ 623,628	17%	\$ 739,822	18%	\$ (116,194)	16%
Amortization and depreciation	537,023	15%	579,987	14%	(42,964)	7%
Research and development	139,281	4%	190,726	5%	(51,445)	27%
Corporate services	127,864	3%	54,000	1%	73,864	137%
Other general and administrative costs	578,629	16%	698,210	17%	(119,581)	17%
Total general and administrative	\$ 2,006,425	55%	\$ 2,262,745	55%	\$ (256,320)	11%
Total sales, marketing, general and administrative	\$ 2,783,435	76%	\$ 3,039,670	73%	\$ (256,235)	8%

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As gross revenues decreased for the year ended December 31, 2007, total sales, general and administrative costs also decreased. Total sales and marketing costs remained relatively stable but increased as a percentage of gross revenues due to the overall decrease in gross revenues. Commissions decreased slightly for this period, and we anticipate further decreases in the future as we expand our in-house direct telemarketing sales team and therefore become less dependent on a third party for telemarketing services. We anticipate advertising and direct marketing costs to increase in future periods as we continue to enhance our product visibility online, increase and focus more on our direct marketing efforts, and increase the scope and frequency of our print advertising campaigns in order to maximize sales associated with new products, product enhancements and potential new product lines. Further, we anticipate our sales and marketing wages to increase in future periods as we expand our in-house direct telemarketing sales team in relation to acquisitions of the new product lines.

In addition to the decrease in total net personnel costs, gross direct salaries and wages, before adjustments of capitalized wages and reclassifications, decreased approximately \$159,000, from approximately \$1,474,000 for the year ended December 31, 2006 to approximately \$1,315,000 for the year ended December 31, 2007. The decrease in direct salaries and wages was a result of streamlining our CBA sales team and the departure of our marketing manager. Due to a cost cutting initiative in late 2006, we were able to shed compensation expenses associated with maintaining certain management level and product development staff. However, as a percentage of gross revenues, direct salaries and wages remained relatively stable at 36% for the years ended December 31, 2007 and 2006. We do anticipate direct salaries and wages to increase in the future given our continued focus on expanding our direct telemarketing sales team, marketing staff and product development staff.

The decrease in the amortization and depreciation expense is mainly attributed to the decrease in amortization. The software license we acquired in 1999, from which we derive our base intellectual property rights associated with the products that are responsible for generating the overwhelming majority of our revenues (the "1999 license"), is being amortized over a 10 year useful life and will have been fully amortized by the close of the year ending December 31, 2009. Amortization expense for 2007 and 2006 reflect the continual amortization of the 1999 license. However, due to the sale of the Membership Plus® product line, we no longer carry the net value associated with the Membership Plus® product in relation to the 1999 license and therefore, we do not have the corresponding amortization expense as of mid-October 2007. In addition, the amortization expense for 2007 and 2006 reflects the amortization of our website, www.quickverse.com, the most recent version of which we launched during the second quarter of 2004. However, the decrease in the amortization expense for the year ended December 31, 2007 also reflects the conclusion of the amortization of our website.

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). The decrease in software development costs related to third-party developers and direct labor expensed as research and development reflects the capitalization of research and development costs for the year ended December 31, 2007. Furthermore, the decrease reflects the increased efficiency from our development staff as our development projects for the year ended December 31, 2007 focused on the annual releases of QuickVerse® and Membership Plus®, and new content for our QuickVerse® products. Research and development expenses are expected to increase in future periods as we expand our internal development team and add new products and product versions, platforms and product lines.

Corporate service fees increased for the twelve months ended December 31, 2007 from engaging the services of a consultant for business development related advisory services in March 2007. The contract continues through June 2008, and we anticipate engaging additional business development consultants in the future.

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Gain on Sale of Software Product Line

On October 18, 2007, we sold all of the assets and liabilities associated with our Membership Plus® product line for \$1,675,000 in cash. The Membership Plus® product line had accounted for approximately 27% of our 2006 aggregate revenues and approximately 25% of our 2007 aggregate revenues through the date of the sale. The specific assets conveyed in the transaction included, among others, underlying software source code, existing product inventories, online marketing channels, registered trade names, and accounts receivable. The Membership Plus product line did not qualify as a component as defined in SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, and therefore has been included in income (loss) from operations on our Consolidated Statements of Operations.

Gain (Loss) on Fair Value Adjustment of Derivatives

In connection with the warrants issued in November 2004, a non-cash fair value adjustment of approximately \$379,000 has been included in other expenses for the year ended December 31, 2007, and a similar fair value adjustment of approximately \$1,536,000 has been included in other income for the year ended December 31, 2006. 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 and the guidance of EITF 00-19-2, Accounting for Registration Payment Arrangements. 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. Under EITF 00-19, a decrease in our stock price results in a decrease in the fair value of the derivative liability and a valuation gain to be recognized in our income statement whereas an increase in our stock price results in an increase in the fair value of the derivative liability and a valuation loss to be recognized in our income statement. At December 31, 2007 and 2006, the fair value of the derivative liability was approximately \$906,000 and \$527,000, respectively.

On March 6, 2008, we entered into and consummated an agreement with Barron Partners, LP in which the warrants issued in November 2004 were immediately canceled in exchange for a single cash payment to Barron Partners, LP in the amount of \$150,000. As a result of this transaction, these warrants are now null and void for all purposes. We do expect to record a one time gain in the first quarter of 2008 due to the agreement calling for a cash payment that was less than the fair value of the derivatives on such date. However, beyond the date of March 6, 2008 we do not anticipate the recognition of a derivative liability or a non-cash fair value adjustment which would be included in other expenses or other income.

Registration Rights Penalties

The results of operations for the year ended December 31, 2006 include, in other expenses, approximately \$49,000 of accrued registration rights penalties incurred in connection with a 2004 private placement transaction with Barron Partners, LP. For the comparable period during 2007, no similar accrual was recorded.

Provision for Income Taxes

For the year ended December 31, 2007, our provision for income taxes included a net deferred tax expense of approximately \$541,000 primarily related to a substantial reversal of our deferred income tax valuation allowance. During the year ended December 31, 2006, we maintained a partial valuation allowance against our deferred tax assets due to the expectation of producing taxable income for 2007 which, in our assessment, met the "more likely than not" realization criterion under SFAS No. 109. During the year ended December 31, 2007, based on uncertainty about the timing of and ability to generate future taxable income and our assessment that the realization of

the deferred tax assets no longer met the “more likely than not” criterion for realization, we provided for a full valuation allowance against our net deferred tax assets.

As of December 31, 2007, we have net operating loss carryforwards, for federal income tax purposes, of approximately \$7,839,000. These carryforwards are the result of income tax losses generated in 2000 (\$873,000 expiring in 2020), 2001 (\$5,191,000 expiring in 2021), 2002 (\$235,000 expiring in 2022), 2005 (\$956,000 expiring in 2025), and 2006 (\$584,000 expiring in 2026). We will need to achieve a minimum annual taxable income, before deduction of operating loss carryforwards, of approximately \$434,000 to fully utilize the current loss carryforwards. See Note 6, Income Taxes, in the Notes to the Consolidated Financial Statements for the year ended December 31, 2007 for further information regarding the components of our income tax provision.

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LIQUIDITY AND CAPITAL RESOURCES

Our primary needs for liquidity and capital resources are the working capital requirements of our continued operations, which includes the ongoing internal development of new products, expansion and upgrade of existing products, and marketing and sales, as well as funding for the acquisition of new product lines and/or companies. Although there can be no assurance, we believe cash generated through our continuing operations will be at least minimally sufficient to sustain our continuing operations, albeit with very limited growth. However, our pursuit of an aggressive growth plan, whether based on internally developed products, licensing opportunities, or strategic product line and/or company acquisitions, will likely require funding from outside sources or the divestiture of one or more existing product lines (as recently occurred with respect to our Membership Plus® product line). Funding from outside sources may include but is 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.

The divestiture of our Membership Plus® product line in October 2007 was driven by a combination of our need to raise cash and a strategic determination to begin a long-term shift in our product lines away from those within the faith-based vertical market and more towards those that extend across the business-to-business and consumer segments more generally.

Working Capital at December 31	2007	2006
Current assets	\$ 1,600,326	\$ 725,178
Current liabilities	\$ 2,614,891	\$ 2,431,002
Retained deficit	\$ 7,700,489	\$ 7,098,397

While liquidity for our day-to-day continued operations remains an ongoing concern for us, and while there can be no continuing assurance, given the combined facts that (i) a substantial portion of our net sales – 54% of which we collected during our last fiscal year through credit card processing transactions – are able to be collected in a much shorter timeframe (several days) than that in which we must generally pay our trade payables (30 days) and our accrued royalties (quarterly, semi-annually, or annually), and (ii) our derivative liability is an item that does not necessitate actual cash payout, the situation suggested by our notably and consistently low ratio of current assets to current liabilities has historically been manageable.

Although there can be no assurance, we anticipate using a substantial percentage of the funds realized from the sale of our Membership Plus® product line to acquire new product lines and/or companies which will either replace or increase the revenue and free cash flow previously produced by the Membership Plus® product line. Furthermore, in the future we anticipate our current liabilities to decrease in respect to our derivative liability as the warrants associated with the derivative liability were cancelled as of March 6, 2008.

Cash Flows for Years Ended December 31	2007	2006	Change	%
Cash flows provided by	\$ 77,172	\$ 538,050	\$ (460,878)	86%

operating activities					
Cash flows provided (used) by investing activities	\$ 1,186,517	\$ (516,987)	\$ 1,703,504	330%	
Cash flows (used) by financing activities	\$ (177,814)	\$ (91,951)	\$ (85,863)	93%	

Net cash provided by operating activities decreased for the year ended December 31, 2007 primarily due to a reduction in cash collections, from reduced net revenues, of approximately \$575,000 as compared to 2006, and increased reduction in outstanding payables to content providers and vendors made possible by available cash.

Net cash provided by investing activities increased for the year ended December 31, 2007 primarily attributable to the sale of our Membership Plus® product line. We also capitalized fewer costs associated with software development. Offsetting this to some degree, however, was a \$40,000 cash reserve required by our merchant services provider during the first quarter of 2007 in anticipation of a potential increase in credit card chargebacks from increased consumer purchases during the fourth quarter of 2006. The anticipated increase in credit card chargebacks did not occur and our merchant services provider has determined to retain the reserve until certain of our financial ratios improve.

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Net cash used by financing activities increased for the year ended December 31, 2007 primarily from increasing payments made on long-term notes payable. Offsetting this to some extent, however, was the fact that, during the year ended December 31, 2007, we received proceeds of approximately \$33,000 from the issuance of our common stock.

Financing

We have not secured bank financing due to our internal financial ratios and negative working capital position and do not expect that we will be successful in securing any such financing unless and until our ratios in this regard improve. However, it may be possible to secure financing on our open accounts receivable in order to satisfy our future financing needs. Equity financing, too, remains an option for us, though no definitive prospects have been specifically identified.

Contractual Liabilities

In May 2007, we secured a new operating lease with a third-party for our corporate office facility in Omaha, Nebraska with terms extending through May 2012. We also secured a new operating lease with a third-party for a warehouse facility in Omaha, Nebraska with terms extending through June 2010. In accordance with the terms of these leasehold agreements, we are responsible for all associated taxes, insurance and utility expenses.

We lease office space in Naperville, Illinois under an operating lease with a third-party with terms extending through March 2009. We are responsible for all insurance expenses associated with this lease.

At December 31, 2007, the total future minimum rental payments required under these leases is approximately \$311,000 through the year 2012. See Note 11, Rental and Lease Information, in the Notes to the Consolidated Financial Statements for the year ended December 31, 2007 for more detailed information.

We lease telephone equipment under a capital lease due to expire 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. Total minimum future lease payments under capital leases as of December 31, 2007 is approximately \$26,000 through the year 2009. See Note 11, Rental and Lease Information, in the Notes to the Consolidated Financial Statements for the year ended December 31, 2007 for more detailed information.

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

New Accounting Pronouncements

See Note 1, Summary of Significant Accounting Policies, in the Notes to the Consolidated Financial Statements for the year ended December 31, 2007 for information regarding the potential effects of new accounting pronouncements on our results of operations and financial condition.

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RISK FACTORS

Several of the matters discussed in this annual report on Form 10-KSB for the fiscal year ended December 31, 2007 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, given our initiative toward rapid revenue growth and 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. Furthermore, there can be no assurance that our operations or access to external sources of financing will continue to provide resources sufficient to satisfy our liabilities arising in the ordinary course of business, and while it may be possible to borrow funds as required, any such additional capital is likely to require that we sell and issue additional equity and/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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

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

Our audited financial statements for the period ending December 31, 2007, including the footnotes thereto, call into question our ability to continue as a going concern. This conclusion was 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 ambiguities associated with our ability to secure additional financing for continued operations, if necessary, created, at the time, an uncertainty regarding our ability to continue as a going concern, and, furthermore, there can be no assurance that we have mitigated against this risk, and that our financial statements, going forward, will not also call into question our ability to continue as a going concern. See Note 2 in the Notes to the Consolidated Financial Statements for the year ended December 31, 2007.

We may not allocate available capital in ways that result in increased revenue or desired rates of return.

In October 2007, we sold our Membership Plus® business line and realized \$1.675 million in cash as a result. This product line had been responsible for approximately 21% to 28% of our annual net revenues over the past five years, and the loss of this revenue will necessarily have a material impact on our results of operations, including a material adverse impact on our revenues. Given cash needs associated with outstanding liabilities as of the time of the sale of the Membership Plus® business line, approximately 52% of those funds have since been applied to the extinguishment of certain of those liabilities, and are therefore no longer available for reinvestment in the growth of our business, whether through acquisition opportunities, licensing opportunities, or otherwise. While it is our intention going forward to allocate a significant percentage of the remaining funds realized from the sale of the Membership Plus® business line to investment opportunities that will provide for our future growth in terms of both

revenues and earnings, there can be no assurance that such funds will not be required for other purposes in the meantime or that any such allocations, if and when made, will result in increased revenue or desired rates of return on total capital invested. Any investment in this regard that fails to perform at a level commensurate with anticipated results would likely have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations.

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

As of December 31, 2007, and as a result of historical losses in prior years, our accumulated deficit was \$7,700,489. 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

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RISKS ASSOCIATED WITH OUR BUSINESS AND INDUSTRY

We face serious competition in our business segments.

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. In relation to our faith-based titles, these channels include chain store, secular, CBA, direct and online sales, and our competitors include Logos Research Systems, Inc., Biblesoft, Inc., Thomas Nelson, Inc., WordSearch Bible Publishers and The Zondervan Corporation, among others. In relation to our productivity tools, these channels also include retail chain stores, direct and online sale and our competitors include FormDocs, LLC and Nuance Communications, Inc.

To remain competitive in our market segments 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 markets for faith-based products and productivity tools continue to expand. See "Description of Business – Competition".

We currently depend on only a single title for the overwhelming majority of our revenue.

In fiscal year 2007, approximately 93% of our total revenue was derived from two software titles; QuickVerse®, comprising approximately 72% of total revenue, and Membership Plus®, comprising approximately 21% of total revenue. Although we sold the entire Membership Plus® business line during the fourth quarter of 2007 and do not, therefore, expect to derive any further revenue from sales attributable to that product line, we do expect that QuickVerse® will not only continue to produce a disproportionately large percentage of our revenue for the foreseeable future but that, because of the loss of future revenues to be derived from Membership Plus®, such percentage will be significantly higher going forward than it has been in recent years. Due to this dependence on a single title, the failure of such title, or individual versions of such title, 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. See "Description of Business – Our Products".

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.

Historically, a significant portion of our revenue for any given quarter has been 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 Macintosh® OS X and Windows® Mobile) has resulted in longer development cycles, higher development expenditures and the need to more carefully monitor and plan development processes associated with these products.

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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, we experienced a delay in our annual release of Membership Plus® 2007, 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, commenced shipping in October 2006. 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, having a negative impact on our business, our financial condition, including liquidity and profitability, and our results of operations in that period. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Revenues”.

We have experienced, and may continue to experience, reduced revenues and fluctuations in our quarterly operating results due to the limited life cycle of certain of our products.

The average life cycle of a new consumer software title ranges anywhere from a few years to indefinitely, and the average life cycle of a new title version ranges anywhere from twelve to 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 historical experience, that a majority of sales for a 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 large percentage of 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 that ultimately led to fewer customer upgrades upon our initial release of QuickVerse® 2006. 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 price concessions that exceed our anticipated reserves could result in worse than expected operating results.

In relation to our retail sales, 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. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Revenues”.

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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. Although to date, we have not discovered any material errors, 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 customers want.

The Bible-study, faith-based content and productivity 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 and 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 costs for product development for the fiscal year ended December 31, 2007 were lower than the fiscal year ended December 31, 2006; however, we anticipate our product development costs will 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 four key executives, Steven Malone, Kirk R. Rowland, William Terrill and Brittian Edwards. We presently do not maintain key person life insurance on any of our four key executives. Although we have employment agreements with each of our four key executives, there can be no assurance that we will be able to retain these executives or attract and retain additional key executives. The loss of any one of our four key executives would likely have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations. See “Management – Directors and Executive Officers”.

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 product since 1999 has 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. See “Description of Business – Intellectual Property”.

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

Approximately 79% of our revenues in 2007, including those generated from sales of QuickVerse®, by far our largest selling software title, was 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, as of the date hereof, 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 adversely impact our sales and revenues. See “Description of Business – Intellectual Property”.

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.

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

Our consumer products business is highly seasonal. More than 50% of our annual sales in this category are expected to occur in the five months of September through January; the five months of April through August have historically been our weakest, typically generating less than 30% of our annual sales. The seasonal pattern in this regard 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. Historically, our revenues have varied significantly and been 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. Although we believe that a shifting strategy toward more business-oriented products over time is likely to reduce the seasonality of our business generally, we expect that operating results will continue to fluctuate seasonally to some degree for the foreseeable future.

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RISKS ASSOCIATED WITH AN INVESTMENT IN OUR COMMON STOCK

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.

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 currently provide 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 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. 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 Global Select 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 Global Select 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.

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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.

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 2007, our trading price fluctuated from a low of \$0.03 to a high of \$0.08 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, our officers and directors may sell any shares owned by them which are registered under the Securities Act, or which otherwise may be sold without registration to the extent permitted by Rule 144 or other exemptions. 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 even 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.

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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, 2007 & 2006, 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 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 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 audits provide 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, 2007 & 2006 and the results of operations and cash flows for the years ended December 31, 2007 & 2006 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 14, 2008

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Findex.com, Inc.
CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,134,547	\$ 48,672
Accounts receivable, trade, net	236,301	318,000
Inventories	93,852	145,344
Deferred income taxes, net	34,800	98,800
Other current assets	100,826	114,362
Total current assets	1,600,326	725,178
Property and equipment, net	56,214	86,638
Intangible assets, net	979,011	1,750,464
Deferred income taxes, net	---	443,600
Restricted cash	40,000	---
Other assets	52,860	49,965
Total assets	\$ 2,728,411	\$ 3,055,845
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	\$ 67,591	\$ 210,318
Accrued royalties	587,692	649,763
Accounts payable, trade	627,720	657,971
Accounts payable, related parties	75,302	35,289
Derivatives	906,274	526,868
Other current liabilities	350,312	