

FINDEX COM INC
Form SB-2/A
March 22, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM SB-2/A

**REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933**

FINDEX.COM, INC.

(Name of Small Business Issuer in Its Charter)

Nevada (State or other Jurisdiction Incorporation or Organization)	7372 (Primary Standard Industrial Classification Code Number)	88-0379462 (I.R.S. Employer Identification Number)
11204 Davenport Street, Suite 100 Omaha, Nebraska 68154 (402) 333-1900		
(Address and Telephone Number of Principal Executive Offices and Principal Place of Business)		

Steven Malone
President and Chief Executive Officer
FINDEX.COM, INC.
11204 Davenport Street, Suite 100
Omaha, Nebraska 68154
(402) 333-1900
(Name, Address and Telephone Number of Agent For Service)

Copies to:

Michael M. Membrado, Esq.
M.M. Membrado, PLLC
115 East 57th Street, Suite 1006
New York, New York 10022

Approximate Date of Proposed Sale to the Public: From time to time after the effective date of this registration statement until such time that all of the shares of common stock hereunder have been sold.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act) check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

Copies to:

CALCULATION OF REGISTRATION FEE

TITLE OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Common Stock, par value \$.001 per share	23,875,000(2)	\$ 0.090 (3)	\$ 2,148,750	\$ 272.25
Common Stock, par value \$.001 per share	10,937,500(4)	\$ 0.180 (5)	\$ 1,968,750	\$ 249.44
Common Stock, par value \$.001 per share	10,937,500(4)	\$ 0.600 (5)	\$ 6,562,500	\$ 831.47
Common Stock, par value \$.001 per share	125,000(4)	\$ 0.148 (5)	\$ 18,500	\$ 2.34
Common Stock, par value \$.001 per share	150,000(4)	\$ 0.010 (5)	\$ 1,500	\$ 0.19
Common Stock, par value \$.001 per share	250,000(4)	\$ 0.100 (5)	\$ 25,000	\$ 3.17
Common Stock, par value \$.001 per share	150,000(4)	\$ 0.022 (5)	\$ 3,300	\$ 0.42
Common Stock, par value \$.001 per share	600,000(4)	\$ 0.150 (5)	\$ 90,000	\$ 11.40
Total	47,025,000		\$ 10,818,300	\$ 1,370.68(6)

- (1) Pursuant to Rule 416 under the Securities Act, this registration statement also covers such indeterminate number of additional shares of common stock as may be issuable upon exercise of warrants to prevent dilution resulting from stock splits, stock dividends or similar transactions.
- (2) Represents 23,875,000 outstanding shares of our common stock held by our selling stockholders.
- (3) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) of the Securities Act, based on the average of the closing bid and asked prices for our common stock as reported on the OTC Bulletin Board on November 19, 2004.
- (4) Represents the number of shares of our common stock issuable upon exercise of certain warrants held by our selling stockholders.
- (5) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(g) of the Securities Act, based on the stated exercise price.
- (6) The filing fee of \$1,370.68 is offset by the \$507.89 credit due to the Registrant based upon the withdrawn registration statement on Form SB-2 filed with the U.S. Securities & Exchange Commission (the "SEC") on August 2, 2001, File No.: 333-66570, less (i) the fee of \$27.17 applied to the registration statement on Form S-8 filed with the SEC on September 24, 2002, File No.: 333-100035 and (ii) the fee of \$0.82 applied to the registration statement on Form S-8 filed with the SEC on November 8, 2002, File No.: 333-101092.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

Edgar Filing: FINDEX COM INC - Form SB-2/A

Subject To Completion, Dated March 22, 2005

The information contained in this prospectus may be rendered inaccurate or incomplete as a result of changing circumstances or the passage of time. These securities may not be sold until this registration statement filed with the U.S. Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

FINDEX.COM, INC.

47,025,000 SHARES OF COMMON STOCK

OFFERED BY SELLING STOCKHOLDERS

This prospectus relates to the resale of up to 47,025,000 shares of our common stock by certain persons who are either our stockholders, holders of warrants to purchase our common stock, or both. All of the shares of common stock are being offered for sale by the selling stockholders at prices established on the OTC Bulletin Board during the term of this offering, as will fluctuate from time to time, or as may otherwise be agreed upon in negotiated transactions. We will not receive any proceeds from the sale of our shares by the selling stockholders. If the warrants are exercised in full, we would receive proceeds of \$8,669,550. We will use the proceeds from any exercise of warrants for general working capital purposes consistent with our business strategy.

Our common stock is quoted on the OTC Bulletin Board under the symbol **FIND** . On March 21, 2005, the average of the bid and asked prices of our common stock was \$0.12 per share.

Each of the selling stockholders may be deemed to be an underwriter, as such term is defined in the Securities Act.

An investment in our common stock involves a high degree of risk. You should only invest in our common stock if you can afford to lose your entire investment, and you should read and consider the risk factors beginning on page 3 before investing in our common stock.

Neither the SEC nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 22, 2005.

Edgar Filing: FINDEX COM INC - Form SB-2/A

FINDEX.COM, INC.
11204 Davenport Street, Suite 100
Omaha, Nebraska 68154
(402) 333-1900

The following table of contents has been designed to help you find important information contained in this prospectus. We have included subheadings to aid you in searching for particular information you might want to return to. We encourage you to read the entire prospectus.

TABLE OF CONTENTS

<u>PROSPECTUS SUMMARY</u>	1
<u>RISK FACTORS</u>	3
<u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	8
<u>USE OF PROCEEDS</u>	8
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	9
<u>Nine Months Ended September 30, 2004, Compared with Nine Months Ended September 30, 2003</u>	9
<u>Results of Operations</u>	9
<u>Revenues</u>	9
<u>Cost of Sales</u>	10
<u>Sales, General and Administrative</u>	11
<u>Obsolete Inventory</u>	12
<u>Rebate Reserve Adjustment</u>	12
<u>Amortization</u>	12
<u>Income Tax Benefits</u>	12
<u>Extraordinary Item</u>	13
<u>Liquidity and Capital Resources</u>	13
<u>Fiscal Year Ended December 31, 2003 Compared with Fiscal Year Ended December 31, 2002</u>	14
<u>Results of Operations</u>	14
<u>Revenues</u>	15
<u>Cost of Sales</u>	16
<u>Sales, General and Administrative</u>	16
<u>Nonrecurring Items</u>	17
<u>Amortization</u>	17
<u>Income Tax Benefits</u>	17
<u>Liquidity and Capital Resources</u>	18
<u>Critical Accounting Policies</u>	19
<u>BUSINESS</u>	19
<u>Overview</u>	19
<u>Corporate Legacy</u>	19
<u>Our Products</u>	20
<u>Product Development</u>	22
<u>Our Market</u>	22
<u>Acquisition Strategy</u>	22
<u>Licensing Strategy</u>	23
<u>Marketing and Sales</u>	23
<u>Fulfillment</u>	23
<u>Significant Customers and Suppliers</u>	24
<u>Regulation</u>	24
<u>Competition</u>	24
<u>Intellectual Property</u>	24
<u>Employees</u>	25
<u>Legal Proceedings</u>	25
<u>Properties</u>	25
<u>MANAGEMENT</u>	26
<u>Directors and Executive Officers</u>	26
<u>Executive Compensation</u>	28
<u>Information Concerning Stock Options</u>	28
<u>Employment Agreements</u>	29

Edgar Filing: FINDEX COM INC - Form SB-2/A

<u>Indemnification</u>	30
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	30
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	31
<u>INTEREST OF NAMED EXPERTS AND COUNSEL</u>	31
<u>SELLING STOCKHOLDERS</u>	31
<u>PLAN OF DISTRIBUTION</u>	33
<u>DESCRIPTION OF SECURITIES</u>	34
<u>Common Stock</u>	34
<u>Preferred Stock</u>	35
<u>Dividend Policy</u>	35
<u>MARKET INFORMATION</u>	35
<u>TRANSFER AGENT</u>	36
<u>LEGAL MATTERS</u>	36
<u>EXPERTS</u>	36
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	36
<u>INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1

Table of Contents

Unless otherwise specified, the information in this prospectus is set forth as of March 22, 2005, and we anticipate that changes in our affairs will occur after such date. We have not authorized any person to give any information or to make any representations other than as contained in this prospectus in connection with the offer contained in this prospectus. If any person gives you any information or makes representations in connection with this offer, do not rely on it as information we have authorized. This prospectus is not an offer to sell our common stock in any state or other jurisdiction to any person to whom it is unlawful to make such offer.

PROSPECTUS SUMMARY

This summary highlights information found in greater detail elsewhere in this prospectus. You should read the entire prospectus carefully, including the Risk Factors described in pages 3 through 8 and our consolidated financial statements beginning on page F-1, before making any investment in the shares offered hereby.

ABOUT OUR BUSINESS

Findex.com, Inc. is a developer, publisher, and distributor/seller of off-the-shelf consumer and organizational software products. The common thread among our products is a customer constituency that shares a devotion to, or interest in, Christianity and faith-based inspirational values. We are focused on becoming the premier provider of Bible study and related faith-based software products and content to the domestic and international markets through ongoing internal development of new products, expansion and upgrade of existing products, and strategic product line and/or corporate acquisitions and licensing.

Our religious software titles, all of which are proprietary, are currently divided among the following six categories:

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

ABOUT OUR COMPANY

We were incorporated in the State of Nevada in 1997 as EJH Entertainment, Inc., which was later changed to FINdex.com, Inc. 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. On March 7, 2000, we acquired 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. 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. See Business Corporate Formation, Legacy and Subsidiaries .

We currently have two wholly-owned subsidiaries, neither of which have any operations, employees or revenues. They include Findex.com, Inc., a Delaware corporation, and Reagan Holdings, Inc., also a Delaware corporation.

Our principal office is located at 11204 Davenport Street, Suite 100, Omaha, Nebraska 68154. Our main telephone number is (402) 333-1900. See Where You Can Find Additional Information .

Table of Contents

THE OFFERING BY THE SELLING STOCKHOLDERS

On July 19, 2004, we entered into a certain Stock Purchase Agreement pursuant to which we agreed to issue and sell 21,875,000 restricted shares of our common stock to Barron Partners, LP, a New York based institutional investor, at a price of \$0.08 per share. Under the terms of transaction, Barron Partners LP received two Findex common stock purchase warrants. The first warrant entitles the holder, for a period of up to five years, to purchase up to 10,937,500 common shares at a price of \$0.18 per share, subject to downward adjustment based on the occurrence of certain events. The second warrant entitles the holder, also for a period of up to five years, to purchase up to 10,937,500 additional common shares at a price of \$0.60 per share, also subject to downward adjustment based on the occurrence of certain events. As part of the financing transaction, we entered into a certain Registration Rights Agreement with Barron Partners, LP pursuant to which we committed to registering all of the shares issued as part of such transaction, including those issuable under each of the two warrants. See Selling Stockholders .

In addition to the shares of our common stock issued to Barron Partners, LP and the common stock issuable upon exercise of the warrants issued to Barron Partners, LP, we are also registering the following:

2,000,000 shares of our common stock issued as of November 16, 2004 upon conversion of \$240,000 of previously outstanding debt securities; and
1,275,000 shares of our common stock issuable upon exercise of warrants previously issued to a number of our consultants/service providers.

Under this prospectus, the selling stockholders are offering a total of up to 23,875,000 shares of our common stock, and 23,150,000 additional shares of common stock issuable upon exercise of the warrants described above. On March 22, 2005, there were 48,153,189 shares of our common stock outstanding. Upon the exercise of the warrants described above, the number of shares offered by this prospectus represents 65.95% of our total common stock outstanding on March 22, 2005.

Total common stock outstanding prior to this offering	48,153,189
Total common stock offered for resale to the public in this offering	47,025,000
Common stock outstanding after this Offering	71,303,189
Percentage of common stock outstanding following this offering that shares being offered for resale Represent	65.95%

All of the shares covered by this prospectus are being registered to permit the selling stockholders and any of their respective successors-in-interest to offer the respective shares for resale from time to time. The selling stockholders are not required to sell their shares, and any sales of common stock by the selling stockholders are entirely at their own discretion.

We will receive no proceeds from the sale of shares of common stock in this offering. However, if all of the warrants are exercised in full, we would receive \$8,669,550 in proceeds. Any proceeds received upon the exercise of warrants will be used for general working capital purposes consistent with our business strategy. See Use of Proceeds .

TRADING INFORMATION

Our stock trades on the OTC Bulletin Board under the symbol FIND . On March 21, 2005, the average of the bid and asked prices of our common stock was \$0.12 per share.

Table of Contents

RISK FACTORS

An investment in the common stock being offered for resale by the selling stockholders is very risky. You should carefully consider the risk factors described below, together with all other information in this prospectus before making an investment decision. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks manifest as actual problems for us, our business, financial conditions or operating results could be materially adversely affected. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment.

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, financial conditions, our customers, actions of our domestic and international competitors, and other factors that are beyond our control. Our ability to fund operating activities is also dependent upon (a) the extent and availability of bank and other credit facilities, (b) our ability to access external sources of financing, and (c) our ability to effectively manage our expenses in relation to revenues. Based upon the current level of operations and planned growth, we believe that the net proceeds received from our 2004 sales of common stock and warrants, together with future cash flow from operations, and funds from external sources of credit-based debt financing, will be adequate to meet our anticipated liquidity requirements over the next 12 months and will provide additional capital for potential acquisitions. Given our initiative towards rapid revenue growth, there can be no assurance, however, that our operations and access to external sources of financing will continue to provide resources sufficient to satisfy our liabilities arising in the ordinary course of business. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources .

Our auditor has expressed uncertainty as to our ability to continue as a going concern.

Our financial statements contained in our annual report on Form 10-KSB/A for the period ending December 31, 2003, including the footnotes thereto, call into question our ability to operate as a going concern. This conclusion is drawn from the fact that, as of the date of those financial statements, we had a negative current ratio and total liabilities in excess of total assets. Those factors, as well as uncertainty in securing financing for continued operations, created an uncertainty at the time regarding our ability to continue as a going concern. Although we have since completed private placement transactions pursuant to which we have realized a total of \$1,990,000 in gross proceeds, our ability to continue as a going concern remains dependent on many factors impacting on the successful execution of our business strategy, none of which can be assured. See Note 17 in the Notes to the Consolidated Financial Statements for the year ended December 31, 2003.

RISKS ASSOCIATED WITH OUR BUSINESS AND INDUSTRY

We face serious competition in our business segment.

The market for our products is rapidly evolving and highly competitive. 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, Christian Bookseller's Association (CBA), direct and online sales. Specifically, we currently compete with Logos Research Systems, Inc., Biblesoft, Inc., Thomas Nelson, Inc., Zondervan and WordSearch Bible Publishers, among others. Although we are among the market leaders in our primary product categories, some of our competitors have longer operating histories, larger customer bases and greater financial, marketing, service, support, technical and other resources than us. Moreover, we believe that competition from new entrants will increase as the market for religious products and services continues to expand. See Business - Competition .

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

We have experienced, and may continue to experience, reduced revenues due to delays in the introduction¹⁶ and dis

Table of Contents

We cannot be certain that we will be able to meet our planned release dates for our new software releases. If we cannot release an important new product during the scheduled quarter, our revenues would likely be reduced in that quarter. In the past, we have experienced significant delays in our introduction of some new products. For instance, delays in duplication, packaging and distribution caused our QuickVerse® version 2005 to begin shipping in early-December 2004, long after the holiday season had been underway. As a result, we experienced fewer sales of this product than we would have if the product had been available before the holiday selling season began, which had a materially adverse effect on our operating results for the 2004 fourth quarter. It is likely in the future that delays will continue to occur and that some new products will not be released in accordance with our internal development schedule or the expectations of public market analysts and investors. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Revenues .

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

At the time we ship our products we establish reserves, including reserves that estimate the potential for future product returns. Product returns or price protection concessions that exceed our reserves could increase the magnitude of quarterly fluctuations in our operating and financial results. Furthermore, if we incorrectly assess the creditworthiness of our wholesale customers who take delivery of our products on credit, we could be required to significantly increase the reserves previously established. Although, historically, actual returns have been within management's prior estimates, 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 results of operations. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Revenues .

Errors or defects in our software products may cause a loss of market acceptance and result in fewer sales 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 after their 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. While to date these errors have not been material, future errors and defects could result in adverse product reviews and a loss of, or delay in, market acceptance of our products.

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

The Bible-study, inspirational content, and organizational management software markets are subject to rapid technological developments. To develop products that consumers and church and other faith-based organizations desire, we must continually improve and enhance our existing products and technologies and develop new products and technologies that incorporate these technological developments. We cannot be certain that we will have the financial and technical resources available to make these improvements. We must make these improvements while remaining competitive in terms of performance and price. This will require us to make substantial investments in research and development, often times well in advance of the widespread release of the products in the market and any revenues these products may generate.

The loss of any of our key executives or our failure to attract, integrate, motivate and retain additional key employees could have a material adverse effect on our business.

Our success depends to a large degree upon the skills of our senior management team and key employees and upon our ability to identify, hire, and retain additional sales, marketing, technical, and financial personnel. The loss of any of our key executives or the failure to attract, integrate, motivate, and retain additional key employees could have a material adverse effect on our business. We presently do not maintain key person life insurance on any of our executives. Although we have employment agreements with each of our three key executives, there can be no assurance that we will be able to retain our existing key personnel or attract and retain additional key personnel. Competition for these personnel in the software and technology industry is intense and identifying personnel with experience in this industry is even more difficult. Any loss of one of our key executives would likely have a material adverse effect on our business and prospects. See Management - Directors and Executive Officers .

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

Table of Contents

Our proprietary software content and related intellectual property is the single most important component of our products and ability to generate revenues and we rely to a very large extent on our proprietary technology and intellectual property in being able to effectively compete with other Bible and inspirational content software companies. Unauthorized use by others of our proprietary content could result in an increase in competing products and a reduction in our own sales. We rely on a combination of copyright, trademark, and trade secret laws to protect our proprietary content, and our copyright license agreements with our content providers are a key component in our intellectual property assets. We cannot be certain, however, 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 addition, many foreign countries' laws may not protect us from improper use of our proprietary technologies outside of the United States. We may not have adequate remedies if our proprietary content is appropriated, our proprietary rights are violated, or our trade secrets are disclosed. See *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 believe that our products do not infringe 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 financial condition and results of operations.

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

Recent increases in the use of internet devices to access inspirational content and the continued development of internet devices as a medium for the delivery of network-based information, content, and services may require us to change our products. Our success depends on our ability to understand the method upon which our search engines operate and our ability to service new and emerging devices to access the internet, such as browser phones, personal digital assistants, and other wireless devices. To the extent these new Internet access devices change the way that information is displayed to the end user or causes a change in the medium that is searched, we may be required to revise the methodology of our products. Although our PDA version products have performed well for us since their introduction in 2003, we cannot predict the impact that new devices will have on our services across the entire spectrum of developing technologies, and any required product adaptations may result in loss of revenue and goodwill, increased expenses, and reduced operating margins.

RISKS ASSOCIATED WITH AN INVESTMENT IN OUR COMMON STOCK

Up to 47,025,000 shares of our common stock will become eligible for public sale as a result of this registration which is likely to depress our stock price.

When this registration statement is declared effective by the SEC, 23,875,000 shares of our common stock will be eligible for immediate resale on the public market and 23,150,000 shares of our common stock underlying warrants, upon their exercise, will be eligible for immediate resale on the public market for our common stock. As a percentage of our total outstanding common stock as of the date of the prospectus, this represents 65.95%. If a significant number of shares are offered for sale simultaneously, which is not unlikely to occur, it would have a depressive effect on the trading price of our common stock on the public market. Any such depressive effect may encourage short positions and short sales, which could place further downward pressure on the price of our common stock. Further, all of the shares sold in the offering will be freely transferable thereafter without restriction or further registration under the Securities Act (except for any shares purchased by our affiliates, as defined in Rule 144 of the Securities Act), which could place even further downward pressure on the price of our common stock. See *Selling Stockholders* and *Plan of Distribution*.

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

Although 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.), 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 an active trading market develops for our common stock, you may not be able to sell your shares.19

Table of Contents

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

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

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

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

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

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

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

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

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.

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

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

Table of Contents

In addition, 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. Further, 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. See Market Information .

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

Although our officers and directors are contractually obligated to refrain from selling any of their shares until July 20, 2005, following that date, any shares owned by our officers or directors which are registered in another registration statement, or which otherwise may be sold in the future without registration under the Securities Act to the extent permitted by Rule 144 or other exemptions under the Securities Act, may be sold. Because of the perception by the investing public that a sale by such insiders may be reflective of their own lack of confidence in our prospects, the market price of our common stock could decline as a result of a sell-off following sales of substantial amounts of common stock by our officers and directors into the public market, or the mere perception that these sales could occur.

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

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

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

We do not anticipate paying dividends on our common stock in the foreseeable future. Rather, we intend to retain earnings, if any, for the continued operation and expansion of our business. It is unlikely, therefore, that holders of our common stock will have an opportunity to profit from anything other than potential appreciation in the value of our common stock held by them. If you require dividend income, you should not rely on an investment in our common stock.

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

We are not currently subject to the listing requirements of any national securities exchange or quotation system. The listing standards of the national securities exchanges and automated quotation systems require that a company's board of directors consist of a majority of directors who are independent as defined by the Sarbanes-Oxley Act of 2002 and as defined by applicable listing standards, and that the audit committee of the board of directors must consist of at least three members, all of whom are independent. Similarly, the compensation and nominating committees of company boards of directors must also consist of independent directors. Currently, only two of our directors, who are the only members of our Audit Committee, meet the definition of an independent director as defined by the Sarbanes-Oxley Act of 2002 and as defined by listing standards. Further, two of our four directors are currently executive officers and thereby do not satisfy these independence standards. There is no guarantee that we will be able to appoint an additional director who will satisfy these independence requirements. If we are unable to appoint an additional independent director to our board, we will be precluded from listing any of our capital stock on a national securities exchange or quotation system.

We have relied on the private placement exemption to raise substantial amounts of capital and could suffer substantial losses if that exemption is determined not to have been properly relied upon.

Table of Contents

We have raised substantial amounts of capital in private placements from time to time. The securities offered in such private placements were not registered with the SEC or any state agency in reliance upon exemptions from such registration requirements. Such exemptions are highly technical in nature and if we inadvertently failed to comply with the requirements of any of such exemptive provisions, investors would have the right to rescind their purchase of our securities or otherwise sue for damages. If one or more investors were to successfully seek such rescission or institute any such suit, we could face severe financial demands that could materially and adversely affect our financial position. See Selling Stockholders .

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This registration statement, as well as our other reports filed with the SEC and our press releases and other communications, contain forward-looking statements made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Forward-looking statements include all statements regarding our expected financial position, results of operations, cash flows, dividends, financing plans, strategy, budgets, capital and other expenditures, competitive positions, growth opportunities, benefits from new technology, plans and objectives of management, and markets for stock. These forward-looking statements are based largely on our expectations and, like any other business, are subject to a number of risks and uncertainties, many of which are beyond our control. The risks include those stated in the Risk Factors section of this registration statement and economic, competitive and other factors affecting our operations, markets, products and services, expansion strategies and other factors discussed elsewhere in this registration statement and the other documents we have filed with the SEC. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this registration statement will in fact prove accurate, and our actual results may differ materially from the forward-looking statements.

USE OF PROCEEDS

Findex will not receive any proceeds from the resale of our common stock pursuant to this offering. We may, however, receive proceeds upon the exercise of the warrants, the underlying common shares of which are being registered hereunder. If all of the warrants are exercised the underlying shares of common stock of which are being registered hereunder, we estimate that we would realize net proceeds of approximately \$8,599,550. Net proceeds are determined after deducting all of the expenses associated with this offering (estimated to be approximately \$70,000).

If all of the warrants are exercised, we would realize \$8,599,550 in net proceeds, and although there can be no assurance, we intend to use the net proceeds from this offering as follows:

Product Development	\$ 2,000,000
Marketing and Promotion	500,000
Other Working Capital Needs	5,599,550
New Content License Acquisitions	500,000
	<hr/>
Total Net Proceeds	\$ 8,599,550

The amounts that we actually expend on each of the items listed above will vary significantly depending on a number of factors, including our future results of operations. As a result, we will retain broad discretion in the allocation of the net proceeds of this offering. Pending the use of any proceeds as discussed above, we intend to invest these funds in short-term, interest-bearing investment-grade obligations or accounts.

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2004, COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 2003

The following discussion relates to the nine months ended September 30, 2004 as compared with the nine months ended September 30, 2003 and should be read together with our consolidated financial statements for the period ended September 30, 2004 and the notes to those consolidated financial statements.

Results of Operations

Our software products have a significant seasonality to their revenues. 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 expected to be the weakest, historically generating only about 33% of our annual sales.

The company had a one-time, non-recurring write down to accrued royalties of approximately \$584,000 during the nine months ended September 30, 2003 and a write down to reserve for rebates payable from a change in accounting estimate of approximately \$266,000 during the nine months ended September 30, 2004. During the nine months ended September 30, 2003 and 2004, we wrote down distinctly different categories of obsolete inventory approximating \$61,000 and \$32,000 for these periods, respectively. In addition, during the quarter ended September 30, 2004 the company recognized approximately a \$1,000,000 gain from extinguishment of debt which is classified as an extraordinary item and a non-recurring expense of approximately \$155,000 related to a settlement with an institutional private equity investor. The extinguishment of debt is a direct result from settling with various vendors and content providers for lump-sum payments at a reduced amount of balances owed. The non-recurring expense is a direct result of the company coming to terms with such institutional private equity investor for early termination of a certain investment agreement, originally entered into in June 2001. These non-recurring items had no effect on the cash flow statement. Net of these one-time adjustments, our net income decreased approximately \$77,000 for the three months ended September 30 from a net loss of approximately \$116,000 for 2003 to a net loss of approximately \$193,000 for 2004 and decreased approximately \$99,000 for the nine months ended September 30 from a net loss of approximately \$30,000 for 2003 to a net loss of approximately \$129,000 for 2004. By excluding our interest, taxes, depreciation, and amortization from net income, our EBITDA increased approximately \$603,000 for the three months ended September 30 from EBITDA loss of approximately \$43,000 for 2003 to EBITDA earnings of approximately \$560,000 for 2004 and increased approximately \$391,000 for the nine months ended September 30 from EBITDA earnings of approximately \$782,000 for 2003 to EBITDA earnings of approximately \$1,173,000 for 2004. These net income and EBITDA results include the adjustments noted above. Net of the adjustments, our EBITDA increased approximately \$71,000 for the nine months ended September 30 from an EBITDA earnings of approximately \$259,000 for 2003 to an EBITDA earnings of approximately \$330,000 for 2004.

Overall, interest expense for the three and nine months ended September 30, 2004 decreased by approximately \$14,000 and \$30,000 respectively compared to 2003. This is due to the company reducing its trade payables and meeting the scheduled terms. Furthermore, the note liabilities interest was reduced due to the reclassification of the note payable in the fourth quarter of 2003. Amortization expense related to the software license decreased for the three and nine months ended September 30, 2004 compared to 2003 as a result of the final settlement with The Learning Company, which extended the life of the license indefinitely. Amortization expense related to software development costs increased approximately \$75,000 and \$225,000 for the three and nine months ended September 30, 2004 compared to 2003. This is a direct result from QuickVerse® 8.0 shipping in late December 2003 and Membership Plus® 8.0 shipping in January 2004.

Revenues

We recognize software revenue net of estimated returns and allowances for returns, price discounts and rebates, upon shipment of product, which is when title passes, provided that collection of the resulting receivable is probable and we have no significant obligations. Revenue from inventory out on consignment is recognized when the consignee sells the product. Revenue associated with advance payments from customers is deferred until products are shipped. Revenue for software distributed electronically via the Internet is recognized upon delivery.

Table of Contents

Product return reserves are based upon a percentage of total retail and direct sales for the period and may increase or decrease as actual returns are processed. Product returns or price protection concessions that exceed our reserves could materially adversely affect our business and operating results and could increase the magnitude of quarterly fluctuations in our operating and financial results. Product returns from distributors and Christian bookstores are allowed primarily in exchange for new products or for credit towards purchases as part of a stock-balancing program. These returns are subject to certain limitations that may exist in the contract that we have with them. Under certain circumstances, such as termination or when a product is defective, distributors and bookstores could receive a cash refund if returns exceed amounts owed. Returns from sales made directly to the consumer are accepted within 45 days of purchase and are issued a cash refund.