

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

INDEX DEVELOPMENT PARTNERS INC
Form 10QSB
November 12, 2003

U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSB

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
--- EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
 EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-10932

INDEX DEVELOPMENT PARTNERS, INC.

(Exact name of small business issuer as specified in its charter)

Delaware

13-3487784

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

125 Broad Street, 14th Floor, New York, New York 10004

(Address of principal executive offices)

(212) 742-2277

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No _____

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: as of November 5, 2003, issuer had outstanding 7,894,552 shares of Common Stock, \$.01 par value per share.

INDEX DEVELOPMENT PARTNERS, INC. AND SUBSIDIARIES

INDEX

Part I Financial Information

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

Item 1. Financial Statements

Consolidated Condensed Balance Sheet
as of June 30, 2003(Unaudited)

Consolidated Condensed Statements of Operations (Unaudited)
for the Six Months Ended June 30, 2003 and 2002

Consolidated Condensed Statements of Cash Flows (Unaudited)
for the Six Months Ended June 30, 2003 and 2002

Notes to Consolidated Condensed Financial Statements (Unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Controls and Procedures

Part II Other Information

Item 1. Legal Proceedings

Item 2. Changes in Securities

Item 3. Defaults Upon Senior Securities

Item 6. Exhibits and Reports on Form 8-K

Signatures

2

PART 1: Financial Information

ITEM 1: Financial Statements

INDEX DEVELOPMENT PARTNERS, INC. AND SUBSIDIARIES CONSOLIDATED CONDENSED BALANCE SHEETS

	June 30, 2003
ASSETS	-----
Current assets:	
Cash and cash equivalents	\$ 396,653
Prepaid expenses and other current assets	76,477

Total current assets	473,130

Property and equipment - net	58,963
Security deposits	49,084
Other assets	189,011

Total assets	\$ 770,188
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

Current liabilities:	
Accounts payable	\$ 428,537
Accrued expenses	254,020
Deferred non compete	25,000
Accrued preferred stock dividend	236,400

Total current liabilities	943,957
Deferred subscription revenue	446,227
Deferred non compete	50,000

Total liabilities	1,440,184

Stockholders' Deficit:	
Preferred stock, \$.01 par value, authorized 2,000,000 shares, 7,880 issued and outstanding	79
Common stock, \$.01 par value; authorized 40,000,000 shares, 7,894,552, issued and outstanding	78,946
Additional paid-in capital	33,410,579
Warrants	770,842
Accumulated deficit	(34,930,441)

Total stockholders' deficit	(669,996)

Total liabilities and stockholders' deficit	\$ 770,188
	=====

3

See Notes to Consolidated Condensed Financial Statements

INDEX DEVELOPMENT PARTNERS, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

	3 Months Ended June 30,	
	2003	2002
	-----	-----
Revenues:		
Total revenues	----- -	----- -
Operating expenses:		
General and administrative	319,345	84,113
Depreciation and amortization	11,485	32,767
	-----	-----
Total operating expenses	330,830	116,880
	-----	-----
Gain on sale of furniture and fixtures	-	-
Gain on investments and other assets	-	-

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

Operating loss from continuing operations	(330,830)	(116,880)
Investment and other income	360	3,366
Net loss from continuing operations	(330,470)	(113,514)
Discontinued operations		
Gain from print operations	52,007	497,045
Gain from online operations	-	-
Gain from discontinued operations	52,007	497,045
Net income (loss)	\$ (278,463)	\$ 383,531
Basic and dilutive income (loss) per common share:		
Continuing operations	(\$0.05)	(\$0.02)
Discontinued operations	\$0.01	\$0.06
Net basic income (loss) per share	(\$0.04)	\$0.04
Average number of common shares used in computing basic and dilutive loss per common share	7,894,552	7,894,552
Average number of common shares used in computing basic and dilutive loss per common share	8,637,948	8,637,948

4

See Notes to Consolidated Condensed Financial Statements

INDEX DEVELOPMENT PARTNERS, INC. AND SUBSIDIARIES CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	6 Months 2003
Cash flows from operating activities:	
Net (loss) income	\$ (356,906)
Reconciliation of net income (loss) to net cash used in operating activities:	
(Gain) from discontinued operations	(116,872)
Gain on sale of furniture and fixtures and investments	(99,001)
Depreciation and amortization	25,099
Amortization of non compete	12,500
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Prepaid expenses and other current assets	48,949
Security deposits	236,858
Increase (decrease) in:	
Accounts payable and accrued expenses	68,874
Net cash used in operating activities	(180,498)

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

Cash flows from investing activities:	
Purchase of property and equipment	
Proceeds from sale of investments	29,515
Net proceeds from sale of assets	86,838

Net cash provided (used) by investing activities	116,353

Cash flows from financing activities:	
Preferred stock dividends	-

Net cash used by financing activities	-

Net cash provided by discontinued operations	-

Net decrease in cash and cash equivalents	(64,145)
Cash and cash equivalents, beginning of period	460,798

Cash and cash equivalents, end of period	\$ 396,653
	=====

5

See Notes to Consolidated Condensed Financial Statements

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002 (UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated condensed financial statements include the accounts of Index Development Partners, Inc. and its subsidiaries (collectively, the "Company"). Such financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes as required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary in order to make the financial statements not misleading have been included. Operating results for the three and six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report for the year ended December 31, 2002 on Form 10-KSB.

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which is effective in 2003. It requires the recording of an asset and a liability equal to the present value of the estimated costs associated with the retirement of long-lived assets where a legal or contractual obligation exists. The asset is required to be depreciated over the life of the related equipment or

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

facility, and the liability accreted each year based on a present value interest rate. This standard, which the Company adopted in 2003, will not have a material effect on the Company's consolidated financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets", which is effective for financial statements issued for fiscal years beginning after December 15, 2001. The objectives of SFAS No. 144 are to address significant issues relating to the implementation of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and to develop a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired. The Company adopted SFAS No. 144 during the first quarter of 2002.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement eliminates the automatic classification of gain or loss on extinguishment of debt as an extraordinary item of income and requires that such gain or loss be evaluated for extraordinary classification under the criteria of Accounting Principles Board No. 30, "Reporting Results of Operations." This statement also requires sales-leaseback accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions, and makes various other technical corrections to existing pronouncements. This statement is effective for the Company for the year ending December 31, 2003, with the effective date for certain provisions of SFAS No. 145 being May 15, 2002. The adoption of this statement did not have a material effect on our results of operations or financial position or cash flows of the Company.

In September 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The statement is effective for such activities implemented after December 31, 2002.

6

In November 2002, the FASB issued Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. The Company has evaluated the impact of the adoption of FIN 45, and does not believe it will have a material impact on the Company's consolidated financial position or results of operations because the Company is not currently the guarantor of any third party obligations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123," to provide alternative methods of transition for a

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We have adopted the disclosure requirements of SFAS No. 148 as of December 31, 2002. We account for stock-based employee compensation arrangements in accordance with provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and comply with the disclosure provisions of SFAS No. 123, as amended. Under APB Opinion No. 25, compensation expense is based on the difference, if any, on the date of grant, between the quoted market price of our stock and the exercise price.

On January 17, 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interests or in which the equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the initial and subsequent measurement of assets, liabilities and noncontrolling interests in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. The Company adopted the provision of FIN No. 46 effective January 1, 2003 and it had no material impact on the Company's financial position or results of operations as the Company does not have any involvement with variable interest entities.

In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company does not believe the adoption of this standard will have a material impact on the Company's financial position or results of operations.

7

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This standard, which the Company will adopt in 2003, will not have a material effect on the Company's consolidated financial position or results of operations.

2. NAME CHANGE

In April 2002, the Board of Directors authorized an amendment to the Company's certificate of incorporation to change the Company's name to

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

"Index Development Partners, Inc.," subject to stockholder approval at the Company's annual meeting held on June 18, 2002. At the annual meeting, the Company's stockholders approved the name change, which became effective that day.

The Company's sole focus is on the development and commercial exploitation of proprietary stock indexes, including the America's Fastest Growing Companies(SM) family of stock indexes. The Company therefore believed it was appropriate to change its name to Index Development Partners, Inc., to align its corporate name with its current mission.

3. INVESTMENTS

On June 2, 1999, the Company, Kirlin Holding Corp ("Kirlin") and Venture Highway, Inc. (at the time a wholly-owned subsidiary of Kirlin), entered into an agreement pursuant to which the Company acquired 19.9% of the then-outstanding shares of common stock. The purchase price was paid in the form of a credit for VentureHighway to use to purchase advertising in the Company's magazines and web sites. During the fourth quarter of 2000, the Company became aware of an other than temporary decline in the value of its Venture Highway investment and reduced the carrying value by approximately \$2.6 million to zero.

During the quarters ended March 31, 2003 and 2002 the Company received partial distributions from Venture Highway of approximately \$18,000 and \$85,000, respectively. These amounts have been recorded as a gain on disposition of investments. The Company has not accrued for any additional recoveries and will record such amounts, if any, when received. During the quarter ended March 31, 2003, the Company also received approximately \$11,000 from the domestic investment fund it formerly managed and recorded a gain of an equal amount.

8

4. DISCONTINUED OPERATIONS

On May 17, 2002, the Company sold Horizon Publishing Company ("Horizon"), an unrelated third party, assets related to the Company's Individual Investor's Special Situations Report newsletter ("SSR") and Horizon agreed to provide SSR subscribers with one or more Horizon investment related newsletters, at no additional cost to SSR subscribers, for the number of issues of SSR that such subscribers have paid for but have not been served, representing approximately \$0.1 million of deferred subscription liability of the Company at the date of the sale. In connection with this transaction, the Company discontinued publication of SSR. As a result of the transaction, the Company discontinued its Print Publications operations. The operating results relating to Print Publications operations have been segregated from continuing operations and reported within a separate line item on the consolidated condensed statements of operations as discontinued operations.

In November 2001, the Company assigned to Telescan, Inc., certain of the Company's internet assets, including the domain name www.individualinvestor.com, in exchange for the 1,063,531 shares of the Company's Common Stock owned by Telescan and the Company subsequently discontinued its Online Services operations. The operating results relating to Online Services operations have been segregated from continuing

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

operations and reported as a separate line item on the consolidated condensed statements of operations as discontinued operations.

On July 9, 2001, the Company completed the transactions (the "Magazine Sale") contemplated by an agreement ("Agreement") with The Kiplinger Washington Editors, Inc. ("Kiplinger"), the publisher of Kiplinger's Personal Finance Magazine ("KPFM"). Pursuant to the Agreement, the Company, among other things, sold to Kiplinger the subscriber list to the Company's Individual Investor magazine ("II"); agreed, until July 9, 2006, not to use the name "Individual Investor" for print periodical publishing or list rental purposes, except in connection with the Company's Individual Investor's Special Situations Report newsletter; and agreed to provide certain consulting services to Kiplinger until July 9, 2002. In return, Kiplinger agreed to provide II subscribers with KPFM, at no additional cost to II subscribers, for the number of issues of II that such subscribers have paid for but have not been served, representing approximately \$2.6 million of deferred subscription liability of the Company at the date of the sale; and paid the Company \$3.5 million in cash, a portion of which was placed in escrow to secure certain obligations.

9

The gain from discontinued operations consisted of the following components:

PRINT PUBLICATIONS

	Three Months Ended June 30,		Six Months Ended June 3	
	2003	2002	2003	
Revenues and other income	\$52,007	\$459,069	\$116,872	\$
Gain (loss) from operations	\$52,007	\$427,546	\$116,872	\$

ONLINE SERVICES

	Three Months Ended June 30,		Six Months Ended June 3	
	2003	2002	2003	2
Revenues and other income	--	--	--	--
Gain (loss) from operations	--	--	--	\$13

Net current liabilities at June 30, 2003 related to the Print Publications discontinued operations are approximately \$295,000. Net current liabilities at June 30, 2003 related to the Online Services discontinued operations are

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

approximately \$36,000.

5. STOCK OPTIONS

During the three and six months ended June 30, 2003, the Company did not grant any options to purchase the Company's Common Stock pursuant to the Company's stock option plans; no options were exercised; no options were canceled; and 82,673 options expired.

6. INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share for the three and six months ended June 30, 2003 and 2002, respectively, is computed by dividing the net income (loss), after deducting accrued dividends on cumulative convertible preferred stock, by the weighted average number of shares of Common Stock outstanding during the applicable period. Diluted net income (loss) per common share for the six months ended June 30, 2003 and 2002, respectively, is computed by dividing net income (loss) by the weighted average number of shares of Common Stock and common equivalent shares during the applicable period. Common equivalent shares consist of the incremental shares of Common Stock issuable upon the exercise of stock options, warrants and other securities convertible into shares of Common Stock. The exercise of stock options, warrants and other securities convertible into shares of Common Stock were not assumed in the computation of diluted (loss) income per common share, as the effect would have been antidilutive.

10

The computation of net income (loss) applicable to common stockholders is as follows:

	Three Months		Six Mo
	-----		-----
	Ended June 30,		Ended Ju
	2003	2002	2003
	-----	-----	-----
Net income (loss)	\$ (278,463)	\$811,077	\$ (356,906)
Preferred stock dividends	(39,400)	(39,400)	78,400
	-----	-----	-----
Net income (loss) applicable to common shareholders	\$ (317,863)	\$771,677	\$ (435,306)

Fully diluted net income (loss) applicable to common stockholders is (\$0.04) and \$0.04, and (\$0.06) and \$0.07 for the three and six months ended June 30, 2003 and 2002 and six months ended June 30, 2003 and 2002, respectively.

7. COMMITMENTS AND CONTINGENCIES

The Company leases office space in New York City under an operating lease that expires on March 31, 2004. In May 2001, the Company commenced a

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

sublease of a portion of its headquarters office space to an unrelated third party and in January 2002 the Company commenced a sublease of another portion of its headquarters office space to a different unrelated third party. The Company incurred additional leasehold expenses of approximately \$41,000 in connection with the January 2002 sublease. Effective April 30, 2003, the Company and its landlord entered into a Partial Assignment of Lease and Assignment of Subleases, the effect of which is that the Company (i) continues to lease approximately 5% of its former space, with a corresponding reduction in base rental expense, and (ii) should be paid by the landlord on a monthly basis approximately \$9,000, an amount that is equal to the difference between the higher monthly payments the Company's two former sub-lessors were obligated to pay the Company and the lower amount that the Company was obligated to pay the landlord with respect to the formerly sublet space, plus the cost of electricity for the entire space (which averaged approximately \$3,000 per month in 2002). The Company also subleases its former office space in New York City under an operating lease that expires March 1, 2005. All of the above leases and subleases provide for escalation of lease payments as well as real estate tax increases.

The Company had an outstanding letter of credit totaling \$250,000 related to the security deposit for the Company's New York City corporate office space. The Company had received letters of credit from its sublease tenants in the aggregate amount of approximately \$145,000. Effective April 30, 2003, the Company's security deposit was reduced to \$11,770 and the Company transferred the letters of credit from its subtenants to its landlord.

11

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Important Notice Concerning "Forward-looking Statements" in this Report

1. "Forward-looking Statements." Certain parts of this Report describe historical information (such as operating results for the three and six months ended June 30, 2003 and June 30, 2002, respectively), and the Company believes the descriptions to be accurate. In contrast to describing the past, various sentences of this Report indicate that the Company believes certain results are likely to occur after June 30, 2003. These sentences typically use words or phrases like "believes," "expects," "anticipates," "estimates," "projects," "will continue" and similar expressions. Statements using those words or similar expressions are intended to identify "forward-looking statements" as that term is used in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, but are not limited to, projections of operating results for periods after June 30, 2003, concerning either a specific segment of the Company's business or the Company as a whole. For example, projections concerning the following are forward-looking statements: net revenues, operating expenses, net income or loss, gross margins, royalties, , marketing expenses, sales expenses, and general and administrative expenses. Except to the extent that a statement in this Report is describing a historical fact, each statement in this Report is deemed to be a forward-looking statement.

2. Actual Results May Be Different than Projections. Due to a variety of risks and uncertainties, however, actual results may be materially different from the results projected in the forward-looking statements. These risks and

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

uncertainties include those set forth in Item 2 (entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations") of Part I hereof, in Exhibit 99 hereof and elsewhere in this Report, and in Item 1 (entitled "Business") of Part I and in Item 7 (entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations") of Part II of the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002, filed with the Securities and Exchange Commission.

3. The Company Has No Duty to Update Projections. The forward-looking statements in this Report are current only on the date this Report is filed. After the filing of this Report, the Company's expectations of likely results may change, and the Company might come to believe that certain forward-looking statements in this Report are no longer accurate. The Company shall not have any obligation, however, to release publicly any corrections or revisions to any forward-looking statements contained in this Report, even if the Company believes the forward-looking statements are no longer accurate.

Three and Six Months Ended June 30, 2003 as Compared to the Three and Six Months Ended June 30, 2002

In May 2002, the Company transferred the assets of its remaining print publication, Individual Investor's Special Situations Report newsletter, to an unrelated third party, who assumed the deferred subscription liability of the newsletter. As a result of the transaction, the Company discontinued its Print Publications operations. The operating results relating to Print Publications operations have been segregated from continuing operations and reported within a separate line item on the consolidated statements of operations as discontinued operations. The results of operations as reported for the period ended June 30, 2002 have been restated to conform to the June 30, 2003 financial presentation in which the Print Publications operations have been treated as a discontinued operation.

12

Net Loss from Continuing Operations

The Company's net loss from continuing operations for the three and six months ended June 30, 2003 was approximately \$330,000 and \$474,000, respectively, an increase of approximately \$217,000 and \$126,000, respectively from the net loss from continuing operations of approximately \$114,000 and 356,000 for the three and six months ended June 30, 2002. The increase in the loss from the prior year is primarily due to a \$150,000 amount received by the Company during the quarter ended June 30, 2002 from a business assistance program related to the September 11, 2001 disaster and an increase in professional and legal fees in 2003 due to a reduced staff. The basic and diluted net income (loss) from continuing operations per weighted average common share for the three and six months ended June 30, 2003 and 2002 was approximately \$0.05 and \$0.07, respectively and \$0.02 and \$0.05, respectively.

Operating Revenues

No revenues were recorded for the three and six months ended June 30, 2003 or 2002 from the Company's index operations.

Operating Expenses

Total operating expenses for the three and six months ended June 30, 2003 increased approximately 183% and 12%, respectively, to approximately \$331,000 and \$575,000 as compared to approximately \$117,000 and \$512,000 for the three and six months ended June 30, 2002. The increase is due primarily to a \$150,000

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

amount received by the Company during the quarter ended June 30, 2002 from a business assistance program related to the September 11, 2001 disaster .

General and administrative expenses for the three and six months ended June 30, 2003 increased approximately 280% and 20%, respectively, to approximately \$319,000 and 549,000 as compared to approximately \$84,113 and 459,000, for the three and six months ended June 30, 2002. The increase is due primarily to a \$150,000 amount received by the Company during the quarter ended June 30, 2002 from a business assistance program related to the September 11, 2001 disaster, which has been netted against general and administrative expenses during the three and six months ended June 30, 2002, and increased professional and legal fees in 2003 due to a reduced staff.

Depreciation and amortization expense for the three and six months ended June 30, 2003 decreased approximately 65% and 53%, respectively, to approximately \$11,000 and 25,000 as compared to approximately \$33,000 and 53,000 for the three and six months ended June 30, 2002. The decrease is primarily due to the disposal of computer equipment in January 2003.

13

Gain on Sale of Furniture and Fixtures

Gain on sale of furniture and fixtures for the six months ended June 30, 2003 of approximately \$69,000 represents net proceeds received from the sale of furniture and fixtures and computer during the quarter. The Company recorded a gain of approximately \$71,000 during the six months ended June 30, 2002.

Gain on Investments and Other Assets

Gain on investments and other assets for the six months ended June 30, 2003 of approximately \$30,000 represents proceeds from investments that had previously been written off during prior periods. The gain for the three months ended June 30, 2002 was approximately \$85,000.

Investment and Other Income

Investment and other income for the three and six months ended June 30, 2003 was approximately \$0 and \$1,800 as compared to approximately \$3,400 and \$8,900 for the three and six months ended June 30, 2002. The decreased amount of investment income earned for the three and six months ended June 30, 2003 as compared to the three and six months ended June 30, 2002 is primarily due to lower cash balances available for investment and a decrease in interest rates.

Gain from Discontinued Operations

The Company's gain from discontinued operations for the three and six months ended June 30, 2003 was approximately \$52,000 and \$117,000, a decrease of approximately \$445,000 and \$864,000, respectively as compared to a gain from discontinued operations of approximately \$497,000 and \$981,000, respectively, for the three and six months ended June 30, 2002. The gain from the discontinued print segment for the three and six months ended June 30, 2003 was approximately \$52,000 and \$117,000, respectively, a decrease of approximately \$445,000 and \$850,000, respectively compared to a gain from discontinued operations of approximately \$497,000 and \$967,000, respectively, for the three and six months ended June 30, 2002. The 2002 amount recognizes income in this discontinued operation as a result of Individual Investor's Special Situations Report newsletter that was operational in the first quarter of 2002 and greater amounts of earned deferred consulting revenue and deferred subscription revenue in connection with the July 2001 Magazine Sale.

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

The gain from the Online Services discontinued segment for the six months ended June 30, 2002 was approximately \$13,000. There were no comparable amounts in the six months ended June 30, 2003.

The basic and dilutive net income from discontinued operations per weighted average common share for the three and six months ended June 30, 2003 was approximately \$0.01 and \$0.01, respectively, as compared to approximately \$0.06 and \$0.12 for the three and six months ended June 30, 2002.

At June 30, 2003, the remaining balance of deferred revenue related to discontinued operations is: deferred non-compete revenue, approximately \$75,000, recognizable ratably through the second quarter of 2006; and net deferred subscription revenue, approximately \$257,000, recognizable in decreasing monthly amounts through the second quarter of 2011.

14

Net (Loss) Income

The Company recorded net loss for the three and six months ended June 30, 2003 of approximately \$278,000 and \$357,000 as compared to net income of approximately \$384,000 and 633,000 for the three and six months ended June 30, 2002. No income taxes were provided in 2002 due to the net operating loss carryovers. The basic and diluted net (loss) income per weighted average common share for the three and six months ended June 30, 2003 was approximately (\$0.04) and (\$0.06), respectively as compared to basic net income per weighted average common share of \$0.04 and \$0.07 for the three and six months ended June 30, 2002.

Liquidity and Capital Resources

As of June 30, 2003, the Company had cash and cash equivalents totaling approximately \$397,000 and negative working capital of approximately \$471,000. Net cash used in operating activities during the six months ended June 30, 2003 was approximately \$180,000. Net cash provided by investing activities for the six months ended June 30, 2003, was approximately \$116,000. No cash was used in financing activities or by discontinued operations for the six months ended June 30, 2003. The Company's cash and cash equivalents balance of approximately \$397,000 at June 30, 2003 represented a decrease of approximately \$64,000 from the December 31, 2002 balance.

The Company's continuing operations are not generating any revenues.

Over the past two years the Company has had discussions with a variety of parties concerning the potential license of the Company's indexes for the creation of financial products. With one exception, these discussions have not resulted in the Company licensing any of its indexes. As previously reported, the Company had licensed the America's Fastest Growing Companies(SM) Index to Nuveen Investments for the creation of an exchange-traded fund to be sponsored by Nuveen and based upon that index. After receiving an exemptive order it sought from the Securities and Exchange Commission to be allowed to sponsor this fund and filing with the SEC a registration statement, Nuveen did not take further action to have the registration statement declared effective nor did it launch such a fund. As a result, on November 1, 2002, the Company gave notice to Nuveen that the license was terminated effective January 30, 2003. There can be no assurance that the Company will execute licensing agreements with respect to its indexes, that financial products based upon such indexes would enter the market or that the Company would derive any material revenues with respect to any such licenses.

The Company also has had discussions with a variety of parties concerning the potential assignment of the Company's indexes to a third party, in connection with which the Company receiving back a license to sponsor financial products based upon the indexes and is currently negotiating such a transaction with one party. There can be no assurance the Company will complete any such transaction or that the Company would be able to successfully sponsor financial products based upon the indexes. If the Company were successful in reaching such an agreement with a third party, the Company would still need to raise external financing of approximately \$8 million to \$10 million in order to be able to implement its business plan to sponsor and market these financial products, of which approximately \$3 million will be required in an initial financing to accomplish the steps necessary to launch the Company's first ETF. There can be no assurance that the Company would be successful in raising such financing.

A cash dividend of \$236,400 payable on the Company's outstanding Series A Preferred Stock is included in the consolidated balance sheet as of June 30, 2003. The Company contacted the holder prior to the payment date to explain that the Company would not be making the December 31, 2002 dividend payment (\$157,600) while it sought the financing it required to implement its business plan.

If the Company continues to defer payment of the dividends accrued and accruing on the Series A Preferred Stock and the Company eliminates certain expenses within its control by the fourth quarter of 2003, the Company believes that its working capital and the amount it is entitled to receive from its landlord on a monthly basis will be sufficient to fund its presently limited operations and enable it to continue to seek through December 31, 2003 the external financing described above that it needs to implement its business plan to become a fund sponsor. Beyond that time, in all likelihood, the Company would need to cease operations if it does not obtain external financing. There can be no assurance that the Company would be able to obtain additional capital, nor can there be assurance as to the terms upon which the Company might be able to obtain additional capital. Obtaining any additional capital could result in a substantial dilution of an investor's equity investment in the Company.

Recent Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," which is effective in 2003. It requires the recording of an asset and a liability equal to the present value of the estimated costs associated with the retirement of long-lived assets where a legal or contractual obligation exists. The asset is required to be depreciated over the life of the related equipment or facility, and the liability accreted each year based on a present value interest rate. This standard, which the Company adopted in 2003, will not have a material effect on the Company's consolidated financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement eliminates the automatic classification of gain or loss on extinguishment of debt as an extraordinary item of income and requires that such gain or loss be evaluated for extraordinary classification under the criteria of Accounting Principles Board No. 30, "Reporting Results of Operations." This statement also requires sales-leaseback accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions, and makes various other technical corrections to

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

existing pronouncements. This statement will be effective for the Company for the year ending December 31, 2003, with the effective date for certain provisions of SFAS No. 145 being May 15, 2002. The adoption of this statement will not have a material effect on our results of operations or financial position or cash flows of the Company.

16

In September 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The Statement is effective for such activities implemented after January 1, 2003.

In November 2002, the FASB issued Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. The Company has evaluated the impact of the adoption of FIN 45, and does not believe it will have a material impact on the Company's consolidated financial position or results of operations because the Company is not currently the guarantor of any third party obligations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We have adopted the disclosure requirements of SFAS No. 148 as of December 31, 2002. We account for stock-based employee compensation arrangements in accordance with provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and comply with the disclosure provisions of SFAS No. 123, as amended. Under APB Opinion No. 25, compensation expense is based on the difference, if any, on the date of grant, between the quoted market price of our stock and the exercise price.

On January 17, 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interests or in which the equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the initial and subsequent measurement of assets, liabilities and noncontrolling interests in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. The Company will adopt the provision of FIN No. 46 effective January 1, 2003 but does not believe it will have a material impact on the Company's financial position or results of operations as the Company does not have any involvement with variable interest entities.

In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Company does not believe the adoption of this standard will have a material impact on the Company's financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This standard, which the Company will adopt in 2003, will not have a material effect on the Company's consolidated financial position or results of operations.

ITEM 3. CONTROLS AND PROCEDURES

An evaluation of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2003 was made by the Company's Chief Executive Officer (who is also the Company's principal financial officer). Based on that evaluation, he concluded that, except as discussed below, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. During the fiscal quarter ended June 30, 2003, there was no significant change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company currently employs three persons and its accounting functions are performed by a former employee on a part-time, consulting basis. Accordingly, the Company does not have sufficient personnel to maintain accounting systems and controls that typically would be desired and maintained by larger business organizations to ensure that all accounting entries are appropriately recorded and that reports are timely filed. As a result, the Company relies upon the personal integrity and availability of the former employee that is performing accounting services for the Company. The Company's Chief Executive Officer has no reason to doubt the personal integrity of this person. Additionally, the Company was unable to obtain prior to the filing of this report a timely review of the Company's unaudited financial statements for the three- and six-month periods ended June 30, 2003 that are included in this report as required by Item 310(b) of Regulation S-B.

Edgar Filing: INDEX DEVELOPMENT PARTNERS INC - Form 10QSB

ITEM 1. Legal Proceedings

The Company from time to time is involved in ordinary and routine litigation incidental to its business; the Company currently believes that there is no such pending legal proceeding that would have a material adverse effect on the consolidated financial statements of the Company.

ITEM 2. Changes in Securities

Sales of Unregistered Securities None

ITEM 3. Defaults Upon Senior Securities

A cash dividend of \$236,400 payable on the Company's outstanding Series A Preferred Stock is included in the consolidated balance sheet as of June 30, 2003. The Company contacted the holder prior to the payment date to explain that the Company would not be making the December 31, 2002 dividend payment (\$157,600) while it sought the financing it required to implement its business plan.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No -----	Description -----	Method of Filing -----
31	Section 302 Certification of the Chief Executive Officer (and principal financial officer)	Filed herewith
32	Section 906 Certification of the Chief Executive Officer (and principal financial officer)	Filed Herewith
99	Certain Risk Factors	Filed herewith

(b) Reports on Form 8-K None

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Issuer caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: November 11, 2003

INDEX DEVELOPMENT PARTNERS, INC. (Issuer)

By: /s/ Jonathan L. Steinberg

Jonathan L. Steinberg, Chief Executive Officer
(and principal financial officer)