COUPON EXPRESS, INC.
Form 10-Q
September 14, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

____

FORM 10-Q

____

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 31, 2012

Or

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: **0-20317**

____

COUPON EXPRESS, INC.

(Exact name of registrant as specified in its charter)

____

Nevada	33-0912085
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

303 Fifth Avenue, Suite 206, New York, NY 10016

(Address of Principal Executive Office) (Zip Code)

(914) 371-2441

(*Registrant's telephone number, including area code)*

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

ý Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company ý

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No ý

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ý No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of September 1, 2012, there were 271,802,685 shares of the Registrant's Common Stock, and 110.42 shares of the Registrant's Series A Preferred Stock, $0.001 par value per share, outstanding.

COUPON EXPRESS, INC.

For The Quarterly Period Ended JULY 31, 2012

TABLE OF CONTENTS

PART 1 FINANCIAL INFORMATION

ITEM 1. FINANCIAL STAEMENTS

Coupon Express, Inc.
Balance Sheets

	July 31, 2012 (Unaudited)	October 31, 2011
ASSETS		
Current assets		
Cash	$ 449,270	$ 1,010,203
Accounts Receivable, net	1,352	1,376
Other current assets	12,000	
Total current assets	462,622	1,011,579
Furniture and equipment, net	486,333	252,507
Other assets		
Security deposits	7,650	4,300
Total assets	$ 956,605	$ 1,268,386
LIABILITIES AND STOCKHOLDERS DEFICIENCY		
Current liabilities		
Accounts payable and accrued expenses	$ 337,266	$ 422,454
Accrued Interest	213,844	65,669
Notes payable	2,659,296	1,689,051
Total current liabilities	3,210,406	2,177,174
Stockholders deficiency		
Preferred stock $.001 par value; 5,000,000 shares authorized, Series A Preferred, no shares issued and outstanding		

	July 31, 2012	October 31, 2011
Common stock, $.001 par value; 300,000,000 shares authorized, 263,850,305 and 260,953,819 shares issued and outstanding at July 31, 2012 and October 31, 2011, respectively	263,850	260,953
Additional paid-in capital	19,254,973	18,647,958
Deficit	(21,771,637)	(19,816,712)
Less: Common Stock in Treasury	(987)	(987)
Total stockholders deficiency	(2,253,801)	(908,788)
Total liabilities and stockholders deficiency	$ 956,605	$ 1,268,386

The accompanying notes are an integral part of these financial statements.

2

Coupon Express, Inc.
Statements of Income
(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2012	2011	2012	2011
Revenue	$ 821	$ 1,103	$ 7,229	$ 16,774
Administrative expenses	516,792	255,265	1,270,518	831,522
Loss from operations	(515,971)	(254,162)	(1,263,289)	(814,748)
Interest, net	(320,397)	(142,324)	(691,636)	(640,866)
Net loss	$ (836,368)	$ (396,486)	$ (1,954,925)	$ (1,455,614)
Basic and diluted weighted average shares	261,097,234	212,755,688	261,123,753	186,737,955
Basic and diluted loss per share	$ (0.003)	$ (0.002)	$ (0.007)	$ (0.008)

The accompanying notes are an integral part of these financial statements.

3

Coupon Express, Inc.
Statement of Changes in Stockholders Equity

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total Stockholders Deficit
	Shares	Amount				
Balance, October 31, 2010	120,900,693	120,900	12,103,748	(17,693,212)	(987)	(5,469,551)
Issuance of warrants in connection with financing and reduction of deferred salary			1,045,421			1,045,421
Issuance of replacement shares	888,000	888	(888)			
Conversion of notes payable	110,215,741	110,216	3,880,020			3,990,236
Issuance of shares for consulting and equipment rental services	3,014,928	3,015	79,973			82,988
Issuance of shares for interest	24,798,567	24,799	1,540,819			1,565,618
Issuance of penalty and anti-dilution shares	1,135,890	1,136	(1,136)			
Net loss				(2,123,500)		(2,123,500)
Balance, October 31, 2011	260,953,819	$ 260,953	$ 18,647,958	$ (19,816,712)	$ (987)	$ (908,788)
Issuance of warrants in connection with financing			$ 551,569			551,569
Issuance (cancellation) of shares for interest	(97,289)	(97)	(24,032)			(24,129)
Issuance of shares for director fees and equipment rental services	2,993,775	2,994	79,478			82,472
Net loss				(1,954,925)		(1,954,925)
Balance, July 31, 2012	263,850,305	$ 263,850	$ 19,254,973	$ (21,771,637)	$ (987)	$ (2,253,801)

The accompanying notes are an integral part of these financial statements.

Coupon Express, Inc.
Statements of Cash Flows
(Unaudited)

	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011
Cash flows from operations		
Net income (loss)	$ (1,954,925)	$ (1,455,614)
Adjustment to reconcile net loss to net cash:		
Depreciation	56,123	38,828
Allowance for doubtful accounts	(68,980)	23,020
Net shares issued(cancelled) for interest	(24,129)	
Shares issued for consulting, director fees and equipment rental services	82,472	39,320
Non-cash interest cost	226,579	331,677
Changes in operating assets and liabilities:		
Accounts receivable	69,004	16,827
Other Current Assets	(12,000)	
Other assets	(3,350)	
Accounts payable and accrued expenses	(85,188)	119,373
Accrued interest	148,175	358,939
Net cash provided by (used in) operating activities	(1,566,219)	(527,630)
Cash flows from investing activities		
Purchase of property and equipment	(289,949)	(112,838)
Net cash provided by (used for) investing activities	(289,949)	(112,838)
Cash flows from financing activities		
Proceeds from issuance of debt	1,298,000	820,000
Proceeds from sale of common stock		64,542
Repayment of debt	(2,765)	(284,538)
Net cash provided by (used for) financing activities	1,295,235	600,004
Net increase (decrease) in cash	(560,933)	(40,464)
Cash, beginning of period	1,010,203	96,871
Cash, end of period	$ 449,270	$ 56,407
Supplemental disclosure of cash flow information and noncash investing and financing activities:		
Cash paid during the year for:		
Interest	$ 35,634	$ 10,246
Non-cash financing activities		
Common Stock issued in payment of accrued interest and previously incurred debt	**$**	$ 3,731,795

The accompanying notes are an integral part of these financial statements.

5

COUPON EXPRESS, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2012

1. **Organization and Going Concern**

Organization

Coupon Express, Inc. ("CE" or the "Company") was organized under the laws of Nevada in June, 1991. CE provides innovative interactive customer communications systems and applications that support targeted marketing programs with unique point-of-purchase (POP) services and information that serve shoppers and distributors while building loyalty and revenue for the Company's primary clients. Through our proprietary kiosks, we provide in-store customized couponing, in multiple languages, for immediate impact in regional, independent retailers in the grocery and convenience store industries, enabling retailers to quickly determine ideal price-points for new products and mitigate losses from hard-to-sell items. Working with Midax, Inc., a systems integrator for the independent grocery and convenience store industries and its software applications, marketing services and existing customer base, we provide a seamless transaction for issuing, redeeming and reporting coupons, as well as creating a state-of-the-art loyalty program and shopping list service.

Going Concern

Our financial statements have been prepared on the assumption that we will continue as a going concern, which contemplates the continuation of operations, the realization of assets and the liquidation of liabilities in the ordinary course of business, and do not reflect any adjustments that might result from our ability to being unable to continue as a going concern. At July 31, 2012, we had total assets of $956,605 and liabilities of $3,210,406. Our management is aware that we need to raise additional capital not only to meet our financial obligations, but also to expand our business. These factors cumulatively indicate that there is substantial doubt about our ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

2. **Summary of Significant Accounting Policies**

Accounting Principles

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States.

Cash and Cash Equivalents

We consider all highly liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. The fair value of these investments will approximate their carrying value. In general, investments with original maturities of greater than three months and remaining maturities of less than one year will be classified as short-term investments. Investments with maturities beyond one year may be classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. All cash equivalents and short-term investments are classified as available for current operations. All cash equivalents and short-term investments are classified as available for sale and are recorded at market value using the specific identification method.

Fair Value

The carrying amounts of cash and cash equivalents, trade receivables, accounts payable, notes payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

Financial Statement Presentation

We have reclassified certain prior-year amounts to conform to the current year presentation.

6

COUPON EXPRESS, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2012

Loss per Common Share

The Company complies with the accounting and disclosure requirements of FASB ASC 260, “Earnings Per Share.” Basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Total potentially dilutive shares outstanding at July 31, 2012 and 2011 total 199,484,418 and 81,146,886 respectively.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740 "Income Taxes," which requires accounting for deferred income taxes under the asset and liability method. Deferred income tax asset and liabilities are computed for difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

In accordance with GAAP, the Company is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. state and local jurisdictions. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce net assets. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. It must be applied to all existing tax positions upon initial adoption and the cumulative effect, if any, is to be reported as an adjustment to stockholder's equity as of November 1, 2011.

Based on its analysis, the Company has determined that the adoption of this policy did not have a material impact on the Company's financial statements upon adoption. However, management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

Interest and Penalty Recognition on Unrecognized Tax Benefits

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Comprehensive Income

The Company complies with FASB ASC Topic 220, "Comprehensive Income," which establishes rules for the reporting and display of comprehensive income (loss) and its components. FASB ASC Topic 220 requires the Company' to reflect as a separate component of stockholders' equity items of comprehensive income.

Stock-Based Compensation

The Company complies with FASB ASC Topic 718 "Compensation - Stock Compensation," which establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. FASB ASC Topic 718 focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. FASB ASC Topic 718 requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award the requisite service period (usually the vesting period). No compensation costs are recognized for equity instruments for which employees do not render the requisite service. The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

Valuation of Investments in Securities at Fair Value-Definition and Hierarchy

FASB ASC Topic 820 "Fair Value Measurements and Disclosures" provides a framework for measuring fair value under generally accepted accounting principles in the United States and requires expanded disclosures regarding fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. FASB ASC Topic 820 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations, as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

COUPON EXPRESS, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2012

Valuation of Investments in Securities at Fair Value-Definition and Hierarchy (continued)

Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

Valuation Techniques

The Company values investments in securities that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

Government Bonds

The fair value of sovereign government bonds is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest-rate yield curves, cross-currency-basis index spreads, and country credit spreads similar to the bond in terms of issuer, maturity and seniority.

Certificate of Deposits

The fair values of the bank certificate of deposits are based on the face value of the certificate of deposits.

Product Warranty

We provide for the estimated costs of hardware and software warranties at the time the related revenue is recognized. For hardware warranty, we estimate the costs based on historical and projected project failure rates, historical and projected repair costs, and knowledge of specific product failures (if any). The specific hardware warranty terms and conditions vary depending upon the product supported and country in which we will do business, but generally include technical support, parts, and labor over a period generally ranging from 90 days to three years. For software, we estimate the costs to provide bug fixes, such as security patches, over the estimated life of the software. We will regularly reevaluate its estimates to assess the adequacy of the recorded warranty liabilities and adjust the amounts as necessary. Product warranty costs have not been material to date. We have contracted with Speedwire at a flat rate of $50.00 per kiosk per month but service has not begun as we have not encountered in-field failures.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated life of the asset of 5 years.

Long-Lived Assets

In accordance with FASB ASC Topic 360 "Property, Plant, and Equipment," the Company records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts.

Fair Value of Financial Instruments

The fair values of the Company's assets and liabilities that qualify as financial instruments under FASB ASC Topic 825, "Financial Instruments," approximate their carrying amounts presented in the accompanying balance sheets at January 31, 2012 and October 31, 2011.

Revenue Recognition.

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is probable. In the event we should enter into contracts where it is obligated to deliver multiple products and/or services, total revenue will be generally allocated among the products based upon the sale price of each product when sold separately.

We may also license or lease its products (rather than effect outright sales of the same). Revenues derived from licenses or leases will be treated as subscriptions, with billings recorded as unearned revenue and recognized as revenue ratably over the billing coverage period. Our potential multiple year licensing/lease transactions may include the right to receive future updated improvements to its product line. Some multi-year licensing/lease arrangements may include a perpetual license for current products combined with rights to receive future improved/updated versions of such products. Online advertising revenue derived from the kiosks and signage will be recognized as advertisements as they are displayed. Costs related to our product line are recognized when the related revenue is recognized.

Advertising

The Company expenses all advertising expenditures as incurred. The Company's did not incur any advertising expenses during the three months ended July 31, 2012 and 2011.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements, as well as their related disclosures. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could significantly differ from those estimates.

10

COUPON EXPRESS, INC

NOTES TO FINANCIAL STATEMENTS

July 31, 2012

Recently Adopted Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In April 2010, the FASB issued ASU No. 2010-13, “Compensation - Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades,” which addresses the classification of a share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. Topic 718 is amended to clarify that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity’s equity securities trades shall not be considered to contain a market, performance, or service condition. Therefore, such an award is not to be classified as a liability if it otherwise qualifies as equity classification. The amendments in this update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. ASU No. 2010-13 is effective for interim and annual periods beginning on or after December 15, 2010 and is not expected to have a material impact on the Company's consolidated financial position or results of operations. The Company adopted the pronouncement on January 1, 2011 resulting in no impact to the Company's financial statements.

On June 16, 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income (Topic 220)," which requires companies to report total net income, each component of comprehensive income, and total comprehensive income on the face of the income statement, or as two consecutive statements. The components of comprehensive income will not be changed, nor does the ASU affect how earnings per share is calculated or reported. These amendments will be reported retrospectively upon adoption. The adoption of the ASU will be required for the Company's April 30,, 2012 Form 10-Q filing, and is not expected to have a material impact on the Company.

In December 2010, FASB issued ASC ASU 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (Topic 350) — Intangibles — Goodwill and Other." ASU 2010-28 amends the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2, if qualitative factors indicate that it is more likely than not that goodwill impairment exists. Any impairment to be recorded upon adoption will be recognized as an adjustment to our beginning retained earnings. The Company adopted the pronouncement on January 1, 2011 resulting in no impact to the Company's financial statements.

In January 2010, the FASB issued Accounting Standards Update 2010-06, "Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements" (ASU 2010-06), to require new disclosures related to transfers into and out of Levels 1 and 2 of the fair value hierarchy and additional disclosure requirements related to Level 3 measurements. The guidance also clarifies existing fair value measurement disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The additional disclosure requirements are effective for the first reporting period beginning after December 15, 2009, except for the additional disclosure requirements related to Level 3 measurements, which are effective for fiscal years beginning after December 15, 2010. The adoption of the additional requirements is not expected to have any financial impact on our financial statements.

3. **Fixed Assets**

Equipment consists of the following:

Description	July 31, 2012	October 31, 2011
Kiosks and other equipment	$ 665,562	$ 375,612
Less: accumulated depreciation	179,229	123,105
	$ 486,333	$ 252,507

Depreciation expense for the nine months ended July 31, 2012 and 2011 was $56,123 and 38,829 respectively.

4. **Stockholders' Equity**

Warrants

		Warrants	Exercise Price
Outstanding, October 31, 2010		59,710,021	$ 0.13
	Granted	82,397,054	0.04
	Exercised		
	Expired		
Outstanding October 31, 2011		142,107,075	$ 0.06
	Granted	64,900,000	0.04
	Exercised		
	Expired or cancelled	(7,522,657)	(0.15)
Outstanding July 31, 2012		199,484,418	$ 0.07

5. **Debt**

Bridge Loans

In February and March 2007, we entered into notes ("Bridge Notes") with several unrelated parties totaling approximately $325,000. The Bridge Notes were originally due on November 11, 2009 and incurred an interest rate of 12% per annum.

In August 2007, we entered into exchange agreements with the holders of $300,000 of the Bridge Notes, wherein the notes were to be converted into 3,000,000 shares of our common stock. We originally expected these notes to be converted into common stock shares during the first or second quarter of the fiscal year ending October 31, 2011. One of the note holders converted his $25,000 note into 208,333 shares of common stock in December 2008.

In May and June of 2008, we entered into a new series of Bridge Notes with several unrelated parties totaling $470,000. The Bridge Notes were originally due six months from the date of issuance and incur interest at the rate of 10% per annum. On July 2, 2010, the Bridge Note was amended to extend the due date to December 1, 2010. The notes are convertible by the holder at any time at a conversion price equal to the per share price of a new issuance. In connection with the Bridge Notes, we also issued warrants to purchase 470,000 shares of our common stock at an exercise price $.15 and warrants to purchase 470,000 shares of our common stock at an exercise price of $.25, reduced to $.05 and $.15, respectively, by the July 2, 2010 Amendment to the Bridge Notes. The warrants may be exercisable at any time for a period of 5 years.

COUPON EXPRESS, INC
NOTES TO FINANCIAL STATEMENTS
July 31, 2012

5. Debt (continued)

In connection with the issuance of the warrants, we reflected a value for the warrants totaling $47,112; no value adjustment was reflected for the price reduction, as the value change was not material. The fair value of the warrant grant was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions: expected volatility of 15%, risk free interest rate of 4.86%; and expected lives of 5 years. On December 1, 2010, we amended these notes to change the warrant exercise price to $.05. During the fiscal year ended October 31, 2010, we issued 3,047,800 common stock shares in connection with the Bridge Note amendments. During the year ended October 31, 2011, the company issued 43,097,752 shares of common stock in payment of accrued interest and principal. In November 2011 $50,000 was repaid to one of the outstanding note holders.

Round D Loans

Commencing May through October 2007, we entered into notes ("Round D Notes") with several unrelated parties totaling approximately $2,916,000. The Round D Notes incur interest at rates ranging from 12% to 14% per annum, payable semi-annually and are due 3 years from the date of issuance. These notes were not paid by October 31, 2010. In connection with the Round D Notes, we also issued warrants to purchase 9,445,744 shares of our common stock at an exercise price of $.15. The warrants may be exercisable at any time for a period of 5 years. In connection with the issuance of the warrants, we have reflected a value for the warrants totaling $549,011. The fair value of the warrant grant was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions: expected volatility of 15%, risk free interest rate of 3.57%; and expected lives of 5 years. For the years ending October 31, 2011 and 2010 the company issued 48,372,496 and 13,606,592 shares of common stock respectively in payment of accrued interest and principal. In addition, note holders of $646,000 of the remaining $711,000 outstanding convertible notes, have agreed to extend the due dates of their notes until October 2012 and also to subordinate their notes to the new Senior Convertible Notes. In November 2011 $50,000 was repaid to one of the outstanding note holders.

Round E Loans

In April, July and August 2009, we entered into a series of convertible notes aggregating $170,000. The notes are due one year from the date of issuance and incur interest at the rate of 10% per annum. In connection with the notes, we issued five year warrants to purchase 1,602,857 shares of our common stock at an exercise price of $.05 per share. The warrants may be exercisable at any time for a period of 5 years. No expense was recorded for these warrants as the additional cost was not material. The notes were not paid by the due date; however, the note holders waived the default. In October 2011 the company issued 4,230,240 shares in payment of all outstanding accrued interest and principal owed the note holders for this round.

In March 2009, we obtained interest free advances from two of its officers totaling $40,000. In November 2011 one of these loans totaling $20,000 was repaid.

Round F Loans

In November 2009, January 2010 and March 2010, we entered into a series of convertible notes aggregating $419,000. The notes were originally due one year from the date of issuance at an interest rate of 10% per annum. In connection with the notes, we issued five year warrants to purchase 11,971,429 shares of our common stock at an exercise price of $.05 per share. The warrants may be exercisable at any time over period of 5 years. In connection with the issuance of the warrants and conversion features, the Company has reflected a value totaling $236,417. The fair value of the warrant grant was estimated on the date of the grant using the Black Scholes option-pricing model with the following weighted average assumptions: expected volatility of 15%, risk free interest rate of 2.068 to 2.60% and expected lives of 5 years. In October 2011 the company issued 12,641,938 shares in payment of all accrued interest and principal owed for this Round.

---

5. Debt (continued)

Round G Loans

In May through October 2010, we entered into a series of convertible notes aggregating $485,000. The notes were originally due one year from the date of issuance at an interest rate of 10% per annum. The interest is payable in cash or common shares at our discretion. The notes are convertible into common shares at a conversion price of $.035 per share. In connection with the notes, we issued five year warrants to purchase 13,857,143 shares of our common stock at an exercise price of $.05/share. Through October 31, 2010, we issued 2,900,157 shares of common stock in payment of accrued interest and principal. In connection with the issuance of the warrants and conversion features, we have reflected a value totaling $118,067. The fair value of the warrant grant was estimated on the date of grant using the Black-Sholes option-pricing model with the following weighted average assumptions: expected volatility of 15%, risk free interest rates between 1.23% and 2.03%, and expected lives of five years. In October 2011 the company issued 23,568,072 shares in payment of accrued interest and principal due all but one note holder. In December 2011 $100,000 was repaid to the remaining outstanding note holder.

Round H loan

In March 2011 the Company issued a convertible note aggregating $100,000. The note is due one year from the date of issuance and incurs interest at the rate of 10% per annum. The notes are convertible into common shares at a conversion price of $.035 per share. In connection with the notes, the Company issued five year warrants to purchase 2,857,143 shares of the Company's common stock at an exercise price of $.05 per share. In October 2011 the company issued 2,903,810 shares in payment of all accrued interest and principal owed for Round H.

For all of the debt financing describe above, the Company has the option to either pay the interest due in cash or in shares of our common stock.

Cumulative Convertible Senior Notes 2011

In October 2011, we completed a private placement of $1,462,500 aggregate principal amount of Cumulative Convertible Senior Notes (“Senior Notes”) and Warrants to certain investors, that included the Company’s existing Series A Preferred Stockholders. The Senior Notes, which mature on October 24, 2012 (subject to a one-year extension under certain circumstances), are convertible into shares of the Company’s Series A Preferred Stock (“Preferred Stock”) at a rate of one share of Preferred Stock for each $25,000 of Senior Notes. Upon the conversion of the Company’s remaining convertible debt, or upon the consent of a majority in principal amount of the Senior Notes, the Senior Notes will be converted into shares of Preferred Stock. The Senior Notes are secured obligations of Coupon Express and will bear interest at a rate of 7% per year.

The shares of Preferred Stock bear a cumulative dividend of 7% per annum. Upon liquidation, and upon an acquisition of the Company, the holders of Preferred Stock are entitled to a liquidation preference equal to the greater of (i) the amount invested plus all accrued and unpaid dividends, or the amount the holders of Preferred Stock would receive had they converted the Preferred Stock to Common Stock immediately prior to such event. Each share of Preferred Stock is convertible into 1,250,000 shares of the Company’s Common Stock, subject to certain adjustments. The

Certificate of Designation of the Preferred Stock provides that without the consent of a majority of the outstanding principal net of Notes (or Series A Preferred Stock, if converted), the Company may not:

1. amend the Articles of Incorporation, by-laws, Certificate of Designation or any other certificate of designation or file any new certificate of designation;
2. issue any Common Stock, Preferred Stock, Common Stock Equivalents or other securities or amend the terms thereof;
3. redeem any outstanding Common Stock, Preferred Stock, Common Stock Equivalents or other securities;
4. incur or repay indebtedness for borrowed money;
5. acquisitions or dispositions of material assets;

---

5. Debt (continued)

6. enter into any acquisition, merger, consolidation, reorganization or similar transaction;
7. create subsidiaries or other affiliates;
8. dissolve, liquidate or wind up or file any petition under insolvency or bankruptcy laws;
9. enter into any contract or arrangement with any present or former director, executive officer, shareholder, partner, member, employee or affiliate of the Company or any of its subsidiaries, or any of such Person's affiliates or immediate family members;
10. change senior management of the Company;
11. declare or pay dividends or declare or make other distributions other than the Base Dividends; or
12. adopt or materially deviate from the business plan or budget adopted by the Board of Directors and (i) the holders of a majority of the Preferred Stock, voting as a separate class, or (ii) if a majority of the outstanding aggregate principal amount of Senior Notes shall not have been converted into Preferred Stock at such time, the holders of a majority of the then outstanding aggregate principal balance of the Senior Notes.

The Warrants are exercisable until October 24, 2016 at a price of $.04 per share (subject to certain adjustments) and entitle the holder to purchase 1,250,000 shares of the Company’s Common Stock for each $25,000 of principal amount of Senior Notes. The investors have entered into an Investors’ Rights Agreement which among other things, provides for Board representation, registration rights, and certain provisions regarding future sales of securities by the Company.

Cumulative Convertible Senior Notes 2012

On May 31, 2012, the Company completed a Cumulative Convertible Senior Note and Warrant Purchase Agreement (the “2012 Purchase Agreement”) of $1,298,000 aggregate principal amount of Cumulative Convertible Senior Notes (the “2012 Senior Notes”) and Warrants (the “2012 Warrants”). The 2012 Senior Notes and 2012 Warrants were issued on May 31, 2012.

The 2012 Senior Notes and 2012 Warrants are substantially similar to the $1,462,500 of the Company’s senior notes (the “2011 Senior Notes,” and together with the 2012 Senior Notes, the “Senior Notes”) and warrants issued in October 2011 (the “2011 Warrants”)

The 2012 Senior Notes include customary events of default, including, among other things, payment defaults, covenant breaches, certain representations and warranties, defaults to certain indebtedness, certain events of bankruptcy, liquidation and material judgments. If such an event of default occurs, the holders of the Senior Notes, may be entitled to take various actions, which may include the acceleration of amounts due under the 2012 Senior Notes.

The 2012 Senior Notes, which mature on May 31, 2013 (subject to a one-year extension at the option of the holders of a majority in principal amount of the Senior Notes), are convertible into shares of the Company’s Series A Preferred Stock (“Preferred Stock”) at a rate of one share of Preferred Stock for each $25,000 of 2012 Senior Notes. Upon the conversion of certain subordinated debt of the Company to Common Stock, or upon the consent of a majority in principal amount of the Senior Notes, the Senior Notes will be converted into shares of Preferred Stock. The 2012 Senior Notes are secured obligations of Coupon Express and will bear interest at a rate of 7% per year.

In prior rounds of financing, the Company issued certain warrants, rights convertible into or exercisable or exchangeable for common stock (collectively the "Derivative Securities"). The Derivative Securities contain certain anti-dilution provisions, which provide for adjustment of the conversion price, exercise price or number of shares issuable, upon the occurrence of certain events. The 2012 Purchase Agreement required the Company, by September 30, 2012, to obtain from the holders of the Derivative Securities, a waiver, except in the case of any capital reorganization, split, combination or subdivision or reclassification, of any anti-dilution adjustments, it may have with respect to the Derivative Securities. In the event the Company is unable to obtain waivers from all of the holders of the Derivative Securities, the investors under the terms of the Purchase Agreement will be entitled to an adjustment of the conversion price, exercise price and the number of shares of common stock issuable to them under the Purchase Agreement.

NOTES TO FINANCIAL STATEMENTS

July 31, 2012

5. Debt (continued)

The shares of Preferred Stock bear a cumulative dividend of 7% per annum. Upon liquidation, and upon an acquisition of the Company, the holders of Preferred Stock are entitled to a liquidation preference equal to the greater of (i) the amount invested plus all accrued and unpaid dividends, and (ii) the amount the holders of Preferred Stock, would receive had they converted the Preferred Stock to Common Stock immediately prior to such event. Each share of Preferred Stock is convertible into 1,250,000 shares of the Company's Common Stock, subject to certain adjustments. The holders of a majority of the Series A Preferred Stock, voting as a separate class, or (ii) if a majority of the outstanding aggregate principal amount of Senior Notes shall not have been converted into Preferred Stock at such time, the holders of a majority of the then outstanding aggregate principal balance of the Senior Notes, is entitled to elect one director to the Board of Directors. Further, such holders also have the right, under the Investor Rights Agreement, to consent to a second independent board member, and the Company has agreed that the board otherwise shall be comprised of five members.

The 2012 Warrants are exercisable until May 31, 2017 at a price of $.04 per share (subject to certain adjustments) and entitle the holder to purchase 1,250,000 shares of the Company's Common Stock for each $25,000 of principal amount of 2012 Senior Notes. The investors have also entered into an Investors' Right Agreement which among other things, provides for Board representation, registration rights, and certain provisions regarding future sales of securities by the Company (the "2012 Investors' Rights Agreement").

In connection with the foregoing, NextLevel VIII, LLC as the Lead Purchaser of the $1,462,500 of the Company's senior notes issued in October 2011 consented to certain amendments to the (i) the Cumulative Convertible Senior Note and Warrant Purchase Agreement dated as of October 24, 2011 (the "2011 Purchase Agreement"); (ii) the 2011 Senior Note; (iii) the 2011 Warrant; (iv) the Investors' Rights Agreement dated as of October 24, 2011 (the "2011 Investors' Rights Agreement") and (v) the Security Agreement.

6. **Commitments**

Operating Leases

Equipment

In June 2011 the Company entered into a Master Leasing Agreement with Yellow Box Leasing LLC. The terms of the agreement provide up to $1.25 million in equipment lease financing for Coupon Express Kiosks. The lease provides for the creation of sub-leases for each 25 Kiosks ordered. As of July 2012, the Company has received 50 Kiosks under this arrangement with a value of $ 250,000. Terms of this sub-lease provide for payments of $140/month for each Kiosk over 3 years.

Legal

The Company is involved in a dispute over a services contract. S.O.S. Resources ("SOS") and its president claim that SOS fully performed under an agreement with the Company and is entitled to receive 3,110,000 shares of our registered common stock, and later asserted that they would seek a sum of $1,191,600 from the Company. The Company believes that SOS and its president did not perform under the contract, and intends to vigorously defend itself against such claim as well as file a claim for fraud against SOS and its president. The Company believes that the suit filed by SOS and its president is without merit; however, we will have to pay costs associated with arbitrating this claim.

The Company has settled an action commenced by the law firm Cozen O'Connor seeking payment of approximately $195,000 in legal fees for services allegedly rendered by the firm in 2007. The Company has agreed to remit the sum of $3,000 per month for thirty (30) months, commencing on August 1, 2012 with a final payment of $114,670.66 due on January 1, 2015.

COUPON EXPRESS, INC

NOTES TO FINANCIAL STATEMENTS

July 31, 2012

6. Commitments (continued)

An action has been commenced against the Company seeking legal fees in the sum of approximately $47,700 allegedly incurred in connection with a Settlement Agreement dated April 13, 2009. The Company has made all payments due under the Settlement Agreement and believes that the suit is without merit and intends to vigorously defend the action

7. Income Taxes

We have not filed federal or state tax returns for the years ended October 31, 2004 - 2011. We did not believe that we owed material federal or state taxes for these fiscal years as a result of our operating losses. At July 31, 2012, we had approximately $25 million of net operating losses ("NOL") carryforwards for federal and state income purposes. These losses are available for future years and expire through 2031. Utilization of these losses may be severely or completely limited if we undergo an ownership change pursuant to Internal Revenue Code Section 382.

The deferred tax asset is summarized as follows: Generally accepted accounting principles requires that the tax benefit of net operating losses, temporary differences and credit carryforwards be recorded as an asset to the extent that management assesses that realization is “more likely than not.” Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryforward period. Because of our history of operating losses, management has provided a valuation allowance equal to its net deferred tax assets.

8. Subsequent Event

On August 7, 2012 the company announced the conversion of $646,000 of the Company's 14% Convertible Subordinated Notes due June 23, 2011 into 7,177,777 shares of the Company's Common Stock, pursuant to agreements with the respective noteholders. As a result of this conversion, all of the Company's outstanding Cumulative Convertible Senior Notes, in the aggregate principal amount of $2,760,500, have converted automatically into shares of the Company's Series A Preferred Stock. The Senior Notes converted at a rate of one share of Series A Preferred Stock for each $25,000 of Senior Notes. The shares of Preferred Stock bear a cumulative dividend of 7% per annum. Upon liquidation, and upon an acquisition of the Company, the holders of Preferred Stock are entitled to a liquidation preference equal to the greater of (i) the amount invested plus all accrued and unpaid dividends, and (ii) the amount the holders of Preferred Stock would receive had they converted the Preferred Stock to Common Stock immediately prior to such event. Each share of Preferred Stock is convertible into 1,250,000 shares of the Company's Common Stock, subject to certain adjustments.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The discussion of the financial condition and result of operations of the Company set forth below should be read in conjunction with the consolidated financial statements and related notes thereto included elsewhere in this Form 10-Q. This Form 10-Q contains forward-looking statements that involve risks and uncertainties. The statements contained in this Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27a of the Securities Act and Section 21e of the Exchange Act. When used in this Form 10-Q, or in the documents incorporated by reference into this Form 10-Q, the words “anticipate,” “believe,” “estimate,” “intend” and “expe and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, without limitation, the statements regarding the Company’s strategy, future sales, future expenses, future liquidity and capital resources. All forward-looking statements in this From 10-Q including those relating to the Company’s (i) ability to obtain licenses to any necessary third-party intellectual property; (ii) ability to retain and hire necessary employees and appropriately staff our development programs; (iii) cash requirements; and (iv) financial performance are based upon information available to the Company on the date of this Form 10-Q, and the Company *assumes no obligation to update any such forward-looking statements. The Company's actual results could differ materially from those discussed in this Form 10-Q. Factors that could cause or contribute to such differences ("Cautionary Statements") include, but are not limited to, those discussed in Item 1. Business – "Risk Factors" and elsewhere in the Company's Annual Report on Form 10-K, which are incorporated by reference herein and in this report. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on the Company's behalf, are expressly qualified in their entirety by the Cautionary Statements.*

Introduction

Management's Discussion and Analysis ("MD&A") is intended to facilitate an understanding of our business and results of operations. This MD&A should be read in conjunction with our financial statements and the accompanying notes to the financial statements included elsewhere in this report. MD&A consists of the following sections:

Overview

We are a business services corporation headquartered in New York, New York. We aim to provide innovative interactive customer communications systems and applications that support targeted marketing programs with unique point-of-purchase (POP) services and information that serve shoppers and distributors while building loyalty and revenue for the our primary clients. Through our proprietary Coupon Express kiosks and services, we provide in-store customized couponing, in multiple languages, for immediate impact in regional, independent retailers in the grocery and convenience store industries by enabling retailers to quickly determine ideal price-points for new products and mitigate losses from hard-to-sell items. Our kiosks provide consumers with information and functionality needed to redeem coupons for obtaining immediate discounts in store. Digital signage screens attached to the kiosks provide advertising opportunities for both national and local advertisers. Through a joint marketing agreement with Midax, Inc., a systems integrator for the independent grocery and convenience store industries, we provide a seamless transaction for issuing, redeeming and reporting coupons, as well as creating a state-of-the-art loyalty program and shopping list service.

The kiosks are primarily placed in supermarkets. The kiosks display promoted products on the digital screen as well as providing the ability to redeem coupons in order to purchase the products at a discounted rate. The system tracks the number of dispensed coupons and calculates the rebates that the store is due. The upper screen can be used as a tool to advertise store promotions and it has an interface allowing the local store to display and show special promotions. It receives its information from central servers that distributes the data to specific locations as required. The loyalty enrollment program and dispensing of loyalty cards is designed to automate the manual function provided by the store employees and allow the system to gather information on specific purchase trends.

Results of Operations

For the three months and nine months ended July 31, 2012 and 2011, the Company reported revenues of $821 and 7,229 and $1,103 and $16,774 respectively, a decrease of $282 (26%) and $9,545 (57%) respectively.

The Company's net loss from operations for the three and nine months ended July 31, 2012 and 2011 was $515,971 and 1,263,289 and $254,162 and 814,748 respectively, an increase of $261,809 (103 %) and $448,541 (55%).

The increase in net loss for the three and nine month period ended July 31, 2012 and 2011 is primarily attributable to an increase in expenses for kiosk deployment and professional fees for the 2012 capital raise of approximately $260,000 (102%) and $439,000 (53%) respectively, and an increase in interest expense of approximately $178,073 (125%) and $50,770 (8%) respectively.

Our revenues for the three and months and nine months ended July 31, 2012 and 2011 were derived exclusively from advertising revenue. Our losses from operations for the three and nine months ended July 31, 2012 and 2011were attributable to our inability to achieve significant revenues while incurring material working capital costs, including costs of development and deploying our kiosks.

In June 2011 the company signed an agreement with a supermarket distributor to assist us with both kiosks deployments and placement of digital ads. The agreement originally provided for CE to receive revenue from the digital ads run on any CE kiosks installed at the distributor's supermarkets. In the ensuing months since June 2011, the distributor decided they could not charge for the digital ads until 60 kiosks are installed. As of September 1, 2012 the company has successfully installed more than 100 kiosks and expects to begin receiving an increasing number of paid ads in the fourth quarter 2012.

Liquidity and Capital Resources

Cash Flows

Cash used in operations for the nine months ended July 31, 2012 and 2011 was approximately $1,566,000 and

$528,000, respectively, an increase of approximately $1,038,000 (197%). This increase in use of funds for operations is primarily attributable to decreases in accounts payable and accrued expenses, increases in other current assets and in shares issued for consulting and director fees and interest.

Cash flows used in investing activities for the nine months ended July 31, 2012 and 2011 were approximately $290,000 and $113,000, respectively, an increase of $177,000; this increase is primarily attributable to the Kiosks purchased during the nine months ended July 31, 2012.

Cash flows provided by or (used in) financing activities for the nine months ended July 31, 2012 and 2011 were approximately $1,295,000, and $600,000, respectively, an increase in cash flows provided by of approximately $695,000 (116%). This increase is primarily attributable to an increase of approximately $478,000 in proceeds from issuance of debt and a decrease in repayment of debt of approximately $282,000 which includes satisfaction of a note to David Lott of and a decrease of approximately $ 65,000 in proceed from sale of common stock.

Cash and cash equivalents

We had cash and cash equivalents of $449,270 as of July 31, 2012.

The Company currently is consuming cash reserves at the rate of approximately $100,000 per month assuming little or no revenue. In the ensuing months, should the company be unsuccessful in significantly increasing sources of revenue it will be forced to find additional capital to support operations and fund its growth.

Due to the substantial doubt of our ability to meet our working capital needs, history of losses and current shareholders' deficit, in their report on the annual financial statements for the year ended October 31, 2011 our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

Critical Accounting Policies and Procedures and Recent Accounting Pronouncements

The Company’s critical accounting policies and procedures and recent accounting pronouncements are set forth in the Notes to our Consolidated Financial Statements set forth in Item 8 hereof.

Off-Balance Sheet Arrangements

None

Item 3.

Quantitative and Qualitative Disclosures about Market Risk

The Company does not invest in market risk sensitive instruments. At times, the Company's cash equivalents consist of overnight deposits with banks and money market accounts. The Company's objective in connection with its investment strategy is to maintain the security of its cash reserves without taking market risk with principal.

Item 4.

Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in the reports filed under the Securities Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the SEC’s rules and forms. Disclosure controls are also designed with the objective of ensuring that this information is accumulated and communicated to the Company’s management, including the Company’s chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes in the Company's internal control over financial reporting have come to management's attention during the Company's last fiscal quarter that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1.

Legal Proceedings

The Company is involved in a dispute over a services contract. S.O.S. Resources ("SOS") and its president claim that SOS fully performed under an agreement with the Company and is entitled to receive 3,110,000 shares of our registered common stock, and later asserted that they would seek a sum of $1,191,600 from the Company. The Company believes that SOS and its president did not perform under the contract, and intends to vigorously defend itself against such claim as well as file a claim for fraud against SOS and its president. The Company believes that the suit filed by SOS and its president is without merit; however, we will have to pay costs associated with arbitrating this claim.

The Company has settled an action commenced by the law firm Cozen O'Connor seeking payment of approximately $195,000 in legal fees for services allegedly rendered by the firm in 2007. The Company has agreed to remit the sum of $3,000 per month for thirty (30) months, commencing on August 1, 2012 with a final payment of $114,670.66 due on January 1, 2015.

An action has been commenced against the Company seeking legal fees in the sum of approximately $47,700 allegedly incurred in connection with a Settlement Agreement dated April 13, 2009. The Company has made all payments due under the Settlement Agreement and believes that the suit is without merit and intends to vigorously defend the action.

From time to time the Company may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of business.

Item 1A.

Risk Factors

There have been no material changes to our Risk Factors disclosed in Item 1A of our Annual Report on Form 10-K for the year ended October 31, 2011.

Item 2

Unregistered Sales of Equity Securities and Use of Proceeds

On August 7, 2012, the Company converted its Subordinated Notes into 7,177,777 shares of the Company's Common Stock, pursuant to agreements with the respective note holders. The conversions were exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 3(a)(9) thereof as the conversions were exchanges with our existing security holders where no commission or other remuneration was paid. As a result of the conversion of the Subordinated Notes, all of the Company's outstanding Senior Notes, in the aggregate principal amount of $2,760,500, have converted automatically into shares of the Company's Preferred Stock. The Senior Notes converted at a rate of one share of Preferred Stock for each $25,000 of Senior Notes. Following the conversion of the Senior Notes, the Company has 110.42 shares of Preferred Stock issued and outstanding. The conversions were exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 3(a)(9) thereof as the conversions were exchanges with our existing security holders where no commission or other remuneration was paid.

Item 3.

Defaults Upon Senior Securities

NONE

PART II

OTHER INFORMATION

Item 4.

Mine Safety Disclosures

Not applicable

Item 5.

Other Information

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subjected to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this quarterly report.

Item 6.

Exhibits

EXHIBIT NUMBER	DESCRIPTION
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to

	Sarbanes-Oxley Section 302
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Sarbanes-Oxley Section 906
101.INS XBRL	Instance Document
101.SCH XBRL	Taxonomy Extension Scheme
101.CAL XBAL	Taxonomy Extension Calculation Linkbase
101.DEF XBRL	Taxonomy Extension Definition Linkbase
101.LAB XBRL	Taxonomy Extension Label Linkbase
101.PRE XBRL	Taxonomy Presentation Linkbase

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Coupon Express, Inc.

By:	/s/ Eric Kash
Name:	Eric Kash
Title:	Chief Executive Officer, Chief Financial Officer (Principal Executive and Financial Officer)
Date:	September 13, 2012