FORM 10-QSB

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

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

For the Quarterly Period Ended March 31, 2005

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

For the Transition Period from ________ to ________

Commission File #0-11078

THE AMERICAN EDUCATION CORPORATION
(Exact name of small business issuer as specified in its charter)

Nevada	**73-1621446**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

7506 North Broadway Extension, Suite 505, Oklahoma City, OK 73116
(Address of principal executive offices)

(405) 840-6031
(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.025 per share

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

YES X NO__

Number of shares of the issuer's common stock outstanding as of May 10, 2005: **14,133,461**

Transitional Small Business Disclosure Format **YES __ NO X**

THE AMERICAN EDUCATION CORPORATION

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PART I – FINANCIAL INFORMATION

ITEM 1 – CONSOLIDATED BALANCE SHEETS

THE AMERICAN EDUCATION CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31 2005 (unaudited)	December 31 2004 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 664,930	$ 549,343
Accounts receivable, net of allowance for returns and uncollectible accounts of $200,000 and $200,000	2,465,901	2,146,264
Inventory	16,824	14,485
Prepaid expenses and deposits	348,358	305,897
Deferred tax asset	86,542	86,542
Total current assets	3,582,555	3,102,531
Property and equipment, at cost	1,314,229	1,308,735
Less accumulated depreciation and amortization	(1,186,025)	(1,164,389)
Net property and equipment	128,204	144,346
Other assets:		
Capitalized software costs, net of accumulated amortization of $8,025,485 and $7,652,777	3,791,914	3,815,680
Goodwill, net of impairment	1,215,015	1,215,015
Total other assets	5,006,929	5,030,695
Total assets	**$ 8,717,688**	$ **8,277,572**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable trade	$ 168,675	$ 285,261
Accrued liabilities	806,823	693,122
Deferred revenue	605,795	654,337
Notes payable and current portion of long-term debt	683,761	371,862
Total current liabilities	2,265,054	2,004,582
Other long-term accrued liabilities	540,975	470,475
Deferred income tax liability – Long-term	147,579	103,921
Long-term debt	305,880	305,880
Total liabilities	3,259,488	2,884,858
Commitments and contingencies	-	-
Stockholders' Equity:		
Preferred Stock, $.001 par value; Authorized - 50,000,000 shares-issued and outstanding-none	-	-
Common Stock, $.025 par value Authorized 30,000,000 shares Issued and outstanding - 14,133,461 shares	359,186	359,186
Additional paid in capital	6,698,817	6,698,817
Treasury stock, at cost, 234,000 shares	(319,125)	(319,125)
Retained deficit	(1,346,164)	(1,346,164)
Year-to-date earnings	65,486	-
Total stockholders' equity	5,458,200	5,392,714
Total liabilities and stockholders' equity	$ **8,717,688**	$ **8,277,572**

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

THE AMERICAN EDUCATION CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2005 AND 2004
(unaudited)

	2005	2004
Sales	$ 2,339,607	$ 2,530,266
Cost of goods sold	341,849	340,866
Gross profit	1,997,758	2,189,400
Operating expenses:		
Selling and marketing	733,520	1,136,174
Operations	158,471	108,958
General and administrative	525,481	428,284
Amortization of capitalized software costs	372,708	332,071
Total operating expenses	1,790,180	2,005,487
Operating income from continuing operations	207,578	183,913
Other income (expense):		
Interest expense	(10,530)	(15,281)
Income from continuing operations before income taxes	197,048	168,632
Deferred income tax expense	78,819	66,877
Income from continuing operations	118,229	101,755
Loss from discontinued operations (net of tax benefits 2005 - $35,162; 2004 - $0) (Note 14)	(52,743)	(80,750)
Net Income	$ 65,486	$ 21,005
Earnings per share:		
Basic:		
Continuing operations	$ .008	$ .007
Discontinued operations	$ (.004)	$ (.006)
Net income	$ .004	$ .001
Diluted:		
Continuing operations	$ .007	$ .006
Discontinued operations	$ (.003)	$ (.005)
Net income	$ .004	$ .001
Weighted average common shares outstanding:		
Basic	14,133,461	14,133,461
Diluted	16,665,726	15,427,021

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

THE AMERICAN EDUCATION CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2005 AND 2004
(unaudited)

	2005	2004
Cash flows from operating activities:		
Net income	$ 65,486	$ 21,005
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	394,344	400,896
Reserve for bad debts	--	--
Deferred compensation	70,500	46,500
Other	--	28,689
Changes in assets and liabilities:		
Accounts receivable	(319,637)	(203,620)
Inventories	(2,339)	854
Prepaid expenses and other	(42,461)	37,153
Accounts payable and accrued liabilities	(2,885)	(46,402)
Deferred revenue	(48,542)	(103,505)
Deferred income taxes	43,658	42,250
Net cash provided by operating activities	158,124	223,820
Cash flow from investing activities:		
Software development costs capitalized	(348,942)	(340,667)
Purchase of property and equipment	(5,494)	(1,066)
Net cash used in investing activities	(354,436)	(341,733)
Cash flows from financing activities:		
Proceeds from issuance of debt	400,000	--
Principal payments on notes payable	(88,101)	(54,597)
Net cash provided by (used in) financing activities	311,899	(54,597)
Net increase (decrease) in cash	115,587	(172,510)
Cash at beginning of the period	549,343	216,676
Cash at end of the period	$ 664,930	$ 44,166

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

THE AMERICAN EDUCATION CORPORATION
Part I
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED MARCH 31, 2005 AND 2004

NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Description of Business:

The American Education Corporation's ("the Company") business is the development and marketing of educational software to elementary, middle and secondary schools, adult literacy centers and vocational, junior and community colleges. In addition, the Company has two subsidiaries, Dolphin, Inc. ("Dolphin"), Voorhees, NJ and Learning Pathways, Ltd. ("LPL"), Derby, UK. Dolphin is a developer of educational software for many of the nation's leading textbook and electronic publishers. LPL modifies the Company's U.S. curriculum offering to conform to the UK's educational system and markets these products directly to the UK and other international markets. LPL is classified as an asset held for sale and as such its results are shown as discontinued operations.

2. Basis of Presentation:

The summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The Company's consolidated financial statements include the Company and its wholly owned subsidiaries. All material intercompany transactions have been eliminated.

The interim consolidated financial statements at March 31, 2005, and for the three-month periods ended March 31, 2005 and 2004 are unaudited, but include all adjustments that the Company considers necessary for a fair presentation. The December 31, 2004 balance sheet was derived from the Company's audited financial statements.

The accompanying unaudited financial statements are for the interim periods and do not include all disclosures normally provided in annual financial statements. They should be read in conjunction with the Company's audited financial statements included in the Company's Form 10-KSB for the year ended December 31, 2004. The accompanying unaudited interim financial statements for the three-month period ending March 31, 2005 are not necessarily indicative of the results that can be expected for the entire year.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Revenue Recognition:

The Company recognizes revenue in accordance with the American Institute of Certified Public Accountant's Statement of Position 97-2, 98-9 and modifications thereto on software revenue recognition. The Company has also adopted revenue recognition policies regarding sales with multiple deliverables which comply with Emerging Issues Task Force Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables," which became effective July 1, 2003. Revenue for software design services at Dolphin is recognized on the percentage-of-completion method.

4. **Capitalized Software Costs**:

Capitalized software costs consist of licenses for the rights to produce and market computer software, salaries and other direct costs incurred in the production of computer software. Costs incurred in conjunction with product development are charged to research and development expense until technological feasibility is established. Thereafter, all software development costs are capitalized and amortized on a straight-line basis over the product's estimated economic life of between three and five years.

5. **Goodwill**:

Goodwill represents the excess of the cost of purchased companies over the fair value of their net assets at the date of acquisition and relates to the acquisition of Dolphin in 1999. Goodwill is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that the carrying amount is greater than its fair value.

6. **Inventories**:

Inventories are stated at the lower of cost (first-in, first-out), or market, and consist of packaging and educational software materials.

7. **Property and Equipment**:

Property and equipment is stated at cost. Depreciation is provided on the straight-line basis over the estimated useful life of the assets, usually three to five years.

8. **Debt:**

The Company had the following indebtedness under notes and loan agreements:

	Current	Long-term	Total
Line of credit with bank, matures November 30, 2005; payments of $24,000 per month plus interest at the bank's prime rate plus 2% (7.00% at March 31, 2005)	$183,761	$ --	$183,761
Line of credit with bank, matures March 31, 2006; maximum line – $450,000, interest at the bank's prime rate plus 2.5% (7.50% at March 31, 2005)	100,000	--	100,000
Subordinated debt due to unrelated individual, originated March 30, 2005, matures March 30, 2006 and may be renewed for one year at the option of the holder; interest at 8% payable at maturity; convertible into the Company's common stock at $.463 per share	400,000	--	400,000
Subordinated debt due to shareholder affiliates, originated April 1, 2003, matures September 30, 2006; interest at 8% payable quarterly, principal due at maturity, convertible into the Company's common stock at $.40 per share	--	305,880	305,880
	$683,761	$305,880	$989,641

9. **Stock Options**

The Company has historically measured compensation from issuing employee stock options under the accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees" which is an intrinsic value method. Subsequent accounting pronouncements SFAS No. 123 and SFAS No. 148, "Accounting for Stock Based Compensation," establish financial accounting and reporting standards for stock-based employee compensation plans. SFAS No. 123 defines a fair value based method of accounting for an employee stock option. SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. The Company plans to continue to use the intrinsic value method for stock-based compensation. Accordingly, the compensation cost for stock options has been measured as the excess, if any, of the quoted market price of Company stock at the date of the grant over the amount the employee must pay to acquire the stock. The compensation cost is recognized over the vesting period of the options. Hence, no compensation is incurred unless the market value is greater than the option exercise price.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The Company is continuing to utilize the intrinsic value-based method for accounting for employee stock options or similar equity instruments; therefore, the Company has not recorded any compensation cost in the statements of operations for stock-based employee compensation awards.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma income and earnings per share are as follows for the quarter ended March 31:

	2005	2004
Net income – as reported	$65,486	$21,005
Stock –based employee compensation expense – pro forma	11,825	5,550
Net income – pro forma	53,661	15,455
Basic earnings per common share-as reported	$.01	$.01
Diluted earnings per common share as reported	.01	.01
Basic earnings per common share – pro forma	$.01	$.01
Diluted earnings per common share-pro forma	.01	.01

10. <u>Statements of Cash Flows</u>:

In the Consolidated Statements of Cash Flows, cash and cash equivalents may include currency on hand, demand deposits with banks or other financial institutions, treasury bills, commercial paper, mutual funds or other investments with original maturities of three months or less. The carrying values of the Company's assets and liabilities approximate fair value due to their short-term nature.

11. <u>Income Taxes</u>:

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns, determined by using the enacted tax rates in effect for the year in which the differences are expected to reverse.

12. <u>Computation of Earnings Per Share</u>:

The Company has adopted Statement of Financial Accounting Standards No. 128 "Earnings Per Share" (SFAS 128). SFAS 128 requires presentation of basic and diluted earnings per share. Basic earnings per share are calculated based only upon the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated based upon the weighted average number of common and, where dilutive, potential common shares outstanding during the period, utilizing the treasury stock method. Potential common shares include conversions of convertible debt and options to purchase common stock.

The weighted average number of basic and diluted common shares outstanding is as follows:

	2005	2004
Basic	14,133,461	14,133,461
Diluted	16,665,726	15,427,021

13. <u>Commitments and Contingencies:</u>

The Company amortizes capitalized software costs over the product's estimated useful life. Due to inherent technological changes in the software development industry, the period over which such capitalized software cost is being amortized may have to be accelerated.

14. <u>Discontinued Operations:</u>

Effective December 31, 2004 Learning Pathways, Ltd. was deemed to be an asset held for sale and an impairment loss of $1,150,000 was recognized. Therefore, in the first quarter of 2005, its results are presented as discontinued operations. The income statement for the prior year has been restated to reflect the results as if LPL had been discontinued as of the beginning of 2004. Assets and liabilities for the quarter ended March 31, 2005 were not material, and therefore no separate balance sheet disclosure is deemed necessary.

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

Overview

The American Education Corporation is a developer of instructional content, computer adaptive testing software, and software management technology specifically designed to manage the delivery of content to schools and institutions and to record the results of student progress in schools and other institutions. Java-based technology, the ***A+nyWhere Learning System® ("A+LS")*** Versions 3.0 and 4.0 of educational software products, provides a research-based, integrated curriculum offering of software for grade levels 1-12 for Reading, Mathematics, Language Arts, Science, Writing, History, Government, Economics and Geography. In addition, the Company provides assessment testing and instructional content for the General Educational Development (GED) test. All company products are designed to provide for LAN, WAN and Internet delivery options. The Company has developed computer adaptive, companion academic skill assessment testing tools to provide educators with the resources to more effectively use the Company's curriculum content, which is aligned to important state and national academic standards. Spanish-language versions are available for Mathematics and Language Arts for grade levels 1-8. The Company's curriculum content is aligned to the other third party digital resources such as the *World Book Multimedia Encyclopedia,* Educational Testing Services' *e-rater* online essay grading technology and GoKnow's scientifically-based, Internet accessible curriculum and reference materials, which may be accessed directly from A+LS lessons.

The A+LS comprehensive family of educational software is now in use in over 11,000 schools, centers of adult literacy, colleges and universities, and correctional institutions in the U.S., UK and other international locations. ***A+dvancer™,*** the Company's new diagnostic, prescriptive test and online developmental curriculum offering, is aligned to ACCUPLACER OnLine, the leading college admissions test for students requiring developmental support to enroll in full credit secondary coursework in mathematics, reading, algebra and writing.

The Company is a technology-based publishing enterprise. To remain competitive it must constantly invest in the development of programming technology to keep its product offering up-to-date and ensure that its products maintain compatibility with constantly changing and revised database and operating system platforms sold to schools by other developers. The Company must also update its content and underwrite content revisions to realign its content with new, or updated state and national educational standards to remain competitive. To accomplish this essential, ongoing corporate function requires retention and recruitment of a highly skilled professional workforce. These investments are essential, recurring costs of doing business that impact the Company's operating cost and margin structures.

The Company's business is subject to risks or uncertainties. Among these uncertainties are a dependency on funding for school technology purchases, lengthy sales cycles, seasonal demand cycles and a dependency on retention of key personnel. Certain matters discussed herein (including the documents incorporated herein by reference) may contain forward-looking statements intended to qualify for the safe harbors from liabilities established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the Company "believes," "plans," "intends," "anticipates," "expects," or words of similar import. Similarly, statements that describe the Company's future plans, objectives, estimates, or goals are also forward-looking statements. Such statements address future events and conditions concerning capital expenditures, earnings, litigation, liquidity, capital resources and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements as a result of factors such as future economic conditions, changes in customer demands, future legislative, regulatory and competitive developments in markets in which the Company operates and other circumstances affecting anticipated revenues and costs. Accordingly, investors should be alert to the possibility that factors beyond the control of management may have impact on the short or long-term operations of the business. The Company undertakes no duty to update forward-looking statements to reflect the impact of events or circumstances that arise after the date the forward-looking statement was made.

RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31, 2005
AS COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2004

As of December 31, 2004, the Company's UK subsidiary, Learning Pathways, was written down to zero value as impaired. It is now held for sale and therefore its operations are shown as discontinued. The 2004 amounts have been restated to reclassify the results of Learning Pathways as discontinued. Therefore, the comparisons discussed here are only for the Company and its Dolphin, Inc. subsidiary. Net sales for the three months ended March 31, 2005 totaled $2,339,607 compared to $2,530,266 for the same period in 2004. This represents a decrease of 8% over the comparable 2004 quarter and is attributable to recording, in the previous 2004 quarter, a large sale to the State of New Mexico. Sales at the Company's Dolphin subsidiary were also down slightly from the prior year.

Cost of goods sold as a percentage of sales revenue for the three months ending March 31, 2005 increased to 15% from 13% of sales revenues for the same period in 2004 because of the sales decrease while actual dollar amounts were virtually unchanged from the prior year. The Company's principal product family, ***A+nyWhere Learning System®***, provided gross profit margins of 96% in the first quarter of 2005, consistent with prior quarters. Cost of goods sold represents the actual cost to produce the software products and includes certain allocated overhead costs.

Total operating expenses, which include selling and marketing, general and administrative, operations, and amortization of product development costs, decreased to $1,790,180 for the three months ended March 31, 2005, compared to $2,005,487 for the same 2004 quarter, a decrease of 11% and as a percentage of sales revenue decreased from 79% in 2004 to 77% in 2005. The decrease in total operating expenses is primarily due to a large decrease in selling and marketing expenses offset by increases in operations, general and administrative costs and amortization of product development.

As a component of total operating expenses, selling and marketing costs decreased by 35%, from $1,136,174 for the three months ended March 31, 2004, to $733,520 for the current period. The decrease in the first quarter 2005 selling expenses is largely attributable to changes in sales mix, which resulted in decreased sales commissions paid as the Company billed direct to school customers a lower percentage of orders. General and administrative expenses, including operations, increased 27% from $537,242 to $683,952. This increase is primarily attributable to increases in technical support staff, provision for deferred compensation and consulting fees.

Interest expense was $10,530 for the three months ended March 31, 2005 compared to $15,281 for the same 2004 quarter reflecting lower average outstanding debt in 2005. Net income was $65,486 for the three months ended March 31, 2005, compared to net income of $21,005 for the same period in 2004.

Liquidity and Capital Resources

The Company has invested significantly in the development of new products and the acquisition and licensing of new products to improve the ability of the organization and its published products to meet the needs of the marketplace. These changes were required to update, expand and keep current the Company's extensive curriculum product offerings and to position the Company for long-term growth. To finance the business, management has utilized secured bank revolving credit lines, bank financed equipment loans and lease financing sources.

As of March 31, 2005 the Company's principal sources of liquidity included cash and cash equivalents of $664,930, net accounts receivable of $2,465,901 and inventory of $16,824. The Company's net cash provided by operating activities during the three months ended March 31, 2005 was $158,124 compared to $223,820 for the same period in 2004. Net cash used in investing activities for the three months ended March 31 increased by 4% from $341,733 in 2004 to $354,436 in 2005, and was comprised primarily of investment in capitalized software development costs. During the three months ended March 31, 2005, debt due to financial institutions was reduced by $88,101 or 24%, reflecting bank indebtedness of $283,761 at March 31, 2005. In April 2003, the Company borrowed $305,880 from major shareholder affiliates, which is subordinated to the debt owed to the Company's senior lender. This debt matures in September of 2006 and is convertible into the Company's common stock at $.40 per share. On March 30, 2005 the Company borrowed an additional $400,000 in convertible subordinated debt from another individual that matures in March 2006 and may be extended for an additional year by the holder. This debt is convertible into the Company's common stock at $.463 per share. The proceeds from the subordinated debt were used to reduce accounts payable and accrued liabilities.

At March 31, 2005, the Company had working capital of $1,317,501 compared to $1,097,949 at December 31, 2004. The Company's term loan with its bank will be fully paid in November and the Company and its lender recently agreed to extend the maturity of its revolving line of credit until March 31, 2006. The Company is continuing to discuss future borrowing arrangements with its current lender and several other financing sources.

With the expansion of the Company's product lines, the addition of new products and markets and the increase in school spending that the Company expects to see in 2005, management believes that the Company will return to a pattern of growth similar to that demonstrated in prior years. Management believes that it can undertake this expansion with most of the Company's working capital requirements secured from its operating cash flows. If successful, the Company should be able to enhance the liquidity of the business and the overall strength of the Company's balance sheet and financial position.

Additional working capital beyond that available to the Company as a result of internally generated cash flows has been and may be required to expand operations. Management has and will consider options available to access such funding, including expanded debt and new equity financing as dictated by the needs of the business.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Critical Accounting Policies

Management is responsible for the integrity of the financial information presented herein. The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Where necessary, they reflect estimates based on management's judgment. Significant accounting policies that are important to the portrayal of the Company's financial condition and results, which in some cases require management's judgment, are summarized in the Notes to Interim Consolidated Financial Statements, which are included herein.

ITEM 3 - CONTROLS AND PROCEDURES

It is the responsibility of the Chief Executive Officer and the Chief Financial Officer to ensure that the Company maintains disclosure controls and procedures designed to provide reasonable assurance that material information, both financial and non-financial, and other information required under the securities laws to be disclosed is identified and communicated to senior management on a timely basis. The Company's disclosure controls and procedures include mandatory communication of material events, automated accounting processing and reporting, management review of monthly results and an established system of internal controls.

As of March 31, 2005, management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of disclosure controls and procedures pursuant to Exchange Act Rule 13a-14 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 the disclosure controls and procedures currently in place are effective to ensure material information and other information requiring disclosure are identified and communicated in a timely fashion. There have been no significant changes in internal controls, or in factors that could significantly affect internal controls, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation.

THE AMERICAN EDUCATION CORPORATION

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Management knows of no pending or threatened litigation involving the Company that is considered material to the on-going operations and viability of the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Default Upon Senior Securities

Omitted from this report as inapplicable.

Item 4. Submission of Matters to a Vote of Securities Holders

None.

Item 5. Other Information

Omitted from this report as inapplicable.

Item 6. Exhibits

The following exhibits have been filed as a part of this report:

Exhibit No.	Description of Exhibits
3.1	Articles of Incorporation of The American Education Corporation (incorporated by reference Annex B to the Definitive Proxy Statement filed with the Securities and Exchange Commission on October 12, 2001)
3.2	Bylaws of The American Education Corporation (incorporated by reference to Annex C to the Definitive Proxy Statement filed with the Securities and Exchange Commission on October 12, 2001)
4.1	Form of Stock Certificate (incorporated by reference to Form 8-A12G/A filed with the Securities and Exchange Commission on January 20, 2004)
4.2	Directors' Stock Option Plan (incorporated by reference to Exhibit B to the Definitive Proxy Statement filed with the Securities and Exchange Commission on April 24, 1998)
4.3	First Amendment to the Directors' Stock Option Plan (incorporated by reference to the Company's registration statement on Form S-8 filed with the Securities and Exchange Commission on October 22, 1999)
4.4	Stock Option Plan for Employees (incorporated by reference to Exhibit C to the Definitive Proxy Statement filed with the Securities and Exchange Commission on April 24, 1998)

4.5	First Amendment to the Stock Option Plan for Employees (incorporated by reference to the Company's registration statement on Form S-8 filed with the Securities and Exchange Commission on October 22, 1999)
4.6	Second Amendment to the Stock Option Plan for Employees (incorporated by reference to Exhibit 4.7 to the Company's registration statement on Form S-8 filed with the Securities and Exchange Commission on September 29, 2000)
10.1	Purchase Agreement for the acquisition by the Company of Learning Pathways, Limited (incorporated by reference to the exhibit in the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 15, 1998)
10.2	Stock Purchase Agreement for the acquisition by the Company of Dolphin, Inc. (incorporated by reference to the exhibit in the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 10, 2000)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

The American Education Corporation

/s/ Jeffrey E. Butler
Jeffrey E. Butler,
Chief Executive Officer
Chairman of the Board
Treasurer

/s/ Neil R. Johnson
Chief Financial Officer

Date: May 11, 2005

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey E. Butler, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of The American Education Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Reserved]

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 11, 2005

/s/ Jeffrey E. Butler
Signature
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Neil R. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of The American Education Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Reserved]

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based upon such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 11, 2005

/s/ Neil R. Johnson
Signature
Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-QSB of The American Education Corporation (the “Company”) for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey E. Butler, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of the operations of the Company.

By: /s/ Jeffrey E. Butler
Jeffrey E. Butler
Chief Executive Officer

May 11, 2005

Exhibit 32.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-QSB of The American Education Corporation (the "Company") for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neil R. Johnson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of the operations of the Company.

By: /s/ Neil R. Johnson
Neil R. Johnson
Chief Financial Officer

May 11, 2005