

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

FORM 10-QSB-A2

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

For the quarter ended March 31, 2005

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

For the transition period from _____ to _____

Commission File No. 000-33381

WIZZARD SOFTWARE CORPORATION

(Name of Small Business Issuer in its Charter)

COLORADO

87-0575577

(State or Other Jurisdiction of
Employer
incorporation or organization)
No.)

(I.R.S.
Identification

5001 Baum Blvd.
Pittsburgh, Pennsylvania 15213

(Address of Principal Executive Offices)

Issuer's Telephone Number: (412) 621-0902

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS

N/A

(APPLICABLE ONLY TO CORPORATE ISSUERS)

State the number of shares outstanding of each of the
Issuer's
classes of common equity, as of the latest practicable date:

May 31, 2005

Common - 27,308,670 shares

Transitional Small Business Issuer Format Yes X No

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The Consolidated Financial Statements of the Company required to be filed with this 10-QSB Quarterly Report were prepared by management and commence on the following page, together with related Notes. In the opinion of management, the Consolidated Financial Statements fairly present the financial condition of the Company.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS

	March
	2005
31,	
CURRENT ASSETS:	
Cash	\$
1,749,442	
Accounts receivable	
17,745	
Inventories	
87,321	
Prepaid Expenses	
23,238	
--	-----
Total Current Assets	
1,877,746	-----
--	
PROPERTY AND EQUIPMENT, net	
97,504	-----
--	
OTHER ASSETS	
8,124	-----
--	
	\$
1,983,374	
=====	
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	\$
253,922	
Accrued expenses	
21,796	
--	-----
Total current liabilities	
275,718	-----
--	
CONVERTIBLE NOTES PAYABLE - RELATED PARTY	
1,450,000	-----
--	
Total liabilities	
1,725,718	-----
--	

STOCKHOLDERS' EQUITY:

Preferred stock, \$.001 par value, 10,000,000 shares authorized, no shares issued and outstanding	-	
Common stock, \$.001 par value, 100,000,000 shares authorized, 27,178,827 shares issued and outstanding	27,179	
Additional paid-in capital	16,918,144	
Accumulated Deficit (16,687,667)		-----
	--	
Total Stockholders' Equity	257,656	-----
	--	
		\$
	1,983,374	

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

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended March 31,	
	2005	2004
SALES, net	\$ 223,561	\$
97,064		
COST OF GOODS SOLD	143,006	
78,612	-----	-----

GROSS PROFIT	80,555	
18,452		
OPERATING EXPENSES:		
Selling expenses	43,640	
69,481		
General and administrative	502,053	
230,333		
Research and development	4,486	
-		
Compensation for re-pricing of warrants	-	
160,420		

Non-cash investor relations services	141,000	
825,000		
Impairment of goodwill	1,191,967	
-		
---	-----	-----

Total Operating Expenses	1,883,146	
1,285,234		
---	-----	-----

Operating losses	(1,802,591)	
(1,266,782)		
OTHER EXPENSE:		
Interest expense	(1,413,206)	
(10,158)		
---	-----	-----

Total Other Expense	(1,413,206)	
(10,158)		
---	-----	-----

NET LOSS BEFORE INCOME		
TAXES	(3,215,797)	
(1,276,940)		
CURRENT TAX EXPENSE	-	
-		
DEFERRED TAX EXPENSE	-	
-		
---	-----	-----

NET LOSS	\$(3,215,797)	
\$(1,276,940)		
---	-----	-----

LOSS PER COMMON SHARE BASIC AND DILUTED	\$ (.12)	\$
(.06)		
---	-----	-----

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

	March 31,	
	2005	2004
Cash Flows from Operating Activities:		
Net loss	\$(3,215,797)	\$
(1,276,940)		
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization expense	8,523	
35,301		
Non-cash expenses	244,272	
985,420		
Impairment of goodwill	1,191,967	
-		
Amortization of discount on notes payable	1,400,000	
-		
Change in assets and liabilities:		
restricted cash	-	
(69,820)		
accounts receivable	954	
(1,324)		
inventory	(627)	
659		
prepaid expenses	45,500	
(4,460)		
accounts payable and accrued expense	114,499	
1,991		
customer deposits	-	
7,000		
	-----	-----

Net Cash (Used) by Operating Activities	(210,709)	
(322,173)		
	-----	-----

Cash Flows from Investing Activities:		
Purchase of property & equipment	(6,701)	
(6,222)		
	-----	-----

Net Cash (Used) by Investing Activities	(6,701)	
(6,222)		
	-----	-----

Cash Flows from Financing Activities:		
Proceeds from Issuance of convertible note payable	1,400,000	
-		
Proceeds from issuance of common stock	146,226	
1,336,972		
Payment of stock offering cost	-	
(91,253)		
Proceeds from issuance of notes payable - related party	(25,076)	
-		

-----	-----	-----
Net Cash Provided by Financing Activities	1,521,150	
1,245,719		
-----	-----	-----
Net Increase in Cash	1,303,740	
917,324		
Cash at Beginning of Period	445,702	
53,544		
-----	-----	-----
Cash at End of Period	\$1,749,442	\$
970,868		
-----	=====	
=====		
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the periods for:		
Interest	\$ 4,830	\$
5,000		
Income taxes	\$ -	\$
-		

Supplemental Schedule of Non-cash Investing and Financing Activities:

For the three months ended March 31, 2005:

The Company issued 22,500 common shares valued at \$54,900 for consulting services.

The Company issued 60,000 common shares valued at \$141,000 for investor relations services.

The Company issued 20,584 common shares valued at \$48,372 to 18 employees for the exercise of options.

The Company issued 100,000 common shares upon conversion of \$50,000 of the 8% convertible note payable.

The Company issued 787,176 common shares the purchase of the remaining 5% minority shares of WSC. The resulting goodwill of \$1,191,967 was impaired immediately.

For the three months ended March 31, 2004:

The Company recorded \$160,420 in compensation for the re-pricing of 408,076 warrants from \$1.50 to \$1.00 per share and extending the expiration date from January 1, 2004 to February 29, 2004.

The Company issued 250,000 shares of common stock for consulting services valued at \$825,000.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Condensed Financial Statements - The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2005 and 2004 and for all the periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted. These condensed financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2004 audited financial statements. The results of operations for the periods ended March 31, 2005 and 2004 are not necessarily indicative of the operating results for the full year.

Organization - Wizzard Software Corporation ["Parent"] a Colorado corporation, was organized on July 1, 1998. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors. On January 19, 2005, Parent acquired the remaining 5% minority interest of Wizzard Software Corp. ["Subsidiary"], wherein Wizzard Software Corp. was merged into Parent. The Company engages primarily in the development, sale, and service of custom and packaged computer software products. On May 22, 2001 the Company purchased all of the issued and outstanding shares of Speech Systems, Inc. in a transaction accounted for as a purchase. On April 9, 2004, the Parent organized Wizzard Merger Corp. ("WMC") a New York corporation to acquire and dissolve into, the operations of MediVoxRx Technologies, Inc., a New York Corporation, in a transaction accounted for as a

purchase. WMC engages primarily in the development, sale, and service of a talking prescription pill bottle.

Consolidation - The financial statements presented reflects the accounts of Wizzard Software Corporation, , Wizzard Merger Corp, and Speech Systems, Inc. as of March 31,2005. On January 19, 2005 Wizzard Software Corp. was merged into the parent upon the parent acquiring the remaining 5% minority interest. The Company recorded no liability for the approximate 5% non-controlling interest prior to the acquisition by Parent as Wizzard Software Corp. had a stockholders deficit at the time of original merger. Further the net loss for Wizzard Software Corp. for the period from January 1, 2005 through January 19, 2005 and the three months ended March 31, 2004 applicable to the 5% non-controlling interest was not allocated to the non-controlling interest as there is no obligation of the non-controlling interest to share in such losses. All significant inter-company transactions between the Parent and Subsidiary have been eliminated in consolidation.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For purposes of the financial statements, the Company considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents. The Company maintains its cash balance at one financial institution located in Pittsburgh, Pennsylvania. At March 31, 2005, the Company had \$1,649,442 in excess of federally insured amounts.

Accounts Receivable - Accounts receivable consist of trade receivables arising in the normal course of business. At March 31, 2005, the Company has not established an allowance for doubtful accounts which reflects the Company's best estimate of probable losses inherent in the accounts

receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. Amounts written off for the periods presented are insignificant for disclosure.

Inventories - Inventories consist of \$87,321 in raw materials at March 31, 2005 and are carried at the lower of cost or market as determined on the first-in first-out method.

Depreciation - Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets of five years to thirty nine years.

Intangible assets - Intangible assets consist of the rights, interest, title patents, trademarks, a purchased website and trade secrets of the speech recognition software ActiveX Voice Tools, purchased in the acquisition of Speech Systems, Inc., purchased rights to a Merchant Operating Understanding for the distribution of the Company's products and domain name registration and were being amortized over two to five years on a straight-line basis until their impairment during 2004.

Software Development Costs - Statement of Financial Accounting Standards ("SFAS") No. 86 "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed" requires software development costs to be capitalized upon the establishment of technological feasibility. The establishment of technological feasibility and the ongoing assessment of the recoverability of these costs requires considerable judgment by management with respect to certain external factors such as anticipated future revenue, estimated economic life, and changes in software and hardware technologies. Capitalizable software development costs have not been significant and accordingly no amounts are shown as capitalized at March 31, 2005.

Income Taxes - The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for

Income Taxes." This statement requires an asset and liability approach for accounting for income taxes.

Revenue Recognition - Revenue is recognized when earned. The Company's revenue recognition policies are in compliance with the American Institute of Certified Public Accountants Statement of Position ("SOP") 97-2 (as amended by SOP 98-4 and SOP 98-9) and related interpretations, "Software Revenue Recognition" and the Securities and Exchange Commission Staff Accounting Bulletin No. 101 and 104. The Company sells packaged and custom software products and related voice recognition product development consulting. Software product revenues are recognized upon shipment of the software product only if no significant Company obligations remain, the fee is fixed or determinable, and collection is received or the resulting receivable is deemed probable. Revenue from package software products are recorded when the payment has been received and the software has been shipped. Revenue is recognized, net of discount and allowances, at the time of product shipment. For packaged software products the Company offers a 30 day right of return. Provisions are recorded for returns, concessions, and bad debts and at December 31, 2004 amounted to \$0, respectively. Revenue related to obligations, which include telephone support for certain packaged products, are based on the relative fair value of each of the deliverables determined based on vendor-specific objective evidence ("VSOE") when significant. The Company VSOE is determined by the price charged when each element is sold separately. Revenue from packaged software product sales to and through distributors and resellers is recorded when payment is received and the related products are shipped. The Company's distributors or resellers do not carry packaged software product inventory and thus the Company does not offer any price protections or stock balancing rights. Revenue from non-recurring programming, engineering fees, consulting service, support arrangements and training programs are recognized when the services are provided. Such items are included in net revenues and amounted to \$20,000 and \$11,850 for the three months ended March 31, 2005 and 2004, respectively.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss Per Share - The Company computes loss per share in accordance with (SFAS) No. 128 "Earnings Per Share," which requires the Company to present basic earnings per share and dilutive earnings per share when the effect is dilutive [See Note 6].

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United

States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated by management.

Recently Enacted Accounting Standards - Statement of Financial Accounting Standards ("SFAS") No. 152, "Accounting for Real Estate

Time- Sharing Transactions - an amendment of FASB Statements No. 66 and 67",

SFAS No. 153, "Exchanges of Nonmonetary Assets - an amendment of APB

Opinion No. 29", and SFAS No. 123 (revised 2004), "Share-Based Payment",

which replaces SFAS No. 123, "Accounting for Stock-Based Compensation",

and supersedes APB Opinion No. 25, "Accounting for stock Issued to Employees" and Emerging Issues Task Force ("EITF") Issue No. 03-1,

"The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," were recently issued. SFAS No. 152, 153,

and EITF 03-1 have no current applicability to the Company or their effect on the financial statements would not have been significant.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs". SFAS

No. 151 requires abnormal amounts of inventory costs related to idle

facility, freight handling and wasted material (spoilage) to be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of

conversion be based on the normal capacity of the production facilities.

The Company will be required to adopt the provisions of SFAS No. 151 for fiscal years beginning after June 15, 2005. Management believes the provisions of this Standard will not have a significant effect on our financial position or results of operations.

SFAS No. 123(R) requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. The cost will be measured based on the fair value of the instruments issued.

The Company will be required to apply SFAS No. 123(R) as of the first interim reporting period that begins after June 15, 2005.

Accordingly,

The Company will adopt SFAS No. 123(R) in the third quarter of fiscal

2005 using the modified-prospective method. Management is currently

evaluating the impact SFAS No. 123(R) will have on the Company's results

of operations as a result of adopting this new Standard.

Stock Options - The Company accounts for the stock option plans in accordance with the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related

Interpretations. Under this method, compensation expense is recorded on

the date of grant only if the current market price of the underlying

stock exceeds the exercise price. The Corporation has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

Accordingly, no compensation cost under SFAS No. 123 has been recognized

for the stock option plans or other agreements in the accompanying statement of operations. Had compensation cost for the Company's stock

option plans and agreements been determined based on the fair value at

the grant date for awards in the three months ended March 31, 2005 and

2004 consistent with the provisions of SFAS No. 123, the Company's net

earnings net of taxes and earnings per share would have been reduced to

the pro forma amounts indicated below:

	2005	2004
Net (Loss) As reported	\$(3,215,797)	
\$(1,276,940)		
Add: Stock-based employee compensation		

-	expense included in reported net income	-
-	Deduct: Total stock-based employee compensation expense determined under fair value based method	-
<hr/>		
Net (Loss)	Proforma	\$ (3,215,797)
\$(1,276,940)		
<hr/>		
	Basic and diluted loss per share	
	As reported	\$ (.12) \$
(.06)		
	Proforma	\$ (.12) \$
(.06)		

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has incurred significant losses from inception, has not yet been successful in establishing profitable operations. These factors raise substantial doubt about the ability of the Company to continue as a going concern. In this regard, management plans to mitigate this doubt by raising additional funds through debt and/or equity offerings and by substantially increasing sales. There is no assurance that the Company will be successful in achieving profitable operations. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 3 PROPERTY & EQUIPMENT

The following is a summary of property and equipment:

March 31, 2005

Furniture, fixtures and equipment	\$	101,269
Production Molds		47,710
Software		6,658

		155,637
Accumulated Depreciation		(58,132)

Property & Equipment, net	\$	97,505

Depreciation expense for the three months ended March 31, 2005 and 2004 was \$8,523 and \$6,272, respectively.

NOTE 4 CONVERTIBLE NOTES PAYABLE

5% Convertible Notes Payable - On February 8, 2005, the Company closed a Subscription Agreement by which three institutional investors ("Subscribers") purchased: 5% convertible promissory notes having a total principal amount of \$1,400,000, convertible into 933,333 shares of the Company's common stock at a price of \$1.50 per share, plus Class A Warrants to purchase a total of 466,667 shares of common stock at a price of \$2.50 per share, exercisable for three years; and Class B Warrants to purchase a total of 933,334 shares of common stock at a price of \$1.50 per share, exercisable until 150 days after the effective date of the Registration Statement described below. The notes mature June 22, 2006. As of March 31, 2005, the balance of the note is \$1,400,000 with related accrued interest payable of \$11,288.

The \$1,400,000 in proceeds has been recorded as paid in capital based on their relative fair value of \$574,184, \$308,989 and \$516,827, for the beneficial conversion feature of the Convertible Notes Payable, Class A Warrants and Class B Warrants, respectfully. The Company upon issuance recorded interest expense of \$1,400,000 for the discount on the note as the note is immediately convertible and warrants are immediately exercisable in accordance with EITF 98-5 and EITF 00-27.

The Company was required to file a Registration Statement registering all shares issuable upon conversion of the promissory notes and the warrants. The Registration Statement must be declared effective not

later than 120 days after the closing date. For every 30 day period that either of these deadlines have not been met, the Company is to pay to the subscribers liquidated damages equal to two percent of the purchase price of the promissory notes remaining unconverted and the purchase price of the shares issued upon conversion of the notes.

Convertible Note Payable - On September 14, 2001, the Company issued a Series 2001-A 8% convertible note payable of the Company in the amount of \$250,000, with a maturity date of August 1, 2011. The Note is convertible in to the Company's common stock at the lower of \$.50 per share or 75% of the closing bid price. During the year ended December 31, 2001, \$15,000 of the note with related accrued interest of \$208 was converted into 30,416 shares of common stock. As the conversion price was below the fair value of the common stock on the date issued the Company has recorded the beneficial conversion feature of the note in accordance with the provisions found in EITF 98-5 by recording a \$250,000 discount on the note. The discount was recorded as interest expense on September 14, 2001 as the note is immediately convertible.

The note further calls for the Company to register the underlying shares into which the note can be converted and if said share are not registered as of March 15, 2003 the Company will owe a penalty of \$7,500 and \$10,000 for every month thereafter, accordingly the Company has included \$67,500 in accounts payable for penalties on the Note at March 31, 2004. The penalties were paid on May 3, 2004 through the issuance of 19,286 common shares. As of March 31, 2005, the balance of the note is \$50,000 with related accrued interest payable of \$10,303.

Related Party Notes Payable - During the year ended December 31, 2001, a shareholder loaned the Company \$46,076. The demand note is unsecured and accrues interest at 5% per annum. As of March 31, 2004, a balance of \$25,076 remained outstanding on the note with related accrued interest of \$4,522. On March 31, 2005, the note with related accrued interest of \$4,830 were paid.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 NOTES PAYABLE (Continued)

During April, 2003, the Company borrowed from a shareholder of the Company a total of \$10,165. The note is payable on demand and accrues interest at a rate of prime plus 1% or approximately 5.75% and amounted to \$536 at March 31, 2004.

On January 8, 2004, a shareholder loaned an additional \$50,000 to the Company. The note was repaid with interest of \$5,000 on January 24, 2004.

NOTE 5 CAPITAL STOCK

Exercise of Warrants - On January 6, 2005, March 18, 2005 and March 28, 2005, the Company issued 4,339, 40,000 and 50,000 common shares, respectively upon the exercise of warrants at \$1.55 per share.

Conversion of Note Payable - During 2005, the Company has issued 100,000 common shares upon conversion of \$50,000 of the 8% convertible note payable.

Stock for Services - On February 11, 2005, the Company issued 22,500 common shares for consulting services valued at \$54,900.

On February 15, 2005, the Company issued 60,000 common shares for investor relations services valued at \$141,000

Stock for Employee Services - On February 15, 2005, the Company issued 20,584 common shares upon the exercise of options for consulting services valued at \$48,166.

Acquisition of Minority Interest - On January 19, 2005, the Company shareholders approved the acquisition of the 5% minority interest of Wizzard Software Corp ("WSC") wherein WSC was merged with and into the Parent through the issuance of 787,176 common shares of the Parent for the 787,176 minority shares of WSC.

5% Convertible Notes Payable - On February 8, 2005, the Company closed a Subscription Agreement by which three institutional investors ("Subscribers") purchased: 5% convertible promissory notes having a total principal amount of \$1,400,000, convertible into 933,333 shares of the Company's common stock at a price of \$1.50 per share, plus Class A Warrants to purchase a total of 466,667 shares of common stock at a price of \$2.50 per share, exercisable for three years; and Class B Warrants to purchase a total of 933,334 shares of common stock at a price of \$1.50 per share, exercisable until 150 days after the effective date of the Registration Statement described below.

The \$1,400,000 in proceeds has been recorded as paid in capital based on their relative fair value of \$574,184, \$308,989 and \$516,827, for the beneficial conversion feature of the Convertible Notes Payable, Class A Warrants and Class B Warrants, respectfully. The Company upon issuance will record interest expense of \$1,400,000 for the discount on the note as the note is immediately convertible.

The relative fair values of the warrants and beneficial conversion feature were estimated using the black-scholes pricing model using the following variable volatility of 104%, risk free interest rate of 3%, expected yield of 0% and estimated lives of one to three years.

During the quarter ended March 31, 2004, the Company issued 588,076 common shares upon the exercise of warrants outstanding to purchase common stock of the Company at \$.25 to \$1.25 per share. The Company further issued 90,210 common shares upon exercise of 90,210 options issued for \$162,846 in salaries during 2004.

On January 23, 2004, the Company entered into a subscription agreement and issued 824,174 of 1,648,352 common shares and 412,086 of 824,174 warrants to purchase common shares at \$1.55 per share, expiring January 23, 2007. The first \$600,000 of the Share subscription was payable immediately upon closing, and the Company received this sum on January

23, 2004. The second \$600,000 will become payable five days after the effective date of the Company's registration statement on Form SB-2 (or other suitable registration statement) by which the Company is to register the Shares and all of the shares of common stock underlying the Warrants (the "Warrant Shares"). Similarly, the Company was to issue the Warrants to purchase the first 412,087 Warrant Shares immediately, with the remaining Warrants to be issued five days after the registration statement is declared effective. The Company is required to register the underlying shares under a registrations statement being filed on or before March 8, 2004 and effective on or before May 2, 2004. If the Company delinquent in meeting these deadlines for the registrations statement they have agreed to pay a 1% penalty for each 30 day period or part thereof.

On March 25, 2004, the Company issued 250,000 common shares for \$825,000 in investor relations / consulting services.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 CAPITAL STOCK

2004 Stock Option Plan - During 2004, the Board of Directors adopted a Stock Option Plan (2004 Plan). Under the terms and conditions of the Plan, the board is empowered to grant stock options to employees, officers, directors and consultants of the Company. Additionally, the Board will determine at the time of granting the vesting provisions and whether the options will qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code (Section 422 provides certain tax advantages to the employee recipients). The total number of shares of common stock available under the Plan may not exceed 200,000. At March 31, 2005 total options available to be granted under the Plan amounted to 21,950, respectively. During the three months ended March

31, 2005, the Company granted 38,084 options which were immediately exercised for services valued at \$91,072.

2003 Stock Option Plan - During 2003, the Board of Directors adopted a Stock Option Plan (the Plan). Under the terms and conditions of the Plan, the board is empowered to grant stock options to employees, officers, directors and consultants of the Company. Additionally, the Board will determine at the time of granting the vesting provisions and whether the options will qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code (Section 422 provides certain tax advantages to the employee recipients). The total number of shares of common stock available under the Plan may not exceed 1,000,000. At March 31, 2004, total options available to be granted under the Plan amounted to 14,259. During the Quarter ended March 31, 2004 the Company issued 90,210 options to purchase common stock at \$1.38 to \$2.09 per share that were immediately exercised for \$162,846 in salaries.

Warrants

A summary of the status of the warrants granted at March 31, 2005 and 2004 and changes during the three months then ended is presented below:

	March 31, 2005		March 31,
2004			
	Weighted Average		Weighted
Average	Shares	Exercise Price	Shares
Exercise Price			
Outstanding at beginning of year	786,174	\$1.55	608,076
\$1.28 Granted	1,400,000	\$1.83	412,086
\$1.55 Exercised	(94,339)	\$1.55	(588,076)
\$1.32 Forfeited	-	-	-
- Expired	-	-	-
-			

Outstanding and exercisable at end of period	2,091,835	\$1.73	432,086
\$1.49			

On January 1, 2004, the Company recorded a \$160,420 expense for the re-pricing of 408,076 warrants to purchase common stock from \$1.50 per share to \$1.00 per share and extending the expiration date of the warrants from January 1, 2004 to February 29, 2004.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 LOSS PER SHARE

The following represents the amounts used in computing loss per share and the weighted average number of shares of common stock outstanding for the periods presented:

	For the Three Months Ended March 31,	
	2005	2004
	-----	-----
Loss from continuing operations available to common shareholders (numerator)	\$ (3,215,797)	\$
(1,276,940)	-----	-----

Weighted average number of common shares outstanding during the period used in per share calculations (denominator)	26,835,990	
23,158,789	-----	-----

At March 31, 2005, the Company had 2,091,835 warrants outstanding to purchase common stock of the Company at \$.25 to \$1.55 per share, a 8% convertible note payable wherein the holder could convert the note into a minimum of 100,000 shares of common stock and a 5% convertible note payable wherein the holder could convert the note into 933,333 shares, [See Note 4], which were not included in the loss per share

computation because their effect would be anti-dilutive.

At March 31, 2004, the Company had 432,086 warrants outstanding to purchase common stock of the Company at \$.25 to \$1.55 per share and a convertible note payable wherein the holder could convert the note into a minimum of 470,000 shares of common stock, [See Note 4], which were not included in the loss per share computation because their effect would be anti-dilutive. Subsequent to the quarter ended March 31, 2004, the Company agreed to issue 150,037 shares upon the purchase all of issued and outstanding shares and settlement of certain outstanding debt of MedivoxRx Technologies, Inc..

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARY
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes". SFAS No. 109 requires the Company to provide a net deferred tax asset/liability equal to the expected future tax benefit/expense of temporary reporting differences between book and tax accounting methods and any available operating loss or tax credit carryforwards. The Company has available at March 31, 2005 operating loss carryforwards of approximately \$14,500,000 which may be applied against future taxable income and which expires in various years through 2025.

The amount of and ultimate realization of the benefits from the operating loss carryforward for income tax purposes is dependent, in part, upon the tax laws in effect, the future earnings of the Company, and other future events, the effects of which cannot be determined.

Because of the uncertainty surrounding the realization of the loss carryforward and significant changes in the ownership of the Company, a valuation allowance has been established equal to the tax effect of the loss carryforward and, therefore, no deferred tax asset has been

recorded for the loss carryforward. The net deferred tax assets are approximately \$4,930,000 as of March 31, 2005, with an offsetting valuation allowance of the same amount. The change in the valuation allowance for the period ended March 31, 2004 is approximately \$680,000.

NOTE 8 GOODWILL

As a result of the acquisition of the remaining 5% minority interest of Wizzard Software Corp. (Subsidiary), the Company recorded Goodwill of \$1,191,967, which was immediately impaired.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Contingent Consideration for the Acquisition of MedivoxRX - In connection with the acquisition of assets of MedivoxRX Technologies, the Parent will issue an additional 100,000 restricted common shares to the former stockholders of MediVoxRX upon the successful development, testing and installation of the planned automated system whereby the audio to be loaded on the talking pill bottle is generated and automatically loaded using TTS plus technology. Wizzard Merger Corp. must achieve repeat sales from at least eight Veterans Administration (VA) sites and total VA sales in excess of 5,000 units with a specified gross margin within a six month period of the closing date of the acquisition.

The Parent will issue an additional 100,000 restricted common shares to the former stockholders if the Wizzard Merger Corp. achieves repeat sales of at least 250 units per month from at least 15 VA sites for three consecutive months with a specified gross margin.

The Parent will also issue an additional 50,000 restricted common shares to the former stockholders of MediVoxRX if the Wizzard Merger Corp. pill bottle simultaneously loads the prescription while the label is being printed and is upon approval and acceptance by any Veterans Administration Hospital.

The Parent will also issue an additional 625,000 restricted common shares to the former stockholders of MediVoxRX if the Wizzard Merger

Corp. meets certain revenue and profit projections for the first year of operations forward from the April 23, 2004, acquisition date.

The Parent will further issue an additional 625,000 restricted common shares to the former stockholders of MediVoxRX if the Wizzard Merger

Corp. meets revenue and profit projections for the second year of operations forward from the April 23, 2004 acquisition date.

Letter of Intent to Acquire - On March 18, 2005, we executed a Letter of Intent with Interim Health Care of Wyoming Inc., a Wyoming corporation ("Interim"). Under the Letter of Intent, we agreed to acquire all of Interim's assets in consideration of \$868,000 in cash and \$384,000 in "unregistered" and "restricted" shares of the Company's common stock, based on the average closing price of the Company's common stock on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. for the five business days following the date

of the Letter of Intent. Seventy five percent of this additional payment will be in the form of "unregistered" and "restricted" shares of the Company's common stock and 25% will be in cash. In addition, Interim will receive additional payments of two times its earnings before interest, taxes, depreciation and amortization ("EBITDA") for:

(i) any EBITDA during the calendar year ended December 31, 2005, which exceeds Interim's EBITDA of \$288,000 for the calendar year ended December 31, 2004; and (ii) any EBITDA during the calendar year ended December 31, 2006, which exceeds Interim's EBITDA during the calendar year ended December 31, 2005.

In connection with the agreement with AT&T to sell to AT&T's OEM Natural Voices desktop product licenses, the Company is required to make minimum purchase of \$125,000 per each six month period beginning July 2004 through June 2007.

In connection with the agreement with IBM to sell IBM's OEM ViaVoice desktop products licenses the Company is required to make minimum purchases of \$12,500 per quarter beginning July 2003 through June 2005.

The Company is from time to time involved in routine legal and administrative proceedings and claims of various types. While any

proceedings or claim contains an element of uncertainty,
Management does
not expect on our results of operations or financial position.

NOTE 10 SUBSEQUENT EVENTS

On April 11, 2005 the Company issued 10,000 common shares for
consulting
services valued at \$ 19,000.

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Item 2. Management's Discussion and Analysis or Plan of Operation.

Highlights of 1st quarter, 2005

In the first quarter of 2005, Wizzard had several significant
accomplishments and successfully moved forward on many aspects of our
business
plan. Some of these accomplishments broken down by internal business
group,
include:

2005 Technology & Services Group Accomplishments

The Technology & Services Group had its best revenue generating
quarter
in company history with 125 new customers added in the first quarter of
2005.
Management believes this growth was due in large part to the addition
of
AT&T's Natural Voices Server Edition product line in conjunction with
the
solid execution of our marketing plan by the entire Technology &
Services
Group.

In the first quarter of 2005, the marketing department for Wizzard
was
given the challenge of improving Wizzard's web site rankings for the
most
popular search engines by the Technology & Services Group. Due to the
fact
that a large percentage of our customer leads are derived through our
web
site, improving these rankings tends to have a direct effect on
increasing
customer demand and lead generation for our speech technology sales.
To date,
this project has been successful and our rankings in search engine
results in
the first quarter jumped dramatically with 7 of our main pages in the
top 5

search results ranking, 11 of our pages in the top 10 and 20 of our pages in the top 20 results. Also, Wizzard's web site was added to IBM's Accessibility center, vastly increasing our visibility and aiding our Technology & Services customers with promotion of their accessibility products, a new service we offer our customers which has been well received.

The Technology & Services Group added new alert/broadcast customers in the first quarter of 2005. Alert/broadcasting is a customer trend which was identified several months prior in the accessibility, education and government fields. Additionally, the Technology and Services Group continues to focus on several key markets in ATMs, simulators and medical dictation.

2005 New Products Group Accomplishments

The New Products Group released a new version of VoiceNET which allows users of a network to access their voice profile from any system on the network. Additionally, a new Drug Lexicon was released for the MedivoxRx Technologies Talking Pill Bottle pharmacy solution and the New Products Group made significant progress with new product creation for the Home Health Care industry.

2005 Solutions and Channels Group Accomplishments

In the first quarter of 2005, in large part due to a telemarketing test campaign, the Solutions and Channels Group signed multiple "Mom & Pop" pharmacies and other healthcare related organizations to distribute Rex Home Kits including Able Home Aides, Health One, AmeriPharm, Rx Consultants and Oswald Pharmacy. To support the launch of the product at each store, promotions including press releases, local media relations and in-store promotional materials were provided. Our marketing department in conjunction with the Solutions & Channels Group was successful in securing numerous high profile articles with local, regional and national publications.

Rex - The Talking Pill Bottle was also added to Wizzard's Quixtar distribution channel this quarter when we opened our new "Talking Products" Partner Store to positive response selling Home Kits within the first 24 hours of the store opening. The store opening was announced through a press release, as well as a feature story on the Quixtar site. Hundred's of

thousands of Quixtar Independent Business Operators can now earn money marketing our Talking Pill Bottle to doctors, pharmacies and other health care related businesses throughout North America.

The Solutions & Channels Group made significant progress on adding nationwide pharmacy accounts and national pharmacy distributors in the first quarter and expects these results to show in the next two quarters as the larger accounts tend to take time to close.

2005 General & Administrative Accomplishments

Management closed a subscription agreement by which three institutional investors purchased \$1.4M in unsecured debt from the Company. The subscription agreement, including notes and warrants if fully exercised, will bring the aggregate gross proceeds realized to approximately \$3.96M for the Company.

The Wizzard Internal System, which was created as an internal workflow system to run a substantial portion of Wizzard's internal operations, was updated and ten new modules were added in the first quarter of 2005 covering e-commerce credit card processing, purchase order streamlining, order entry and customer payment scheduling. This system has already made our workers more efficient and management believes that as we continue to improve the processes and procedures of the system our employees will continue to increase their productivity while at the same time the Company's controls and oversights will improve for better compliance with Sarbanes-Oxley regulations.

William McLay was hired as Chief Financial Officer and management believes he will significantly contribute to Wizzard's operational efficiency and future growth.

The Company entered into a Letter of Intent to acquire Interim of Wyoming, a home health care agency. Phase I of our due diligence investigation was completed and management believes the transaction will close in the 2nd quarter of 2005. However, the closing of this transaction is not assured.

Results of Operations.

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Three Months Ended March 31, 2005 and 2004.

During the quarterly period ended March 31, 2005, Wizzard recorded revenues of \$223,561, a 130.3% increase from revenues of \$97,064 in the first quarter of 2004. The increase for the first quarter of 2005 was due primarily to increased sales of AT&T and IBM runtimes.

Cost of goods sold totaled \$143,006 in the first quarter of 2005, versus \$78,612 in the first quarter of 2004. This increase of approximately 81.9% is attributed primarily to the increased volume of sales. Wizzard posted a gross profit of \$80,555 in the first quarter of 2005, a 337% increase versus a gross profit of \$18,452 in the first quarter of 2004.

In the quarter ended March 31, 2005, operating expenses totaled \$1,883,146 which was a 46.5% increase over operating expenses of \$1,285,234 in the first quarter of 2004 due in large part to a one time, non-cash impairment of goodwill of \$1,191,967 as a result of merging our Delaware subsidiary into our Colorado corporation. Continuing the break out of our operating expenses, our selling expense in the first quarter of 2005 was \$43,640 versus \$69,481 in 2004. Our general and administrative expenses were \$502,053 in 2005 versus \$230,333 in 2004 due in part to \$54,900 in non-cash consultant compensation, and \$48,372 in non-cash employee compensation as well as an increase in legal fees from acquisition and financing related work. The increase in our general and administrative expenses was also partly due to the inclusion of Medivox' general and administrative expenses. Research and Development expenses were \$4,486 versus \$0 in 2004. In 2004 we had an expense of \$160,420 for the re-pricing of warrants which we did not incur in the first quarter of 2005. Our non cash expense for investor relations was \$141,000 in the first quarter of 2005 versus \$825,000 in the first quarter of 2004.

In the quarter ended March 31, 2005, Wizzard incurred a non cash interest expense of \$1,400,000 for amortization of discount in conjunction with our

\$1,400,000 note we sold to three separate institutional investors. Total interest expenses for the first quarter of 2005 were \$1,413,206 versus \$10,158 in the first quarter of 2004.

Wizzard's net loss was \$3,215,797, or \$0.12 per share, in the quarter ended March 31, 2005. This represents a 152% increase from our net loss of \$1,276,940, or \$0.06 per share, in the first quarter of 2004. This increase in net loss is in large part attributed to two, one-time, non-cash expenses mentioned above for the goodwill impaired as a result of the internal merger of the Wizzard Delaware and Wizzard Colorado companies and the interest incurred for the amortization of the discount on the warrants and note we sold when closing \$1.4M in unsecured debt.

Liquidity and Capital Resources.

Cash on hand was \$1,749,442 at March 31, 2005, an increase of \$778,574 over the \$970,868 on hand at December 31, 2004. This change was due to cash provided by financing activities. For the three months ended March 31, 2005, we received \$1,400,000 when we closed a 5% convertible note subscription agreement and \$146,226 in proceeds from the exercise of warrants, and paid \$25,076 in notes payable to a related party. Cash used in operations for the three months ended March 31, 2005 was \$210,709, a decrease of approximately 34.6% over the \$322,179 cash used in operations for the three months ended March 31, 2004. Cash used in investing activities for the three months ended March 31, 2005 consisted of \$6,701 for the purchase of needed office equipment updates.

The Company used common stock to pay \$244,272 in consulting, investor relations and employee services during the three months ended March 31, 2005. In so doing, we believe we have conserved Wizzard's cash liquidity for operational purposes.

The Company believes it is still in the early stages of the new and developing speech technology market and estimates it will require

approximately \$120,000 per month to maintain current operations. The Company has been successful over the past nine years in obtaining working capital and will continue to seek to raise additional capital from time to time as needed and until profitable operations can be established.

Looking Forward

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Looking Forward Technology and Services Group

Over the next 12 months we plan to continue to execute our current business plan, focusing our efforts on speech technology business solutions for programmers and enterprise businesses interested in incorporating and using speech technologies for their workforce and in their products and services. We plan to continue to expand our efforts in attracting customers to use our VoiceTools product line as well as our customized programming and consulting services through the leads we generate by distributing our Voice Tools, IBM's OEM ViaVoice desktop products and AT&T's OEM Natural Voices desktop and telephony products, on a worldwide basis.

The Technology & Services Group plans to increase outbound, proactive sales calls while utilizing ever growing referrals from satisfied customers and rewarding current customers with marketing assistance on the Wizzard web site. The Group will have a significant presence at the annual SpeechTEK industry trade show in New York City in August.

Additionally, the Technology and Solutions Group plans to increase management focus on revenue growth and profit by significantly expanding our TTS market footprint through the recent addition of AT&T's Natural Voices TTS Server product, the recent launching of IBM's TTS for Linux product into relevant target markets and expanding our speech recognition market penetration with the new WizzScribe product, based on IBM's large vocabulary server based batch processing product line, into the call center and home health care markets. Management plans to increase revenues through the cross selling of our Consulting Packages, Support Packages and Commercial Distribution Licenses to customers acquired through leads from the sales of

our own and our partner's programming tools and runtime engines. Management feels that in addition to our strong line of past speech offerings, the three new products we recently received as a result of our expansion of current agreements with IBM and AT&T, our Technology and Solutions Group revenue contribution to Wizzard Software should increase significantly over the next twelve months.

Finally, management believes that in addition to previously mentioned target markets, the growing number of government rules and regulations and the slow but progressive enforcement of these rules and regulations could make the adoption of speech technology more widespread than previously anticipated. While the market for selling speech products to blind individuals is limited to the number of blind individuals, the market for complying with rules requiring a company's products and services be accessible to the blind, is significantly larger. Public restaurants provide an example: While the overall number of handicapped individuals frequenting an establishment may be small, they still have to have handicapped parking and handicapped accessible restrooms. If an airline is offering an internet only special the question now becomes, is the internet accessible to everyone? How does a blind person take advantage of an internet only special fare? Speech technology can help and we believe the market for speech technology, as an accessibility/compliance providing technology, could be the defining market for our business and what compels widespread adoption.

Looking Forward - Products and Channels Group (MedivoxRx Technologies)

The Products and Channels Group plans to focus its near term future efforts on Wizzard's newly acquired MedivoxRx business and its Talking Pill Bottle product line. The Group plans to begin installations of its recently completed Automated Pharmacy product in both government and retail pharmacies in the U.S. along with the launch of its Home Kit independent living product line in retail pharmacies in the U.S. Currently, MedivoxRx is focusing its

efforts on marketing the retail Home Kits to individual and small chains of pharmacies along with marketing its pharmacy solution to the national retail pharmacy chains. The initial efforts have show great promise with several pharmacies purchasing and reselling our products in the first three months of the campaign launch. MedivoxRx has retained a telemarketing service and is currently targeting the states of Illinois and Maryland with impressive results in the early stages of the marketing campaign while at the same time finalizing efforts with a national medical distributor to carry the product nationwide.

The Products and Channels Group will attend and speak at several pharmaceutical and industry relevant trade shows to increase demand for the Talking Pill Bottle. In addition to the expanding sales efforts, MedivoxRx plans to increase its lobbying efforts of insurance companies and government regulators encouraging Medicare and insurance companies to realize the benefits of the Talking Pill Bottle and cover its cost for deserving individuals.

Looking Forward - General & Administrative

In order to pursue acquisitions and fund operations in 2005, Wizzard sold \$1.4M in debt and continues to receive small investments through the exercise of its warrants. Wizzard plans to continue to work towards our quarterly positive cash flow goal based on expanding revenues. After nine years of operating Wizzard, management confidently feels our funding methods and efforts to become profitable will limit dilution for our shareholders and allow for the funding of operations over the next 12 months.

Looking Forward - New Products Group

The key emphasis for the future of computing is the creation of the "simple and practical" user interface. Wizzard believes that Speech Technologies, applied properly, can be a major part of the future user interface of technology.

Business customers and general consumers now demand data manipulation, personal entertainment and communications functions be integrated into a single hand held device. The Wizzard New Products Group is charged with

finding new ways to allow speech and telecommunications to work together. Although speech technology is well entrenched in the Accessibility, Home Health Care and Telemedicine fields, the Wizzard New Products Group will continue to search for new, effective, and appropriate applications in these areas. On the desktop and throughout the enterprise the New Products Group continues to explore new directions to push the envelope towards specialized speech interfaces for casual, corporate and medical purposes.

Looking Forward - Acquisition Strategy

Wizzard's management feels that by adding speech technology to a traditional product/industry, operating within traditional margins and traditional valuations, it can merit more technology oriented margins and valuations. This can directly increase value for shareholders by increasing profit margins and future potential for revenue growth.

To elaborate, Wizzard believes speech technology, applied properly, can significantly impact a product/industry. We feel that we will demonstrate this with our recent acquisition of MedivoxRx and its Talking Pill Bottle product line. With the addition of speech technology to the bottle, allowing for increased compliance with prescription medication instructions, customers (pharmacies, drug manufacturers and individual users), will be willing to pay more, we believe, for the newly resulting "technology" based product. With higher profit margins and the potential for additional add-on technology based features, we believe a company offering this new "technology" based traditional product would merit a higher valuation than a traditional prescription pill bottle manufacturer/distributor.

As a result of this belief, Wizzard plans to make strategic acquisitions over the next twelve months to capitalize on the ability of speech technology to significantly increase the value of businesses. Wizzard can directly make money for its shareholders by owning businesses where speech can have the most profound impact on a product/industry as well as indirectly by increasing demand of speech technology from competitors in these industries. If forced

to compete with a new "technology" based speech product, Wizzard can benefit from increased sales of its speech tools and speech engines.

In addition to potential acquisitions to compliment our Talking Pill Bottle, Wizzard management has identified several industries where the above mentioned increased valuation model can be applied: Prescription Packaging Industry, Corporate Pharmacies, Transcription Industry, Home Health Care Agencies and the Call Center Industry. Of all previously mentioned industries, management feels that Home Health Care Agencies offers the most compelling opportunity to demonstrate how speech can have a significant, bottom-line impact on a business.

Home Health Care Agencies

In the medical industry, data integration gaps have been widening in conjunction with an increase in paperwork which is driving up costs for all health care providers.

The industry goal is to make data integration easier on front and back ends while reducing repetitive paperwork, and speech technology will play a key role in both. Home health care is a very profitable, fragmented, high growth sector but, in terms of workflow, it is also the least standardized.

Wizzard is focused on Home Health Care Agency acquisitions because we have the specialized expertise needed to increase their operational efficiency via speech technology applications that traditional IT providers lack. Long-term, the speech-enhanced solutions we build for agencies in home health care can be quickly adopted by the rest of the home health industry as well as the entire medical industry.

Safe Harbor Statement.

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Statements made in this Form 10-QSB which are not purely historical are forward-looking statements with respect to the goals, plan objectives, intentions, expectations, financial condition, results of operations, future

performance and business of the Company, including, without limitation, (i) our ability to gain a larger share of the speech recognition software industry, our ability to continue to develop products acceptable to that industry, our ability to retain our business relationships, and our ability to raise capital and the growth of the speech recognition software industry, and (ii) statements preceded by, followed by or that include the words "may", "would", "could", "should", "expects", "projects", "anticipates", "believes", "estimates", "plans", "intends", "targets", "tend" or similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond the Company's control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following, in addition to those contained in the Company's reports on file with the SEC: general economic or industry conditions, nationally and/or in the communities in which the Company conducts business, changes in the interest rate environment, legislation or regulatory requirements, conditions of the securities markets, changes in the software industry, the development of products that may be superior to the products offered by the Company, demand for financial services, competition, changes in the quality or composition of the Company's products, our ability to develop new products, our ability to raise capital, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting the Company's operations, products, services and prices.

Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. The Company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Item 3. Controls and Procedures.

Material Weakness - We maintain disclosure controls and procedures designed to ensure that financial information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the required time periods, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding disclosure.

In connection with the completion of its audit of, and the issuance of its report on, our consolidated financial statements for the year ended December 31, 2004, Gregory & Eldredge, LLC identified deficiencies that existed in the design or operation of our internal control over financial reporting that it considered to be "material weaknesses." The Public Company Accounting Oversight Board had defined a material weakness as a "significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected."

The material weakness identified relate to:

- * the lack of sufficient knowledge and experience among the internal accounting personnel regarding the application of US GAAP and SEC requirements;

- * insufficient written policies and procedures for accounting and financial reporting with respect to the current requirements and application of US GAAP and SEC disclosure requirements; and

- * segregation of duties, in that we had only one person performing all accounting-related duties.

We believe that this material weakness has existed from the Company's inception, although it was only brought to light in connection with the relatively new requirement that management present its assessment of the effectiveness of its internal controls under Section 404 of the Sarbanes-Oxley Act of 2002.

As required by Rule 13a-15(b) of the Securities and Exchange Commission, and as of the end of the period covered by this Report, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, or the persons performing similar functions, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2005. Based on this evaluation, our President/Treasurer has concluded that the Company's controls and procedures as of March 31, 2005, are not effective. This is management's conclusion, despite the compensating control provided by the significant day-to-day involvement of the Company's Chief Executive Officer in all aspects of the Company's operations in a small company atmosphere, and the Company's engagement of an outside professional with sufficient expertise in the application of US GAAP and SEC requirements.

The significant day-to-day involvement of our Chief Executive Officer includes:

- * his approval of all new hires and all Company purchases over the amount of \$500;

- * the requirement that all checks over the amount of \$2,500 bear two signatures, one of which must be the Chief Executive Officer's signature;

- * his approval of all transactions requiring credit approval; and

- * his involvement in the analysis and approval of all acquisitions and dispositions of assets.

These policies have been in place since Wizzard's inception.

The outside accounting professional was engaged during the first quarter of 2005 to advise the Company in the preparation of its financial statements and Form 10-KSB for the calendar year ended December 31, 2004. This outside professional has significant expertise in the application of US GAAP and SEC requirements, which has compensated for the lack of such expertise within the

Company prior to the hiring of our new Chief Financial Officer, as discussed below. The fees for the outside professional's services have totaled approximately \$825. This professional is not associated with our independent public accounting firm.

The Company will continue to monitor, assess and work to improve the effectiveness of our internal control procedures related to internal controls, financial reporting and certain entity-wide controls related to corporate governance in order to comply with Section 404 of the Sarbanes Oxley Act of 2002.

We believe that each of these material weaknesses existed at March 31, 2005.

There have been the following changes in our internal control over financial reporting during our last fiscal quarter ended March 31, 2005, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting:

- * the hiring of William F. McLay as our Chief Financial Officer on April 4, 2005, and the education of Messrs. Spencer and Geronian and our accounting staff about GAAP and Securities and Exchange Commission requirements;

- * we updated and added 10 new modules to our internal workflow system to cover e-commerce credit card processing, purchase order streamlining, order entry and customer payment scheduling. This system has already made our workers more efficient and management believes that as we continue to improve the processes and procedures of the system our employees will continue to increase their productivity while at the same time the Company's controls and oversights will improve for better compliance with Sarbanes-Oxley regulations. This system provides a platform for us to determine where we should undertake additional segregation of duties among our employees and for determining how we can otherwise improve our disclosure controls and procedures; and

- * the segregation of accounting duties that had formerly been performed

by one person among three persons, including Mr. McLay. As we continue to incorporate written policies and procedures for accounting and financial reporting, we will continue to implement additional segregation of duties.

We believe that these steps have fully addressed the first material weakness identified above. Under the supervision of Mr. McLay, we are actively working on implementing written policies and procedures that will fully address the second material weakness, which we believe still exists. We expect that this process may take up to 12 months. As we continue to refine our internal workflow system and our written policies and procedures, we believe that we will identify other areas in which we can further segregate our employees' duties. Although we have taken significant steps to address this material weakness, we believe that it will continue to exist until we have fully addressed the written policies and procedures material weakness.

The principal cost associated with our remediation of these material weaknesses has been the hiring of Mr. McLay, whose annual compensation totals approximately \$100,000. The other remedial actions are being undertaken as part of Mr. McLay's job description, or the job descriptions of other already existing employees, which has not resulted in any additional increased costs. During the next 12 months, we expect to retain outside consultants to advise us and test our Sarbanes-Oxley compliance. We expect that the cost of these consultants will be approximately \$50,000, and that our cash on hand will be sufficient to pay this expense. This figure is in addition to the amount that we have paid to the outside professional to assist with the preparation of our financial statements and Form 10-KSB for the calendar year ended December 31, 2004. Mr. McLay, who was hired as our Chief Financial Officer in April, 2005, has assumed the duties that had been performed by this professional.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None; not applicable.

Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities.

The following table provides information about all "unregistered" and "restricted" securities that Wizzard has sold during the quarterly period ended March 31, 2005, which were not registered under the Securities Act of 1933, as amended:

<TABLE>
<CAPTION>

Name of Owner -----	Date Acquired -----	Number of Shares -----	Aggregate Consideration -----
<S>	<C>	<C>	<C>
Bruce Phifer at	2-11-05	5,000	Services valued \$12,200
Arthur Douglas services & Associates \$141,000	2-15-05	60,000	Consulting valued at

</TABLE>

On February 8, 2005, we closed a Subscription Agreement by which three institutional investors (collectively, the "Subscribers") purchased:

* 5% convertible promissory notes having a total principal amount of \$1,400,000, convertible into 933,333 shares of the Company's common stock at a price of \$1.50 per share;

* Class A Warrants to purchase a total of 466,667 shares of common stock at a price of \$2.50 per share, exercisable for three years; and

* Class B Warrants to purchase a total of 933,334 shares of common stock at a price of \$1.50 per share, exercisable until 150 days after the effective date of the Registration Statement described below.

Pursuant to the terms of the Subscription Agreement, on March 31, 2005, we filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form SB-2 providing for the registration of all shares issuable upon conversion of the promissory notes and the warrants. As of the date of this Report, the Commission has not yet declared the Registration Statement effective. On February 9, 2005, we filed with the Commission a Current Report on Form 8-K disclosing the terms of the Subscription Agreement. See Part II, Item 6 of this Report.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

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

None; not applicable.

Item 5. Other Information.

On March 18, 2005, we executed a Letter of Intent regarding the acquisition of all of the assets of Interim Health Care of Wyoming, Inc., a Wyoming corporation ("Interim"). As of the date of this Report, we have not entered into any definitive agreement with Interim, and we can not provide any assurance that the potential acquisition will be completed. We filed a Current Report on Form 8-K with respect to this matter on March 22, 2005. See Part II, Item 6 of this Report.

On April 4, 2005, which is subsequent to the period covered by this Report, our Board of Directors unanimously consented to the appointment of William F. McLay as our Chief Financial Officer, to serve in that capacity until the next annual meeting of our Board of Directors or his prior resignation or termination. We filed a Current Report on Form 8-K with respect to this matter on May 4, 2005. See Part II, Item 6 of this Report.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

31 - 302 Certification of Christopher J. Spencer

32 - 906 Certification.

(b) Reports on Form 8-K.

8-K Current Report dated February 8, 2005, and filed with the Commission on February 9, 2005, regarding Subscription Agreement with three institutional investors.*

8-K Current Report dated March 18, 2005, and filed with the Commission on March 22, 2005, regarding Letter of Intent with Interim.*

8-K Current Report dated April 4, 2005, and filed with the Commission on May 4, 2005, regarding the appointment of William F. McLay as our Chief Financial Officer.*

* Summaries of these Current Reports are modified in their entirety by reference thereto. These documents and related exhibits have previously been filed with the Commission and are incorporated herein by reference.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

WIZZARD SOFTWARE CORPORATION

Date: 8/11/05

Director,

/s/ Christopher J. Spencer

Christopher J. Spencer,
CEO, President and Treasurer

Date: 8/12/05

/s/ Armen Geronian

Armen Geronian, Director
Secretary

Date: 8/15/05

/s/ Gordon Berry

Gordon Berry, Director

Date: 8/12/05

/s/ Alan Costilo

Alan Costilo, Director

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Exhibit 31

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

I, Christopher J. Spencer, President, CEO and Treasurer of Wizzard Software Corporation (the "small business issuer"), certify that:

1. I have reviewed this amended quarterly report on Form 10-QSB/2 of the small business issuer;

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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

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

b) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report my

conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Dated: 8/15/05
Spencer

Signature: /s/ Christopher J.

Christopher J. Spencer
President, CEO and

Treasurer

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Exhibit 32

CERTIFICATION 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 Amended Quarterly Report of Wizzard Software Corporation (the "Registrant") on Form 10-QSB/A-2 for the period ending March 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Christopher J. Spencer, President, CEO and Treasurer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

Date: 8/15/05

/s/Christopher J. Spencer
Christopher J. Spencer
President, CEO, Treasurer and
director