

COMPANY DATA:

COMPANY CONFORMED NAME: WIZZARD SOFTWARE
CORP /CO
CENTRAL INDEX KEY: 0001074909
STANDARD INDUSTRIAL CLASSIFICATION: SERVICES-PREPACKAGED
SOFTWARE [7372]
IRS NUMBER: 870575577
STATE OF INCORPORATION: CO
FISCAL YEAR END: 1231

FILING VALUES:

FORM TYPE: 10QSB
SEC ACT: 1934 Act
SEC FILE NUMBER: 000-33381
FILM NUMBER: 061215740

BUSINESS ADDRESS:

STREET 1: 5001 BAUM BOULEVARD
STREET 2: SUITE 770
CITY: PITTSBURGH
STATE: PA
ZIP: 15213
BUSINESS PHONE: 4126210902

MAIL ADDRESS:

STREET 1: 5001 BAUM BOULEVARD
STREET 2: SUITE 770
CITY: PITTSBURGH
STATE: PA
ZIP: 84121

FORMER COMPANY:

FORMER CONFORMED NAME: BALANCED LIVING INC
DATE OF NAME CHANGE: 19981208

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

FORM 10-QSB

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

For the quarter ended September 30, 2006

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

87-0609860

(State or Other Jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

5001 Baum Boulevard, Suite 770
Pittsburgh, Pennsylvania 15213

(Address of Principal Executive Offices)

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

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

(1) Yes No (2) Yes No
 --- --- --- ---

Indicate by check mark whether the Issuer is a shell company (as defined by Rule 12b-2 of the Exchange Act) Yes No

 --- ---

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:

November 10, 2006

Common 34,081,522 shares

Transitional Small Business Issuer Format Yes 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 Unaudited Consolidated Financial Statements fairly present the financial condition of the Company.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2006

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES UNAUDITED CONSOLIDATED BALANCE SHEET

ASSETS

September 30,
2006

CURRENT ASSETS:

Cash	\$ 133,365	
Accounts receivable, net of \$51,738 allowance		431,506
Inventory, net of \$55,290 allowance		13,437
Prepaid expenses	83,719	
Total current assets	<u>662,027</u>	
LEASED EQUIPMENT, net		115,871
PROPERTY AND EQUIPMENT, net		82,455
GOODWILL	1,200,205	
OTHER ASSETS		3,582
Total assets	<u>\$ 2,064,140</u>	

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 115,257	
Accrued expenses	78,174	
Capital lease current portion	35,250	
Notes payable	674,999	
Contingent payable on acquisition	99,265	
Total current liabilities	<u>1,002,945</u>	
CAPITAL LEASE, less current portion		93,020
Total liabilities	<u>\$ 1,095,965</u>	

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, 33,899,157 shares issued and outstanding		33,899
Additional paid-in capital	23,520,891	
Accumulated deficit	(22,586,615)	
Total stockholders' equity	<u>968,175</u>	
Total liabilities and stockholders' equity	<u>\$ 2,064,140</u>	

The accompanying notes are an integral part of this unaudited consolidated

financial statement.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
REVENUE				RESTATED
Software	\$ 210,751	\$ 196,929	\$ 612,652	\$ 703,898
Healthcare	608,839	172,788	1,591,375	180,900
	-----	-----	-----	-----
Total Revenue	819,590	369,717	2,204,027	884,798
COST OF GOODS SOLD				
Software	94,706	97,610	313,863	362,357
Healthcare	369,969	110,064	976,050	124,037
	-----	-----	-----	-----
Total Cost of Goods Sold	464,675	207,674	1,289,913	486,394
	-----	-----	-----	-----
Gross Profit	354,915	162,043	914,114	398,404
	-----	-----	-----	-----
OPERATING EXPENSES				
Selling expenses	168,283	121,652	393,341	342,448
General and administrative	1,417,769	1,398,260	2,764,527	2,643,539
Research and development	21,507	14,360	44,675	55,689
Compensation for re-pricing warrants	-	-	606,668	-
Impairment of goodwill	-	-	-	1,191,967
	-----	-----	-----	-----
Total Expenses	1,607,559	1,534,272	3,809,211	4,233,643
	-----	-----	-----	-----
LOSS FROM OPERATIONS	(1,252,644)	(1,372,229)	(2,895,097)	(3,835,239)
	-----	-----	-----	-----
OTHER INCOME (EXPENSE):				
(Loss) on disposal of assets	-	(4,520)	(9)	(4,520)
Interest income	-	3,581	-	3,581
Interest expense	(14,182)	(55,128)	(421,687)	(1,507,193)
Other income	2,304	-	105,817	-

Total Other Income				
(Expense)	(11,878)	(56,067)	(315,879)	(1,508,132)

LOSS BEFORE INCOME				
TAXES	(1,264,522)	(1,428,296)	(3,210,976)	(5,343,371)
CURRENT INCOME TAX EXPENSE	-	-	-	-
DEFERRED INCOME TAX EXPENSE	-	-	-	-

NET LOSS	\$(1,264,522)	\$(1,428,296)	\$(3,210,976)	\$(5,343,371)

BASIC AND DILUTED LOSS				
PER COMMON SHARE:	\$ (0.04)	\$ (0.05)	\$ (0.09)	\$ (0.17)

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

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine
Months Ended
September 30,

	2006	2005	
Cash Flows from Operating Activities:			RESTATED
Net loss	\$(3,210,976)	\$(5,343,371)	

Adjustments to reconcile net loss to net cash
used in operating activities:

Amortization of discount on notes payable	-	1,400,000	
Compensation for extension of debt	382,500	-	
Compensation for re-pricing warrants	606,668	-	
Stock for non cash expenses	1,361,202	1,504,621	
Impairment of goodwill	-	1,191,967	
Non-cash compensation options issued	99,736	-	
Depreciation and amortization expense	53,848	27,497	
Change in allowance for bad debt	(23,000)	-	
Change in allowance for slow moving inventory	(6,390)	-	
Change in assets and liabilities:			
Accounts receivable	(109,126)	(19,097)	

Inventory	9,831	10,908
Prepaid expenses	(57,205)	56,390
Accounts payable	(99,696)	166,309
Accrued expense	(18,193)	8,216
Deferred revenue	(13,311)	-
	-----	-----
Net Cash Used in Operating Activities	(1,024,112)	(996,560)
	-----	-----
Cash Flows from Investing Activities:		
Purchase of property & equipment	(6,226)	(20,371)
Proceeds from sale of property & equipment	-	3,000
Acquisition of Switchpod	202	-
Acquisition of Interim	-	(483,347)
	-----	-----
Net Cash Used in Investing Activities	(6,024)	(500,718)
	-----	-----
Cash Flows from Financing Activities:		
Proceeds from the issuance of common stock	560,004	146,228
Proceeds from issuance of convertible note payable	-	1,400,000
Payments on capital lease	(26,204)	-
Payments on note payable	(239,576)	(28,546)
	-----	-----
Net Cash Provided by Financing Activities	294,224	1,517,682
	-----	-----
Net Increase (Decrease) in Cash	(735,912)	20,404
Cash at Beginning of Period	869,277	445,702
	-----	-----
Cash at End of Period	\$ 133,365	\$ 466,106
	=====	=====

Supplemental Disclosures of Cash Flow Information:

Cash paid during the periods for:

Interest	\$ 8,777	\$ 6,477
Income taxes	\$ -	\$ -

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Supplemental Schedule of Non-cash Investing and Financing Activities:

For the nine months ended September 30, 2006:

On January 19, 2006, the Company issued 110,000 restricted common

shares valued at \$180,000 for consulting services.

On January 23, 2006, the Company issued 50,330 common shares upon the exercise of options valued at \$84,189 to employees and non-employees for services rendered.

On March 23, 2006, the Company issued 55,628 common shares in payment of a \$75,000 note payable and \$854 of accrued interest.

On March 29, 2006, the Company issued 55,672 common shares in payment of a \$75,000 note payable and \$917 of accrued interest.

On April 20, 2006, the Company issued 97,153 common shares in payment of a \$125,000 note payable and \$7,482 of accrued interest.

On April 20, 2006, the Company issued 45,100 common shares valued at \$75,850 to employees and non-employees for services rendered.

On May 12, 2006, the Company recorded a \$606,668 expense for the re-pricing of 513,334 warrants to purchase common stock from an exercise price of \$2.27 per share reduced to \$1.09 per share. The warrants were immediately exercised.

On May 18, 2006, the Company issued 247,500 shares of restricted common stock valued at \$382,500 to the holders of the 5% notes payables to extend the maturity date of the 5% notes payable to December 28, 2006.

On May 18, 2006, the Company issued 1,925 common shares upon the exercise of options valued at \$2,975 to non-employees for services rendered.

During May, 2006, the Company issued 54,978 restricted common shares valued at \$84,150 for consulting services.

On July 12, 2006, the Company issued 125,714 restricted common shares valued at \$204,572 to acquire the assets of Switchpod, where in, the Company acquired \$202 in cash and \$204,370 in goodwill.

During July, 2006, the Company issued 558,800 restricted common shares valued at \$868,200 for investor relation services.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

On July 24, 2006, the Company issued 38,390 common shares upon the exercise of options valued at \$57,585 to employees and non-

employees for services rendered.

On July 24, 2006, the Company issued 5,500 restricted common shares valued at \$8,250 for consulting services.

During September 2006, the Company recorded a liability of \$99,265 related to the acquisition of Interim for Interim attaining Phase I Incentive. The payment will be made with the issuance of additional shares of Common Stock valued at \$74,449 and \$24,816 in cash. Had the stock been issued at September 30, 2006, 44,314 shares would have been issued, see footnote 12, Commitment and Contingencies.

For the nine months ended September 30, 2005:

The Company issued 40,700 common shares valued at \$72,874 for consulting services.

The Company issued 33,825 common shares upon the exercise of options valued at \$67,375 for consulting services.

The Company issued 726,000 common shares valued at \$1,316,000 for investor relations services.

The Company issued 22,939 common shares valued at \$48,372 to 18 employees and non-employees for the exercise of options.

The Company issued 324,755 common shares upon conversion of \$290,000 in principal and \$2,848 in accrued interest on convertible note payable.

The Company issued 865,593 common shares for the purchase of the remaining 5% minority shares of WSC. The resulting goodwill of \$1,191,967 was impaired immediately.

The Company paid \$518,000 and issued 221,149 common shares valued at \$386,006 to acquire Interim where in the Company acquired \$34,653 in cash, \$389,705 in accounts receivable, \$1,130 in inventory, \$177,478 in property & equipment, \$896,570 in goodwill, \$79,644 in accounts payable, \$63,466 in accrued expenses, \$250,000 in note payable, \$162,906 in capital lease obligation, and \$39,514 in deferred revenue.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Consolidated 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 September 30, 2006 and 2005 and for the periods then ended have been made. The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-QSB of the Securities and Exchange Commission. 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 consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2005 audited financial statements. The results of operations for the three months and nine months ended September 30, 2006 and 2005 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 operates in two industry segments, Software and Healthcare. The Software segment engages primarily in the development, sale, and service of custom and packaged computer software products. On September 8, 2005, Parent purchased all of the issued and outstanding shares of Interim Healthcare of Wyoming, Inc. ["Interim"], a Wyoming corporation, in a transaction accounted for as a purchase. Interim engages primarily in providing healthcare services in Wyoming. On July 12, 2006, the Parent purchased all of the assets of Switchpod Technologies ["Switchpod"]. Switchpod engages primarily in providing podcast hosting services. On September 8, 2006, the Parent purchased the assets of Blastpodcast Inc. ["Blastpodcast"]. Blastpodcast engages primarily in providing podcast hosting services.

Consolidation - The financial statements presented reflect the accounts of Parent, MedivoxRx and Interim. All significant inter-company transactions have been eliminated in consolidation.

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

Reclassification The financial statements for the period ended prior to September 30, 2006 have been reclassified to conform to the headings and classifications used in the September 30, 2006 financial statements.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - At September 30, 2006, the Company had cash balances of \$7,608 in excess of federally insured limits.

Accounts Receivable - Accounts receivable consist of trade receivables arising in the normal course of business. At September 30, 2006, the Company has an allowance for doubtful accounts of \$51,738 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. During the nine months ended September 30, 2006 and 2005, the Company decreased the allowance for bad debt by \$23,000 and \$0, respectively.

Inventory - Inventory consists of software, health care products and supplies and is carried at the lower of cost or market on a first in first out basis. During the nine months ended September 30, 2006 and 2005, the Company decreased the allowance for slow moving inventory by \$6,399 and \$0, respectively.

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

Goodwill and Definite-life intangible assets - The Company accounts for Goodwill and definite-life intangible assets in accordance with provisions of Statement of Financial Accounting Standards "SFAS" No. 142, "Goodwill and Other Intangible Assets". Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead are tested for impairment at least annually in accordance with the provisions of SFAS No. 142. Impairment losses arising from this impairment test, if any, are included in operating expenses in the period of impairment. SFAS No. 142 requires that definite intangible assets with estimable useful lives be amortized over their respective estimated useful lives, and reviewed for impairment in accordance with SFAS No. 144, Accounting for Impairment or Disposal of Long-Lived Assets.

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 require 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 September 30, 2006.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss Per Share - The Company computes loss per share in accordance with Statement of Financial Accounting Standards "SFAS" No. 128 "Earnings Per Share," which requires the Company to present basic earnings per share and diluted earnings per share when the effect is dilutive (see Note 10).

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.

Advertising Costs - Advertising costs are expensed as incurred and amounted to \$74,807 and \$89,053 for the nine months ended September 30, 2006 and 2005, respectively.

Fair Value of Financial Instruments - The fair value of cash, accounts receivable, accounts payable and notes payable are determined by reference to market data and by other valuation techniques as appropriate. Unless otherwise disclosed, the fair value of financial instruments approximates their recorded values due to their short-term maturities.

Revenue Recognition - 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.

Software - 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. Provisions are recorded for bad debts and at September 30, 2006 and 2005 amounted to \$0. 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.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Healthcare - The Company recognizes revenue when the healthcare services are provided and collection is probable. Revenues for the talking pill bottle are recognized when the product is shipped and collections are probable.

Stock Options - The Company has stock option plans that provide for stock-based employee compensation, including the granting of stock options, to certain key employees. The plans are more fully described in Note 9. Prior to January 1, 2006, the Company applied APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations in accounting for awards made under the Company's stock-based compensation plans. Under this method, compensation expense was recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price.

During the periods presented in the accompanying financial statements, the Company has granted options under its 2004, 2005 and 2006 defined stock options plans. The Company has adopted the provisions of SFAS No. 123R using the modified-prospective transition method and the disclosures that follow are based on applying SFAS No. 123R. Under this transition method, compensation expense recognized during the nine months ended September 30, 2005 included: (a) compensation expense for all share-based awards granted prior to, but not yet vested as of January 1, 2006, and (b) compensation expense for all share-based awards granted on or after January 1, 2006. Accordingly, non-cash compensation cost of \$99,736 has been recognized for grants of options to employees and directors in the accompanying statements of operations with an associated recognized tax benefit of \$0 and \$0 of which \$0 and \$0 was capitalized as an asset for the three and nine months ended September 30, 2006. In accordance with the modified-prospective transition method, the Company's financial statements for the prior year have not been restated to reflect, and do not include, the impact of SFAS 123R. 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 2005 consistent with the provisions of SFAS No. 123R, the Company's net loss and basic net loss per common share would not have changed.

Research and Development Cost - The Company expenses the cost of developing new products as incurred as research and product development costs. Included

in general and administrative expense for the nine months ended September 30, 2006 and 2005 are \$45,018 and \$55,689, respectively, of research and development costs associated with the development of new products.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restatement - The financial statements have been restated to record \$44,861 in payroll liabilities associated with stock issued to employees during 2005 and 2004. The effect on the financial statements increased accumulated deficit by \$44,861 and increased general and administrative expense from \$2,635,323 to \$2,643,539 and increased the net loss from \$5,335,155 to \$5,343,371 for the nine months ended September 30, 2005. The restatement had no effect on the stated net loss per share for the nine months ended September 30, 2005. Subsequent to September 30, 2006, the Company effected an 11 for 10 forward stock split. All references to stock issuances have been reflected in these financial statements.

NOTE 2 - GOING CONCERN

The accompanying unaudited 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's current liabilities are in excess of current assets, and the Company has incurred significant losses and 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 financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 3 - INVENTORIES

The following is a summary of inventories:

September 30, 2006		
Raw materials	\$	56,327
Finished goods		12,400
Less: Allowance for obsolete inventory		(55,290)

	\$	13,437

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - PROPERTY & EQUIPMENT

The following is a summary of property and equipment at:

	Life	2006	
Furniture, fixtures and equipment	2 - 10 yrs	\$ 174,249	
Production molds	3 yrs	47,710	
Software	2 5 yrs	11,964	

		233,923	
(Less) Accumulated Depreciation			(151,468)

Property & Equipment, net			\$ 82,455

Depreciation expense for the nine months ended September 30, 2006 and 2005 was \$29,875 and \$27,497, respectively.

The following is a summary of leased equipment at:

	Life	2006	
Leased Equipment	5.25 Yrs	223,750	
Less: Accumulated Depreciation		(107,879)	

Leased Equipment, net			\$ 115,871

Depreciation expense for the nine months ended September 30, 2006 and 2005 was \$23,973 and \$2,663, respectively.

NOTE 5 GOODWILL / DEFINITE-LIFE INTANGIBLE ASSETS

Intangible Assets - The Company classifies its intangible assets as definite-life intangible assets and amortizes them on a straight-line basis over their estimated useful lives. Amortization expense of \$0 was recorded for the nine months ended September 30, 2006 and 2005.

Goodwill - On September 8, 2005, the Company recorded goodwill of \$896,570 in connection with the acquisition of Interim Health Care of Wyoming as the purchase price of \$904,006 exceeded the \$7,436 net book value of the assets acquired. On September 30, 2006, the company recorded additional goodwill of

\$99,265 in connection with the Phase I Incentives.

On July 12, 2006, the Company recorded goodwill of \$204,370 in connection with the purchase of the assets of Switchpod Technologies. The purchase price of \$204,572 exceeded the \$202 of assets acquired.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 GOODWILL / DEFINITE-LIFE INTANGIBLE ASSETS (Continued)

On September 8, 2006, the Company recorded goodwill of \$40,500 in connection with the purchase of the assets of Blastpodcast. The purchase price of \$40,500 exceeded the value of the assets acquired.

The following is a summary of goodwill:

	For the nine Months ended September 30,	
	2006	2005
Goodwill at beginning of period	\$ 896,570	\$ -
Acquisition of 5% Minority interest	-	1,191,967
Acquisition of Interim	99,265	896,570
Acquisition of Switchpod	204,370	-
Acquisition of Blastpodcast	40,500	-
Impairment of Goodwill	-	(1,191,967)
Goodwill at end of period	<u>\$1,240,705</u>	<u>\$ 896,570</u>

NOTE 6 - NOTES PAYABLE

On February 8, 2005, the Company closed a Subscription Agreement by which three institutional investors purchased promissory notes having a total principal amount of \$1,400,000, convertible into shares of the Company's common stock at a price of \$1.36 per share, and bearing an annual interest rate of five percent; Class A Warrants to purchase a total of 513,334 shares of common stock at a price of \$2.27 per share, exercisable for three years; and Class B Warrants to purchase a total of 1,026,667 shares of common stock at a price of \$1.36 per share, exercisable until 150 days after the effective date of the Registration Statement. In December 2005, the Company re-priced 513,333 of the Class B warrants from \$1.36 to \$1.05 exercise price and was immediately exercised. Also in December 2005, the remaining 513,333 Class B warrants had their life extended one year. In May 2006, the Company re-priced 513,334 of the Class A warrants from \$2.27 to \$1.09 exercise price and were immediately exercised, and the Company issued Class D warrants to purchase a total of 513,334 shares of common stock at a price of \$2.27 per share,

exercisable for three years. On May 4, 2006, the Company issued 247,500 shares of common stock to the holders of the 5% notes payable to extend the maturity date of the 5% notes payable to December 28, 2006.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - CAPITAL LEASE OBLIGATION

The Company is leasing equipment on a 63-month capital lease terminating in August 2008. Monthly payments of \$3,750 began in June 2003 and a payment of \$54,688 is due at termination. During the nine months ended September 30, 2006 and 2005, interest expense on capital lease obligation amounted to \$7,546 and \$972, respectively.

Future minimum capital lease payments are as follows for the twelve-month periods ended:

September 30, 2007	\$ 45,000
September 30, 2008	95,937

Total minimum lease payments	140,937
Less amount representing interest	(12,667)

Present value of minimum lease payments	128,270
Less current portion	(35,250)

	\$ 93,020
	=====

NOTE 8 - CAPITAL STOCK

Preferred Stock The Company has authorized 10,000,000 shares of preferred stock, \$.001 par value. As of September 30, 2006, no shares were issued and outstanding.

Common Stock The Company has authorized 100,000,000 shares of common stock, \$.001 par value. As of September 30, 2006, the Company had 33,899,157 common shares issued and outstanding.

Stock for Services On January 19, 2006, the Company issued 110,000 common shares valued at \$180,000 for consulting services.

On January 23, 2006, the Company issued 50,330 common shares upon the exercise of options valued at \$84,189 to employees and non-employees for services rendered.

On April 20, 2006, the Company issued 45,100 common shares valued at \$75,850

to employees and non-employees for services rendered.

On May 18, 2006, the Company issued 1,925 common shares upon the exercise of options valued at \$2,975 for consulting services.

During May, 2006, the Company issued 54,978 restricted common shares valued at \$84,150 for consulting services.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - CAPITAL STOCK (Continued)

During July, 2006, the Company issued 558,800 restricted common shares valued at \$868,200 for investor relation services.

Conversion of Notes Payable On March 23, 2006, the Company issued 55,628 common shares in payment of a \$75,000 note payable and \$854 of accrued interest.

On March 29, 2006, the Company issued 55,672 common shares in payment of a \$75,000 note payable and \$917 of accrued interest.

On April 20, 2006, the Company issued 97,153 common shares in payment of a \$125,000 note payable and \$7,482 of accrued interest.

On July 12, 2006, the Company issued 125,714 restricted common shares valued at \$204,572 to acquire the assets of Switchpod, where in, the Company acquired \$202 in cash and \$204,370 in goodwill.

On July 24, 2006, the Company issued 38,390 common shares upon the exercise of options valued at \$57,585 to employees and non-employees for services rendered.

On July 24, 2006, the Company issued 5,500 restricted common shares valued at \$8,500 for consulting services.

As of September 30, 2006, the Company was liable for the issuance of additional shares of Common Stock valued at \$74,449 for Interim attaining Phase I Incentive. Had the stock been issued at September 30, 2006, 44,314 shares would have been issued, see footnote 12, Commitment and Contingencies.

Exercise of Warrants On May 12, 2006, the Company issued 513,334 common shares upon exercise of warrants at \$1.09.

On May 18, 2006, the Company issued 247,500 shares of common stock to the holders of the 5% notes payables to extend the maturity date of the 5% notes

payables to December 28, 2006.

Exercise of Warrants - On January 6, 2005, March 18, 2005, and March 28, 2005, the Company issued 4,772, 44,000, and 55,000 common shares, respectively, upon the exercise of warrants at \$1.41 per share.

Conversion of Notes Payable - During 2005, the Company issued 165,000 common shares upon conversion of \$75,000 of the 8% convertible note payable. During 2005, the Company issued 159,755 common shares upon conversion of \$215,000 in principal and \$2,848 in accrued interest of the 5% convertible notes payable.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - CAPITAL STOCK (Continued)

Stock for Services - During 2005, the Company issued 21,450 common shares for consulting services valued at \$39,025

During 2005, the Company issued 33,825 common shares upon the exercise of options for consulting services valued at \$67,375 and the Company issued an additional 726,000 common shares valued at \$1,316,000 for investor relations services.

Stock for Consulting Services - On February 15, 2005, the Company issued 22,939 common shares upon the exercise of options for consulting services valued at \$48,166. On April 11, 2005, the Company issued 11,000 common shares for Consulting Services valued at \$19,000. In August 2005, the Company issued 8,250 common shares for consulting services valued at \$2,475 and employee services valued at \$12,375.

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 865,893 common shares of the Parent for the 865,893 minority shares of WSC.

On September 8, 2005, the Company issued 221,149 common shares as part of the acquisition of Interim Healthcare of Wyoming, Inc.

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 1,026,666 shares of the Company's common stock at a price of \$1.36 per share, plus Class A Warrants to purchase a total of 513,333 shares of common stock at a price of \$2.27 per share, exercisable for three years; and Class B Warrants to purchase a total of 1,026,667 shares of

common stock at a price of \$1.36 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 recorded interest expense of \$1,400,000 for the discount on the note as the note is immediately convertible.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 STOCK OPTIONS AND WARRANTS

2006 Stock Option Plan During 2006, the Board of Directors adopted a Stock Option Plan ("2006 Plan"). Under the terms and conditions of the 2006 Plan, the Board is empowered to grant stock options to employees and officers 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. The total number of shares of common stock available under the 2006 Plan may not exceed 137,500. At September 30, 2006, no options were available to be granted under the 2006 Plan. During the nine months ended September 30, 2006, the Company granted 137,500 options.

2005 Stock Option Plan During 2005, the Board of Directors adopted a Stock Option Plan ("2005 Plan"). Under the terms and conditions of the 2005 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. The total number of shares of common stock available under the 2005 Plan may not exceed 220,000. At September 30, 2006, total options available to be granted under the 2005 Plan totaled 47,294. During the nine months ended September 30, 2006 and 2005, the Company granted 127,495 and 0 options, respectively, which were immediately exercised for service valued at \$206,799 and \$0, respectively.

2004 Stock Option Plan During 2004, the Board of Directors adopted a Stock Option Plan ("2004 Plan"). Under the terms and conditions of the 2004 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. The total number of shares of common stock available under the 2004 Plan may not exceed 220,000. At September 30, 2006, total

options available to be granted under the 2004 Plan totaled 1,100. During the nine months ended September 30, 2006 and 2005, the Company granted 0 and 61,967 options, respectively.

The fair value of option grants during the nine months ended September 30, 2006 and 2005 was determined using the Black-Scholes option valuation model. The significant weighted average assumptions relating to the valuation of the Company's Stock Options for the nine months ended September 30, 2006 and 2005 were as follows:

	2006	2005
Dividend yield	0 %	0%
Expected life	10 yrs	0 yrs
Expected volatility	94.9%	0%
Risk-free interest rate	4.86%	3.2%

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 STOCK OPTIONS AND WARRANTS (Continued)

A summary of the status of options granted at September 30, 2006, and changes during the period then ended are as follows:

Value	For the Nine Months Ended September 30, 2006			
	Weighted Average Exercise Shares	Weighted Average Aggregate Remaining Price	Intrinsic Contractual Term	
Outstanding at beginning of period	-	-	-	-
Granted	264,995	1.61	5.0 years	-
Exercised	(127,495)	1.62	0.0 years	-
Forfeited	-	-	-	-
Expired	-	-	-	-
	-----	-----	-----	-----
Outstanding at end of period	137,500	1.59	9.7 years	-
	-----	-----	-----	-----
Vested and expected to vest in the future	137,500	1.59	9.7 years	-
	-----	-----	-----	-----
Exercisable at end of period	22,000	1.59	9.7 years	-
	-----	-----	-----	-----

Weighted average fair value of				
Options granted	137,500	\$1.59	9.7 years	-
	-----	-----	-----	-----

The Company had no non-vested options at the beginning of the period. At September 30, 2006 the Company had 115,500 non-vested options.

The total intrinsic value of options exercised during the nine months ended September 30, 2006 and 2005 was \$0 and \$0 respectively. Intrinsic value is measured using the fair market value at the date of exercise (for shares exercised) or at September 30, 2006 and 2005 (for outstanding options), less the applicable exercise price.

During the nine month period ended September 30, 2006 and 2005, the Company expensed \$206,799 and \$115,747 upon the exercise of awards. The Company realized no tax benefit due to the exercise of options as the Company had a loss for the period and historical net operating loss carry forwards.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 STOCK OPTIONS AND WARRANTS (Continued)

Warrants A summary of the status of the warrants granted is presented below for the nine months ended:

	September 30, 2006		September 30, 2005	
	Weighted Average Shares	Exercise Price	Weighted Average Shares	Exercise Price
Outstanding at beginning of period	1,923,109	\$1.79	864,791	\$1.41
Granted	513,334	2.27	1,540,000	\$1.66
Exercised	(513,334)	1.36	(125,772)	\$1.45
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	1,923,109	\$1.79	2,279,019	\$1.58

NOTE 10 - LOSS PER COMMON SHARE

The following data show 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 September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Loss from continuing operations available to common shareholders (numerator)	\$(1,264,522)	\$(1,428,296)	\$(3,210,976)	\$(5,343,371)
Weighted average number of common shares outstanding during the period (denominator)	33,749,258	30,561,459	30,860,690	30,023,726
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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - LOSS PER COMMON SHARE (Continued)

At September 30, 2006, the Company had 1,923,109 warrants outstanding to purchase common stock of the Company at \$1.36 to \$3.41 per share, and a 5% convertible note payable wherein the holder could convert the note into a minimum of 494,998 shares of common stock, [See Note 6], which were not included in the loss per share computation because their effect would be anti-dilutive.

At September 30, 2005, the Company had 2,279,019 warrants outstanding to purchase common stock of the Company at \$1.36 to \$2.27 per share, a 8% convertible note payable wherein the holder could convert the note into a minimum of 55,000 shares of common stock and a 5% convertible note payable wherein the holder could convert the note into 869,000 shares, [See Note 6], which were not included in the loss per share computation because their effect would be anti-dilutive.

The Company has various performance agreements that if achieved would result in the issuance of additional Common Stock. As of September 30, 2006, the Company is liable for the issuance of additional shares of Common Stock valued at \$74,449 for Interim attaining Phase I Incentive. The number of shares will be determined at December 31, 2006 according to the Incentive agreement, see footnote 12, Commitment and Contingencies.

NOTE 11 - 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 September 30, 2006 operating loss carryforwards of approximately \$21,670,000 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 carryforwards 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 carryforwards and significant changes in the ownership of the Company, a valuation allowance has been established equal to the tax effect of the loss carryforwards and, therefore, no deferred tax asset has been recognized for the loss carryforwards. The net deferred tax assets are approximately \$7,400,000 as of September 30, 2006, with an offsetting valuation allowance of the same amount. The change in the valuation allowance for the nine months ended September 30, 2006 approximated \$1,110,000.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - COMMITMENTS AND CONTINGENCIES

In September, 2006 the Company filed suit against a former employee for damages and for the former employee to cease and desist providing in connection with violation of a trade secret agreement. The former employee has counter sued for interference of prospective business expectancy. Management is unable to predict the outcome of these claims, but believes it will not have a material impact on the results of operations or financial position.

Contingent Consideration for the Acquisition of MedivoxRx In connection with the acquisition of MedivoxRx, Parent will issue an additional 110,000 restricted common shares to the former stockholders of MedivoxRx if 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. Parent will also issue an additional 55,000 restricted common shares to the former stockholders of MedivoxRx if Wizzard Merger Corp. pill bottle simultaneously loads the prescription while the label is being printed and is approved and accepted by any Veterans Administration Hospital. Parent will

further issue an additional 687,500 restricted common shares to the former stockholders of MedivoxRx if Wizzard Merger Corp. meets revenue and profit projections for the second year of operations forward from the April 23, 2004 acquisition date. To date, no additional restricted common shares have been issued.

Agreements - 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 2005 through June 2007.

Contingent Consideration for the Acquisition of Interim Health Care of Wyoming, Inc. As part of the Interim of Wyoming, Inc. acquisition, the Company agreed to issue additional shares of common stock upon Interim achieving certain financial results. Phase I incentives would include the seller to receive an additional payment of two (2) times the Interim EBITDA for the year ended September 30, 2006, based upon the amounts that exceeds the Interim EBITDA for the year ended December 31, 2004. Twenty-five percent of which will be paid in cash and seventy-five percent paid in stock. As of September 30, 2006, the Company recorded a liability of \$99,265 for Interim attaining the Phase I Incentive. Under the Phase I Incentive, seventy-five percent of the incentive is to be paid in stock. Had the stock been issued at September 30, 2006, at a closing market price of \$1.68, the Company would have issued an additional 44,314 shares of restricted common stock.

Phase II incentives include the seller to receive an additional payment of two times the EBITDA for the year ended September 30, 2007, based upon the amount that exceeds the Interim EBITDA for the year ended September 30, 2006. Twenty-five percent of which will be paid in cash and seventy-five percent paid in stock.

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - SEGMENT REPORTING

The Company's operations are divided into two independent segments software and healthcare. The Company does not have any inter-segment revenues and the Company uses the same accounting principles used to prepare the consolidated financial statements for both operating segments.

At September 30, 2006, all of the Company's assets, except approximately \$2,500 of inventory, are located within the United States of America.

Software - The Company attributes revenues from the development, sale, and service of custom and packaged computer software products at the time the product is shipped and collections are likely.

Healthcare - The Company attributes revenue from the development, sale, and service of talking prescription pill bottles and healthcare services at the time the services are rendered and collections are likely.

The following is a summary of the Company's operations by segment for the nine months ended September 30, 2006 and 2005:

	2006			2005		
	Software	Healthcare	Total	Software	Healthcare	Total
Net revenues	\$612,652	\$1,591,375	\$2,204,027	\$ 703,898	\$ 180,900	\$ 884,798
Cost of sales	313,863	976,050	1,289,913	362,357	124,037	486,394
General and administrative	2,326,685	437,842	2,764,527	2,512,405	131,134	2,643,539
Selling	222,217	171,124	393,341	136,105	206,343	342,448
Research and development	45,018	(343)	44,675	46,720	8,969	55,689
Compensation for re-pricing warrants	606,668	-	606,668	-	-	-
Impairment of goodwill/Intangibles	-	-	- 1,191,967	-	-	- 1,191,967
Other income	73,920	31,897	105,817	-	3,581	3,581
Interest expense	414,588	7,099	421,687	1,505,546	1,647	1,507,193
Loss on disposal of assets	9	-	9 4,520	-	-	4,520
Income tax benefit (expense)	-	-	-	-	-	-
Net Income (loss)	\$(3,242,476)	\$ 31,500	\$(3,210,976)	\$(5,055,722)	\$(287,649)	\$(5,343,371)

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - SEGMENT REPORTING (Continued)

The following is a summary of the Company's operations by segment for the three months ended September 30, 2006 and 2005:

	2006		2005			
	Software	Healthcare	Total	Software	Healthcare	Total
Net revenues	\$210,751	\$ 608,839	\$ 819,590	\$ 196,929	\$ 172,788	\$ 369,717
Cost of sales	94,706	369,969	464,675	97,610	110,064	207,674
General and administrative	1,251,284	166,485	1,417,769	1,347,982	50,278	1,398,260
Selling	98,980	69,303	168,283	59,868	61,784	121,652
Research and development	21,867	(360)	21,507	10,000	4,360	14,360
Compensation for re-pricing warrants	-	-	-	-	-	-
Other income	1	2,303	2,304	-	3,581	3,581
Interest expense	11,820	2,362	14,182	53,481	1,647	55,128
Loss on disposal of assets	-	-	4,520	-	4,520	
Income tax benefit (expense)	-	-	-	-	-	-
Net Income (loss)	\$(1,267,905)	\$ 3,383	\$(1,264,522)	\$(1,376,532)	\$(51,764)	\$(1,428,296)

NOTE 14 - SUBSEQUENT EVENT

On October 3, 2006, the Company signed a promissory note for \$100,000 from Alpha Capital Anstalt.

On October 10, 2006, the Company issued 14,300 restricted common shares valued at \$27,170 for consulting services.

On October 15, 2006, the Company recorded a special common stock dividend. For every ten (10) shares owned on the October 15, 2006, one (1) additional share of Wizzard's common stock was distributed on October 30, 2006.

On October 23, 2006, the Company issued 21,300 restricted common shares valued at \$42,174 for consulting services.

On October 23, 2006, the Company issued 27,500 restricted common shares upon the exercise of options valued at \$54,450 to employees and non-employees for services rendered.

NOTE 14 - SUBSEQUENT EVENT (Continued)

On October 23, 2006, the Company and Webmayhem Inc. dba Liberated Syndication, executed a Letter of Intent, whereby the Company agreed to purchase all of the outstanding securities of Webmayhem and for Webmayhem to become a wholly-owned subsidiary of the Company.

On October 25, 2006, the Company closed a Subscription Agreement by which three institutional investors purchased promissory notes having a total principal amount of \$1,750,000, convertible into shares of the Company's common stock at a price of \$2.00 per share, and bearing an annual interest rate of five percent; Class A Warrants to purchase a total of 437,500 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 875,000 shares of common stock at a price of \$2.00 per share, exercisable until 180 days after the effective date of the Registration Statement.

On November 6, 2006, the Company issued 236,359 common shares in payment of a \$250,000 note payable and \$21,813 of accrued interest.

On November 9, 2006, the company extended a simple note to Webmayhem having a total principal amount of \$50,000.

On November 9, 2006, the Company issued 18,147 common shares in payment of a \$20,000 note payable and \$869 of accrued interest.

On October 13, the Company entered into a simple note with a related party, where by the Company borrowed \$50,000 from the related party. On November 1, 2006, the note of \$50,000 and interest of \$1,000 was re-paid to the related party.

On November 3, the Company issued 25,000 common shares upon exercise of 25,000 warrants at \$1.15 per share.

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

Highlights of Third Quarter, 2006

Highlights of the Third Quarter, 2006

We are pleased to announce that for the seventh consecutive quarter our revenues have increased over the same period in the previous year. Our

investments in key hires, marketing programs, product innovation and business development are beginning to show results.

During the first nine months of 2006, Wizzard has focused on revenue growth, team-building, identifying opportunities and capitalizing on new ideas. In the third quarter of 2006 the Company announced its first new major initiative of the year with its entry into the podcasting market. Management believes that after years of attempting to monetize on our expertise in speech recognition, intellectual property and relationships with our substantial technology providers, the new Web 2.0 and one of its major components, podcasting, has provided Wizzard with the potentially explosive opportunity it has been searching for, for some time. While management remains steadfast in support of our core speech technology business, the talking pill bottle line of speech products and home healthcare speech initiatives, the Company's recently announced venture into podcasting is one of our most significant undertakings to date.

2006 Q3 Speech Technology & Services Group

Wizzard Software's Speech Technology & Services Group sells and licenses speech programming tools, related speech products, services and distributable speech engines in over 13 languages worldwide. Wizzard receives the majority of its sales leads through arrangements with IBM and AT&T as well as through internal internet marketing efforts with Google, Yahoo and other major internet search engines.

The Technology & Services Group is a cross divisional team within Wizzard that consists of the Technology and Services Team, plus key members of Wizzard's development, MIS and marketing groups. Together, they are working to implement our strategy to increase market share and brand awareness and become the preferred supplier of speech technologies and services for both domestic and international corporate software developers. The Group plans to increase overall revenue by significantly expanding its customer base, product portfolio and customer reach through a continued focus on three imperatives: best technologies; best pricing; and responsive support.

In the third quarter of 2006, the Technology and Services Group grew its revenues quarter over quarter, as well as increased revenues when compared to the previous quarter of this year. We continue to advance our speech recognition and text-to-speech licensing business through our relationships with IBM and AT&T. Recently, we announced the addition of WizzScribe SI for Linux, Websphere Everyplace MultiModal Environment Version 4.3 and MRCP Version 2 support. These three new products and support packages expand Wizzard's speech product reach into the markets for call centers, handheld devices and network systems.

Additionally, the WizzScribe SI for Linux allows Wizzard to enter the hosted speech services market, in which the Company sees tremendous forward looking potential. As a result, in the third quarter Wizzard acquired two services

hosting business, Switchpod and BlastPodcast, which not only expands our services hosting capabilities and infrastructure, but also brings with it the podcasting market. Through leads from our partners, Wizzard has been receiving significant interest in speech services from the podcasting industry. Podcasting consists of independent content creators that publish their 'shows' in audio or video format. As no text is involved, internet search engines have difficulty indexing podcasts, therefore listeners and viewers have trouble finding podcasts of interest. Using our new speaker independent speech recognition engine from IBM we can transcribe podcasts and use the resulting text to better index podcasts with search engines, to provide transcriptions for interested parties, to search for explicit content for compliance and to assist advertisers in matching their brands with the appropriate content. Furthermore, we can use our highly accurate text-to-speech from AT&T to turn text from blogs, websites and online newspapers into audio which can then be broadcasted across the internet as an audio file. With the rapid adoption of audio and video based content on the internet (Web 2.0), we see this new speech recognition engine and text-to-speech service as a critical component towards monetization for the audio/video businesses that are taking hold across the internet and around the world.

2006 Q3 Speech Products Group

The objectives for the Speech Product Group is to establish successful sales channels for select products offered directly by Wizzard Software which incorporate speech technology offered through our Technology and Services Group.

WizzTones for Skype - WizzTones for Skype was released in mid-January and garnered a significant amount of press. To promote the product, we placed the trial version on multiple download websites and we were also able to secure a listing on the Skype site. In March, we created a Google AdWords campaign for WizzTones and almost immediately the number of visitors to the site tripled. Management believes that once the Skype/Warner Brothers Music deal, previously announced by Skype, is finally launched, the number of Skype users (currently estimated at 100M) that want to have multiple music ring tones will grow exponentially. At this time, WizzTones is the only option for users that want to have specific ring tones designated for specific callers. Subsequent to the end of the third quarter, we announced official Skype certification and a co-marketing deal with Skype for our WizzTones product. We expect to expand our relationship with Skype in the 4th quarter of 2006.

Talking Pill Bottle - Branded with the name "Rex," the Talking Prescription Bottle allows end-users to "hear" medication instructions when reading a medication label is not practical or possible. There are several billion prescriptions filled each year in the U.S. and pharmaceutical errors create billions of dollars in additional medical spending with the number one error being identified as labeling problems and education. Using unique microprocessor electronics and Wizzard's advanced text-to-speech technology, pharmacists automatically create a "talking" label while the traditional

instruction label is being printed. At the push of a button, the prescription bottle talks to the patient, telling him or her the name of the medication, the dosage the patient should consume, the frequency of administration, refill instructions, warnings and other important information necessary to educate and help people take their prescription medication properly.

Our MedivoxRx Talking Prescription Bottle business is making positive progress. The Speech Products Group is focusing its Rex marketing efforts on retail pharmacies and caregivers and is working hard towards getting Medicare reimbursement and insurance coverage for our Talking Prescription Bottle customers. While there are no guarantees of approval, management believes reimbursement approval from Medicare and insurance companies is the key to large unit sales.

In September of 2006, MedivoxRx announced that Kaiser Permanente will offer Rex-The Talking Prescription Bottle in 140 Northern California Kaiser Permanente pharmacies and health care facilities. In all of these locations, Kaiser Permanente pharmacists will provide prescriptions to their patients in Rex talking bottles at no cost to the patient. Kaiser Permanente is America's leading integrated health care organization. Founded in 1945, it is a not-for-profit, group practice program headquartered in Oakland, California. Kaiser Permanente serves more than 8.5 million members in nine states and the District of Columbia.

Our Marketing department, working closely with the MedivoxRx Technologies group, achieved significant national media coverage for Rex in the third quarter of 2006. In July, Rex made front page news in the San Diego Tribune Review, with a story that focuses on how Rex helped a local couple, both of whom are blind, to improve and make safe their medication routines. Based on our announcement with TSSI, several morning shows in San Diego County produced segments on Rex, as did one evening news program. Following the announcement with Kaiser Permanente, NBC 11 in San Francisco produced a news segment about Rex and how it is helping California's blind residents. This story was widely distributed in the United States and appeared in over 39 markets and in most major U.S. cities coast to coast, including New York, Chicago, Las Vegas and Los Angeles. Additional marketing at trade shows saw the MedivoxRx team attending the 16th Annual Cardinal Health Retail Business Conference which hosted more than 1,400 independent and community pharmacies, with 4,000 pharmacists, pharmacy technicians and other pharmacy industry professionals in attendance. MedivoxRx also attended the National Association of Chain Drug Stores Pharmacy and Technology Conference held August 25-30th in San Diego, CA.

We continue to see increased interest in the Talking Pill Bottle from various state legislative bodies and feel we are well positioned to capitalize on a growing legislative movement as state officials look to make the taking of prescription medication safer for their elderly constituents post election season. We are continually challenging our sales and marketing strategies and our delivery of product to achieve better customer satisfaction, market share

and operating results. The ability for the elderly and visually impaired to fully comprehend their prescription medication instructions is as necessary as ever as new drugs are constantly introduced to the market and medication combinations make following dosage instructions critical.

2006 Q3 Speech Services - Healthcare

Our acquisition of Interim Healthcare of Wyoming was completed in the third quarter of 2005, and we continue to be excited about the impact our speech technology can have on the home healthcare industry. Based in Casper, Wyoming, Interim Health Care of Wyoming has been serving its community for fourteen years and is part of the fast growing home health segment of the healthcare industry, providing a wide range of visiting nurse services to the elderly, wounded and sick. It is one of the 300 home health agencies that comprise Interim Health Care, the largest home healthcare franchise in the U.S.

We believe that our speech technology (Talking Prescription Bottle, WizzScribe transcription service, MedOasis InfoPath forms, ViaVoice speech medical recognition, etc.) can make a significant impact on the bottom line of HHC agencies, and we are aggressively working towards our first speech implementation. Both Wizzard's management and owners of our targeted home health care agencies believe that strong synergies exist among the services they offer, the compliances they must adhere to, the job functions of their workers and our Talking Prescription Bottle, various talking medical devices, WizzScribe transcription product, medical speech recognition dictation and form-fill applications. Currently, most nurses and health aides fill out mandatory paperwork by hand while owners of the home healthcare agencies continuously strive for timely and accurate data. With a 10% to 25% rejection rate, and 25% to 50% of a worker's time spent filling out paperwork, having the ability to quickly collect and submit accurate data for payment forms and other aspects of the home healthcare business is a compelling proposition. We believe that speech is the most efficient, accurate method for entering and retaining medical records in this thriving vertical market with almost no competition for us in speech technology implementations. We're starting with the telephone as the interface device because everyone is comfortable with it and this allows us to accurately capture data at the point of care. We believe we are now in position to build the best, most affordable home health medical records solution.

Our home healthcare business continues to be a strong, strategic part of our businesses plan as our country's population ages and new methods of patient data capture become critical components for delivering high quality, affordable healthcare services in a patient's home. Although this has been a gradual process, we believe that we are building a strong business that will offer a complimentary package of new technology and traditional services. Our profits for the first three quarters of 2006 in our home healthcare business are ahead of 2005 profits for the same period and ahead of our own internal projections for 2006. Our people are our strongest asset at Interim

Healthcare of Wyoming, and we will continue to invest in the development of our nurses, aids and staff while providing them with new, speech-based applications to assist them in offering the best possible service for our referrers and the highest quality of care to our patients.

We are currently expanding our territory within the state of Wyoming as a result of the state's willingness to increase Medicaid payments by up to 30%, and we expect insurance providers within the state to follow suit this year. Results in our first intrastate expansion in Douglas, Wyoming are very promising and we plan to establish a local satellite office in the 4th quarter. In the third quarter we completed care for our initial Medicare Part B patients and saw our staffing department lead generation increase due to successful one on one marketing of referral sources statewide.

Traditionally, the medical industry is the largest user of speech recognition, and we continue to see huge potential in applying our speech technologies to the home healthcare market so that our people can deliver the most cost effective, personal care possible. Over time, we believe our business strategy will pay off, providing robust, balanced and steady growth.

Results of Operations.

Three Months Ended September 30, 2006 and 2005.

During the third quarter ended September 30, 2006, Wizzard recorded revenues of \$819,590, a 122% increase from revenues of \$369,717 in the third quarter of 2005 and a 5% increase over revenues in the second quarter of 2006 (\$782,046). The increase for the third quarter of 2006 was due primarily to the expansion of our healthcare operations, and in part to increased revenues in our speech technology business and our talking pill bottle..

Cost of goods sold totaled \$464,675 in the third quarter of 2006, versus \$207,674 in the third quarter of 2005. This increase of 124% is attributed primarily to the expansion of our healthcare operations. Wizzard posted a gross profit of \$354,915 during the third quarter of 2006, versus a gross profit of \$162,043 in the third quarter of 2005, an increase of 119%.

In the third quarter ended September 30, 2006, operating expenses totaled \$1,607,559 which was a 5% increase from operating expenses of \$1,534,272 in the third quarter of 2005. Broken down by line item our operating expenses were:

General and administrative expenses were \$1,417,769 in the third quarter of 2006 versus \$1,398,260 in 2005. Selling expenses in the third quarter of 2006 were \$168,283 versus \$121,652 in 2005. This increase was due primarily to the increased marketing efforts in our software operations. Research and Development expenses in the third quarter were \$21,507 versus \$14,360 in 2005.

Other expenses of \$11,878 versus \$56,067 in the third quarter of 2005, consisted primarily of interest expense.

Wizzard's net loss was \$1,264,522, or \$0.04 per share, in the quarter ended September 30, 2006. This represents an 11% decrease from our net loss of \$1,428,296, or \$0.05 per share, in the third quarter of 2005.

Nine months ended September 30, 2006, and 2005.

During the nine month period ended September 30 2006, Wizzard recorded revenues of \$2,204,027, a 149% increase over revenues of \$884,798 for the same period in 2005. The increase in revenues in the nine months ended September 30, 2006, was due to the expansion of our healthcare operations.

In the nine months ended September 30, 2006, cost of goods sold totaled \$1,289,913, a 165% increase as compared to \$486,394 in the nine months ended September 30, 2005. The increase in cost of goods sold was due to the expansion of our healthcare operations. For the nine month period ended September 30, 2006, Wizzard posted a gross profit of \$914,114 versus a gross profit of \$398,404 for the nine month period ended September 30, 2005, a 129% increase.

Wizzard recorded total operating expenses of \$3,809,211 during the nine months ended September 30, 2006, a 10% decrease as compared to operating expenses of \$4,233,643 in the same period of 2005. General and administrative expenses totaled \$2,764,527 in the first nine months of 2006 versus \$2,643,539 in the first nine months of 2005, an increase of approximately 5%. This increase is due primarily to an increase in employee and payroll related expense in excess of the comparable nine month period. Selling expenses increased 15% with \$393,341 in expenses in the first nine months of 2006 versus \$342,448 in the first nine months of 2005. Research and Development expense fell by 20%, from \$55,689 in the first nine months of 2005 to \$44,675 in the first nine months of 2006. In the first nine months of 2005, Wizzard had a \$1,191,967 expense for the impairment of goodwill as a result of the internal merger of the Wizzard Delaware and Wizzard Colorado companies.

In the first nine months of 2006, Wizzard recorded \$606,668 of interest for re-pricing of warrants. In the first nine months of 2005, Wizzard incurred an interest expense of \$1,507,193, primarily due to \$1,400,000 interest expense for amortization of a discount in conjunction with the \$1,400,000 convertible note sold to investors versus a \$421,687 interest expense in the first nine months of 2005.

Wizzard's net loss was \$3,210,976, or \$0.09 per share, in the nine months ended September 30, 2006. This represents a 40% decrease from our net loss of \$5,343,371, or \$0.17 per share, in the first nine months of 2005. Total non-cash expenses for the first nine months of 2006 was \$2,503,954, a 39% decrease

from non-cash expenses of \$4,124,085 in the first nine months of 2005, primarily due to interest expense of \$1,400,000 for amortization of a discount in conjunction with our \$1,400,000 note we sold to three separate institutional investors.

Liquidity and Capital Resources.

Cash used in operations for the nine months ended September 30, 2006, was \$1,024,112, an increase of 3% over the \$996,560 cash used in operations for the nine months ended September 30, 2005. Cash used in investing activities was \$6,024 for the purchase of equipment and software during the nine months ended September 30, 2006. Cash on hand was \$133,365 at September 30, 2006, a decrease of \$332,741 over the \$466,106 on hand at September 30, 2005.

In the first nine months of 2006, the Company received \$764,576 from the issuance of common stock. The Company used common stock to pay \$1,883,700 in consulting, investor relations and employee services during the nine months ended September 30, 2006. In doing so, management believes 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 \$130,000 per month to maintain current operations. As mentioned in Note 2 to the accompanying unaudited financial statements, the Company has not yet been able to establish profitable operations and has not generated sufficient cash flows from operations, thus raising substantial doubt about its ability to continue as a going concern. The Company has been successful over the past ten 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.

Safe Harbor Statement.

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 Securities and Exchange Commission: 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 speech recognition technology industry, the development of products that may be superior to the products offered by the Company, 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 principals, 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.

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, 2005, Gregory & Associates, 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;
- * segregation of duties, in that we had only one person performing all accounting-related duties
- * 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

We believe that each of these material weaknesses existed at December 31, 2005. The following changes in our internal controls over financial reporting

occurred during the first quarter of 2006 (unless indicated otherwise):

- * the hiring of John L. Busshaus as our Controller on April 3, 2006, and the education of Christopher J. Spencer and Armen Geronian and our accounting staff about GAAP and Securities and Exchange Commission requirements;

- * the segregation of accounting duties that had formerly been performed by one person among three persons, including Mr. Busshaus. 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 two material weakness identified above. We are actively working on implementing written policies and procedures that will fully address the second material weakness. We expect that this process may take until October 2007. 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.

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 acting 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 September 30, 2006. Based on this evaluation, our Chief Executive Officer has concluded that the Company's controls and procedures as of September 30, 2006, 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 an 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 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

In September, 2006 the Company filed suit against a former employee for damages and for the former employee to cease and desist providing in connection with violation of a trade secret agreement. The former employee has counter sued for interference of prospective business expectancy. Management is unable to predict the outcome of these claims, but believes it will not have a material impact on the results of operations or financial position.

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

The following table provides information about all "unregistered" and "restricted" securities that Wizzard has sold during the nine month period ended September 30, 2006, which were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

Name	Date	Shares	Amount
Lane Ventures	1/9/06	110,000	Services valued at \$180,000
Bruce Phifer	1/23/06	8,250	Services valued at \$13,800
Mary Dvorsky	5/25/06	770	Services valued at \$1,177
J. David Cepicka	5/25/06	3,454	Services valued at \$5,297
Susan Sisk	5/25/06	3,454	Services valued at \$5,297
Lane Ventures	6/7/06	39,600	Services valued at \$60,480
Jacob Fisher	7/12/06	62,857	Asset purchase of Switchpod valued at \$102,286
Weina Scott	7/12/06	62,857	Asset purchase of Switchpod valued at \$102,286
Arthur Douglas	7/20/06	550,000	Services valued at \$855,000
Bruce Phifer	7/24/06	5,500	Services valued at \$8,250
Robert Batson	7/26/06	2,200	Services valued at \$3,300
Christopher Milde	7/26/06	2,200	Services valued at \$3,300
Jeffrey Kahler	7/26/06	2,200	Services valued at \$3,300
Corp. Relations Inc.	7/26/06	2,200	Services valued at \$3,300

(1) We issued all of these securities to persons who were either "accredited investors," or "sophisticated investors" who, by reason of education, business acumen, experience or other factors, were fully capable of evaluating the risks and merits of an investment in our company; and each had prior access to all material information about us. We believe that the offer and sale of these securities were exempt from the registration requirements of the Securities Act, pursuant to Sections 4(2) and 4(6) thereof, and Rule 506 of Regulation D of the Securities and Exchange Commission and from various similar state exemptions.

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.

Effective as of October 23, 2006, which is subsequent to the period covered by this Report, Wizzard and Webmayhem Inc. dba Liberated Syndication, a Pennsylvania corporation ("Webmayhem"), executed a Letter of Intent whereby Wizzard agreed to purchase all of the outstanding securities of Webmayhem and for Webmayhem to become a wholly-owned subsidiary of Wizzard. The execution of the Letter of Intent was disclosed in a Current Report on Form 8-K dated October 23, 2006, which was filed with the Securities and Exchange Commission on October 27, 2006. See Item 6(b) of this Report. As of the date hereof, the parties are working toward the completion of final documents with respect to this acquisition.

On October 25, 2006, which is subsequent to the period covered by this Report, we closed a Subscription Agreement by which three institutional investors purchased:

- * promissory notes having a total principal amount of \$1,750,000, convertible into shares of the Company's common stock at a price of \$2.00 per share, and bearing an annual interest rate of five percent;

- * Fifty (50) Class A Warrants will be issued for each one hundred (100) shares which would be issued on the November 3, 2006 assuming the complete conversion of the Notes issued on the Closing Date at the Conversion Price in effect on the Closing Date at a exercise price of \$2.50 per share, exercisable for three years; and

- * One Hundred (100) Class B Warrants will be issued for each one hundred (100) shares which would be issued on November 3, 2006 assuming the complete

conversion of the Notes issued on November 3, 2006 at the Conversion Price in effect on November 3, 2006 at an exercise price of \$2.00 per share, exercisable until 150 days after the effective date of the Registration Statement described below. Both Class A and Class B Warrants have a cashless feature.

This transaction was disclosed in a Current Report on Form 8-K, dated October 25, 2006, and filed with the Securities and Exchange Commission on October 27, 2006. See Item 6(b) of this Report.

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

(a) Exhibits.

31.1 - 302 Certification of Christopher J. Spencer

31.2 - 302 Certification of Gordon Berry

32 - 906 Certification.

(b) Reports on Form 8-K.

8-K Current Report dated October 23, 2006 filed on October 27, 2006, regarding the Letter of Intent for the acquisition of Webmayhem Inc.

8-K Current Report dated October 25, 2006 filed on October 27, 2006, regarding Subscription Agreements with three institutional investors

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: 11/14/06 /s/ Christopher J. Spencer

Christopher J. Spencer, Director,
CEO, President and Treasurer

Date: 11/14/06 /s/ Armen Geronian

Armen Geronian, Director
Secretary

Date: 11/14/06 /s/ Gordon Berry

Gordon Berry, Director and Acting
Chief Financial Officer

Date: 11/14/06 /s/ Alan Costilo

Alan Costilo, Director

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

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

1. I have reviewed this Quarterly Report on Form 10-QSB of the small business issuer;
2. Based on my knowledge, this Quarterly 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 Quarterly Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly Report;
4. The small business issuer's other certifying officer 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, 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 Quarterly 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: November 14, 2006 Signature: /s/ Christopher J. Spencer

Christopher J. Spencer
President, CEO and Treasurer

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

I, Gordon Berry, acting CFO of Wizzard Software Corporation (the "small business issuer"), certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of the small business issuer;

2. Based on my knowledge, this Quarterly 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 Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 Quarterly Report;

4. The small business issuer's other certifying officer 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, 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 Quarterly 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: November 14, 2006 Signature: /s/ Gordon Berry

Gordon Berry
Acting CFO

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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 Quarterly Report of Wizzard Software Corporation (the "Registrant") on Form 10-QSB for the period ending September 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), we, Christopher J. Spencer, President, CEO and Treasurer and Gordon Berry, Acting Chief Financial Officer 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.

Dated: November 14, 2006 Signature: /s/ Christopher J. Spencer

Christopher J. Spencer
President, CEO and Treasurer

Dated: November 14, 2006 Signature: /s/ Gordon Berry

Gordon Berry
Acting Chief Financial Officer