

FORM 10-KSB

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

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

For the fiscal year ended December 31, 2004

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

For the transition period from _____ to _____

Commission File No. 000-33381

WIZZARD SOFTWARE CORPORATION

(Name of Small Business Issuer in its Charter)

COLORADO 87-0575577

(State or Other Jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

5001 Baum Blvd.

Suite 770

Pittsburgh, Pennsylvania 15213

(Address of Principal Executive Offices)

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

Securities Registered under Section 12(b) of the Exchange Act: None

Name of Each Exchange on Which Registered: None

Securities Registered under Section 12(g) of the Exchange Act: Common, \$0.001 par value.

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Company 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
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Check if there is no disclosure of delinquent files in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of Company's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

State Issuer's revenues for its most recent fiscal year: December 31, 2004 - \$525,434.

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within the past 60 days.

March 18, 2005 - \$50,175,614.58. There are approximately 20,776,652 shares of common voting stock of the Registrant held by non-affiliates. The aggregate market value was determined based on the average of the closing bid and asked prices of the issuer's common stock on March 18, 2005.

LOOKING FORWARD (cont.)

BUSINESS

From years of experience, Wizzard management has found that the adoption of speech technology by our customers is usually the result of one of the following three reasons:

- 1) Saves Labor - Lowers costs for businesses by saving labor and increasing worker productivity.
- 2) Provides a Better Quality of Life - For individuals with visual and other disabilities, speech products can allow them to live more independent lives.
 - a) Compliance with Rules and Regulations - As a result of speech having the benefit of providing access to otherwise inaccessible technology, customers are using speech to better comply with new and newly enforced governmental regulations and other rules which require businesses to provide complete access to their technology, products and workplace environment.
- 3) Product Differentiator - Businesses can use speech to stand out from their competition and differentiate their product or service.

MedivoxRx Technologies Group

Wizzard Software's MedivoxRx Technologies Group offers customers "talking" prescription pill bottles. Branded with the name "Rex", the talking prescription bottle, using Wizzard's sophisticated text-to-speech, will actually play an audio recorded message for the end user upon the press of a button so they can hear the medication instructions when reading a 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 advanced text-to-speech technology from Wizzard Software, pharmacists automatically create a "talking" label while the traditional instruction label is being printed. The prescription bottle then talks to the patient when a button is pressed, describing the name of the medication, the dosage the patient should consume, the frequency, refill instructions, warnings and other educational information necessary to educate and help people take their prescription medication properly.

MedivoxRx Technologies offers its products in two formats:

Automated Pharmacy Product - The automated pharmacy product ties into pharmacy prescription systems and creates an audio talking bottle while the patient's order goes through the system using information collected from the traditional instruction label. The bottle can read instructions in over 30 different languages. The target market for the Automated Pharmacy Product is retail and government pharmacies across the United States initially, expanding into Canada in the near future. MedivoxRx is in the process of using nationally recognized pharmaceutical sales representatives and distributors to assist in expanding the presence of the Automated Pharmacy product. Additionally, several internal sales representatives will be added for a massive internal sales push into the most popular retail pharmacies such as Walgreens, Wal-Mart, CVS, Eckerd, as well as the Veterans Administration pharmacy network.

Independent Living Home Kit Product - The independent living home kit is a shrink wrapped box which contains a manual recording station along with three talking pill bottles. Refill packs are available wherever the Home Kits are sold. The target market for the Independent Living Home Kit product are individuals who can benefit from "hearing" medication instructions rather than reading the written instructions provided. To reach the targeted individual customers, the Group is focusing its sales efforts on Hospital Outpatient networks, Nursing Homes, Assistive and Independent Living facilities, Self Prescribing Doctor Networks, Low Vision retail stores, Mail order catalogs, blind associations such as NFB, ACB, and the Lions Club, online and television distributors such as Drugstore.com and QVC, Health and Human Services government agencies nationwide as well as major "help organizations" which distribute massive amounts of drugs worldwide such as the Red Cross, U.S. Army and the Peace Corps.

Technology and Solutions Group

Wizzard Software's Technology and Solutions Group offers customers speech programming tools, related speech products and 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 through Overture and major internet search engines. When customers first come to Wizzard, in most cases, they have very limited experience with speech technology so Wizzard initially spends time educating the potential customer and helping to identify their requirements. This gives Wizzard the opportunity to show our expertise in the industry and describe our wide variety of speech products and services. If the customer decides to move forward with the adoption of speech technology, they have three choices as to how to go about adding speech to their internal software applications for their workforce or to their commercial products and services.

Business Development (cont.)

These three choices are:

1. Purchase/license the necessary programming tools and speech engines and go about making the addition of speech on their own, with little help from Wizzard. Our programming tools allow software developers to quickly and efficiently add speech and are required, in most cases, by customers to complete their project. The initial sale for this customer choice tends to range between \$350 and \$5,000. Upon completion of its development efforts, the customer must then license specific speech engines from Wizzard for distribution in each and every copy they produce whether for internal use or for commercial distribution. The prices of these engines range from \$1.00 to \$25.00 per copy and must be paid in advance of deployment.

2. The second option our customers have is when a business requires additional technical or developer support while going through the process of adding speech to its internal software applications, commercial products or services. This type of support can vary from several hours on the phone with our expert speech engineers to more relevant work where our engineers review or even create sample programming code for the customer. Wizzard offers these customers several support packages which range in price from \$500 to \$20,000. Additionally, Wizzard offers several previously created add-on software modules that save the customers significant time and money by allowing them to "drop-in" a section of code rather than create it themselves from scratch. These add-on modules include vocabularies for specific vertical markets (medical, legal, etc.) and networking capabilities that allow for speech to be used across a network environment. Prices for these add-on modules range from \$200 to \$15,000.

3. The third choice a customer has after deciding to move forward with the adoption of speech is to let Wizzard create, plan and implement the entire project for the customer using Wizzard's highly experienced software consultants and engineers. These projects historically have three phases: Conceptual, First Working Version, and Delivery. After each phase the customer provides Wizzard with feedback and the necessary changes or additions are made and the project is moved to the next phase. Due to the customized nature of this third customer option, prices for these projects can significantly vary from \$10,000 to \$250,000, or more. Wizzard gets paid based on a time and materials basis in most instances and tends to charge an upfront "down payment" of approximately 25% with follow up payments based upon meeting certain milestones set by the customer and Wizzard at the beginning of the project.

Wizzard's management feels it has effectively positioned the Company to be the "go between" for customers seeking to incorporate speech technology from IBM, Microsoft and AT&T (three of approximately four significant speech manufacturers). These technology manufacturers offer the core speech engines that drive speech based products and services. However, in order for a customer to include speech technology in its product or service it requires specific programming tools offered, in most cases, exclusively through Wizzard. In some cases these programming tools are proprietary to Wizzard and in some cases the programming tools are proprietary to the manufacturer of the speech engine, but sold exclusively through Wizzard. In addition to the programming tools, Wizzard provides technical and development support for customers wanting to include speech technology from IBM and AT&T for the Windows and Linux desktop platforms.

HIGHLIGHTS - ACCOMPLISHMENTS IN 2004

In 2004, Wizzard had several significant accomplishments and successfully moved forward on many aspects of its business plan. Some of these accomplishments, broken down by internal business group, include:

2004 General & Administrative Accomplishments

- Secured financing of over \$1.5M through the sale of stock and the exercise of Wizzard warrants
- Implemented and streamlined new internal systems for order processing, Sarbanes-Oxley compliance, web hosting, marketing and sales efforts
- Hired an additional nine employees and contractors, mostly in the area of sales, bringing the Company's total staff count to 20
- Completed the acquisition of MedivoxRx Technologies, Inc. and its Talking Pill Bottle product line
- Secured, completed and moved into new office space a quarter mile from our old location. This new 3,100 square foot property allows us to provide safe and comfortable working conditions for new and current workers
- Updated both personnel and technical emergency response measures
- Company was successful in delisting its shares from the Berlin Bremen Stock Exchange

2004 New Products Group Accomplishments

- Completed beta testing, product production, support training and launch of IBM Linux TTS
- Completed beta testing, product production, support training and launch of WizzScribe Transcription Server
- Completed beta testing, product production, support training and launch of AT&T TTS Server edition
- Updated Linux Server and Desktop fonts to support new operating system
- Made significant progress on reminder service systems for pharmacists and other industries

HIGHLIGHTS - ACCOMPLISHMENTS IN 2004 (cont.)

2004 Technology and Solutions Group Accomplishments

- Implemented WizzScribe phone demonstration for sales process
- Integrated new automated sales quote/track/order/system into sales process
- Implemented new software download process for licensed orders to streamline/accelerate customer fulfillment
- Added "alert notification systems" to customer category targets for TTS; Identified as new trend in customer requests
- Continued to increase market penetration into accessibility, education and government sectors
- Updated AT&T Linux Server products to be compatible with latest versions of Linux
- Used existing product line to grow customer base and close new business
- Continued to grow number of customers incorporating speech from 220 for 2003 to over 300 for 2004
- Expanded suite of wave file (audio format) offerings and closed replicable business with "icons" in this new segment
- Upgraded website and collateral to target developers/enterprise and simplify downloadable information
- Used Speechtek as a "live" platform to target large prospects and increase outbound sales effort
- Added high dollar server-based "batch processing" speech recognition (WizzScribe) and closed new business in this segment
- Added big business perspective to the Company's management by staffing former IBM managers
- Tuned technology offerings and sales process to be more responsive to target customers (developers, enterprise)
- Increased amount of outbound sales activity with high volume prospects
- Went from a reactive to proactive sales approach
- Redefined TTS offerings to focus on high profile usages in education and government
- The Technology and Solutions Group increased direct sales staff 33% based on expected increased demand
- Identified streamlined focus on several key markets in ATMs, simulators, accessibility, audio broadcasting and medical dictation
- Added IBM TTS for Linux in 13 languages to our accessibility targeted technology portfolio
- Completed preparation of new and targeted sales collateral for all offerings and services for the division

2004 Solutions and Channels Group (MedivoxRx Technologies) Accomplishments

- MedivoxRx (Rex) application is completed and tested with new recorders
- Finalized and printed Home Starter Kit and Refill Kit packaging for retail shelves
- Wholesale, Retail and Consumer pricing established
- Signed up multiple "Mom & Pop" pharmacies to distribute Rex Home Kits
- Rex is up for Best Embedded Solution at the 2004 Fourth Annual Speech Solutions Awards sponsored by Speech Technology Magazine
- Filed a patent application through its MedivoxRx Technologies, Inc. division with the Canadian Patent and Trademark Office
- Introduced Rex at the Senior Care Pharmacy 04, the American Society of Consultant Pharmacists 35th Annual Meeting and Exhibition in San Francisco
- Rex the Talking Prescription Bottle and components added to the General Services Administration (GSA) Advantage website
- Launched PR campaign; Rex generates articles in major, national publications
- Launched telemarketing campaign for Rex Home Kits to "Mom and Pop" pharmacies in several states
- Quixtar to distribute Rex throughout North America
- Sold and delivered Product to the U.S. Army in Afghanistan as a step to being a large and a long term supplier to the U.S. Armed Forces and the Coalition Forces
- Identified and contacted over 50 potentially large customers
- Contacted over 450 members of American Society of Consultant Pharmacists
- Attended a Blinded Veterans Association Exposition in Reno, Nevada
- Attended a VA sponsored Exposition in Stevens Point, Wisconsin
- Completed integration of MedivoxRx Technologies, Inc. following acquisition
- Named Eugene Franz to run the newly formed Solutions and Channels Group
- Applied for and received approval on an FSS government purchasing contract for the Talking Pill Bottle for the Veterans Administration
- Completed the first automated version of Talking Pill Bottle for pharmacy customers using Text-To-Speech technology
- Completed several mass mailings, on site visitations and a large telephone marketing campaign to targeted Veterans Administration pharmacy managers

LOOKING FORWARD

Management believes that Wizzard's revenues will increase with anticipated additional sales from our acquisition of MedivoxRx Technologies, the planned launch of a new set of products and programming tools, sales of additional text-to-speech runtime licenses for the telephony market, and the planned launch of three additional "talking products" in 2004-2005. Prior to and in connection with these product releases, management believes that expenses will increase accordingly as we add staff and undertake the necessary marketing efforts. Below we discuss Wizzard's business in a forward looking manner. First management's comments on Wizzard's role in the speech industry, and then how it pertains to each of our business groups.

Looking Forward - Wizzard's Role In The Speech Industry

As a result of coming into contact with so many potential customers through our relationships with IBM, AT&T and other partners, we believe we are in a unique position to capitalize on the future growth in the speech industry. Here's how:

1. Wizzard offers a "one stop shop" type situation for customers where they can purchase/license everything they require to incorporate speech technology from programming tools, speech engines, add-on modules, and vertical vocabularies to offering a complete line of custom programming, technical/developer support and consulting services. Wizzard's philosophy is to provide all the products and services our customers require so that they don't have to go elsewhere to complete any portion of their speech project. Management feels that this business model has already proven to be effective, based on customer feedback, in the sense that Wizzard has won and could win future speech technology related business from several large customers due to the fact that they can find everything they require through one company.

2. Because Wizzard does come into contact with thousands of potential speech customers each year, management feels the Company is in a unique position to identify what the growing trends in the speech industry are, and determine what the customers require to meet their needs. Management is unaware of any other company that is able to obtain so much potentially valuable marketing information as Wizzard due to its relationships with IBM, Microsoft and AT&T and the fact that they send some, or in the case of IBM and AT&T, all of their potential speech programming customers to Wizzard. Based on this gathered information, Wizzard is positioned to capitalize on customer needs. Wizzard is able to identify growing trends as it has done so in the form of markets for:

- Productivity - call center automation, medical transcription automation, audio broadcasting automation, alert services, etc.
- Accessibility - talking computer screen readers, talking prescription pill bottles, talking automated teller machines (ATMs), etc.
- Compliance - talking ATMs - rule 508, talking prescription pill bottles - Medicare rules, etc.
- Product Differentiator - flight simulators, computer games, etc.

3. Once a trend has been identified Wizzard can, and is in the process of doing so, capitalize on the trend in several ways.

a) Satisfy Customer Demand - Wizzard can expand its base technology product line to meet growing customer demand based on a specific vertical market. By strategically adding new technologies and representing more companies such as IBM and AT&T, Wizzard is not only positioned to grow revenues within its current customer base but can also increase the number of potential customers coming to Wizzard through marketing arrangements with the manufacturer of the new products. Management has identified and is in the process of negotiating with several of these manufacturers and feels that if it is able to effectively add five new speech product manufacturers, based solely on customer demand, it can increase the number of potential customers coming to Wizzard for their speech technology needs to over 20,000 per year. This number could grow significantly as more businesses around the world adopt speech. This model is a "double win" for Wizzard in the sense that it can increase revenue by expanding its product line to meet current customer demand while at the same time increasing the number of potential customers coming to Wizzard for their speech needs. At this time, management is not aware of any other company offering this type of service to the speech technology manufacturers. Wizzard has executed on this plan accordingly with the recent expansion of contracts with IBM (TTS for Linux) and AT&T (Natural Voices TTS Server).

b) Speech Engines For the "Killer App" - As mentioned above, once customers have incorporated speech into their workforce, product or service they are required to purchase a speech engine for every single copy of the product or service they distribute. Wizzard has hundreds of customers, from Fortune 500 corporations to 10 person small businesses, currently incorporating speech technology into their products which they plan to sell into specific vertical markets. These markets range from PC Games, medical devices, homeland security applications, software for the visually impaired and legal transcription. If any one of these products are successful, resulting in large unit sales of their products, Wizzard will directly benefit by an increase in revenues and gross profits for its speech engine sales as Wizzard's profit margin on speech engines ranges from 10% to 500% based on volume purchases, with an average margin of approximately 50%. Management believes at this time that several of its customers have the potential for very large unit sales of their newly created speech products as these companies complete, launch and market their products.

LOOKING FORWARD (cont.)

Looking Forward - Wizzard's Role In The Speech Industry (cont.)

c) First to Market - Wizzard can create specific vertical speech products based on what customers are requesting. A recent example of this action is the medical transcription market. During 2004 Wizzard noticed a growing trend of customers who own transcription services looking for an automated transcription solution for their business. Currently, medical professionals dictate their patient reports, which are then sent to transcription services where workers transcribe by hand the doctor's dictation. Because of the competitive nature of the transcription industry, margins are small and any savings at all can be a significant boost to a transcription company's bottom line. As a result, transcription companies are searching for a speech based solution that would allow them to save labor. Based on the identification of this trend, Wizzard recently licensed from IBM special speech technology that we have productized and are now marketing under the WizzScribe name. This is one of several examples, where having an early preview of market demand through our tools and engine sales, can be a tremendous advantage.

d) Acquire Successful Speech Related Companies - Due to the fact that Wizzard is in a unique position to determine where demand for speech engines and products lie, Wizzard can look to make strategic acquisitions based on predetermined sales and business models. This strategy can help grow our Products and Channels Group through the addition of specialty and often undiscovered speech applications. Wizzard plans to make acquisitions over the next twelve months based on what it is able to identify as customer demand for a specific speech related product or technology. As the speech industry moves from a technology based market to a specific vertically targeted product based market, consolidation amongst companies is a growing trend and management feels Wizzard is in the best position to identify and capitalize on the new speech product companies emerging in the market. In this regard, on February 6, 2004, we signed a non-binding letter of intent to acquire MedivoxRx Technologies and its Talking Prescription Bottle product line. The Talking Pill Bottle provides automated, self-contained verbal instructions to medical patients on the proper method of taking prescription medication. This transaction was consummated on April 23rd, 2004 and as a result, our Products and Channels Group was formed.

Looking Forward - Technology and Services Group

Over the next 12 months we plan to continue to execute our current business plan, focusing our efforts on speech technology business solutions for programmers and enterprise businesses interested in incorporating and using speech technologies for their workforce and in their products and services. We plan to continue to expand our efforts in attracting customers to use our VoiceTools product line as well as our customized programming and consulting services through the leads we generate by distributing our Voice Tools, IBM's OEM ViaVoice desktop products and AT&T's OEM Natural Voices desktop products, on a worldwide basis. Currently, our Voice Tools have been distributed over 100,000 times through Internet linking agreements we have with Microsoft, IBM, AT&T, CNET and ZDnet, as well as through sponsored links on most popular search engines such as AOL, MSN, YAHOO, Google, Excite, Lycos, etc.

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

Additionally, the Technology and Solutions Group plans to increase management focus on revenue growth and profit by significantly expanding our TTS market footprint through the recent addition of AT&T's Natural Voices TTS Server product, the recent launching of IBM's TTS for Linux product into relevant target markets and expanding our speech recognition market penetration with the new WizzScribe product, based on IBM's large vocabulary server based batch processing product line, into the call center and transcription markets. Management plans to increase revenues through the cross selling of our Consulting Packages, Support Packages and Commercial Distribution Licenses to customers acquired through leads from the use of our own and our partner's programming tools and runtime engines. Management feels that in addition to our strong line of past speech offerings, the three new products we recently received as a result of our expansion of current agreements with IBM and AT&T, our Technology and Solutions Group revenue contribution to Wizzard Software will increase significantly over the next twelve months.

Finally, management believes that in addition to previously mentioned target markets, the growing number of government rules and regulations and the slow but progressive enforcement of these rules and regulations could make the adoption of speech technology more widespread than previously anticipated. While the market for selling speech products to blind individuals is limited to the number of blind individuals, the market for complying with rules requiring a company's products and services be accessible to the blind is significantly larger. Public restaurants provide an example. While the overall number of handicapped individuals frequenting their establishment may be small, they still have to have handicapped parking and handicapped accessible restrooms. If an airline is offering an internet only special, it now must make it accessible to all people, including people with visual disabilities, and speech technology can help. Based on this example, we believe the market for speech technology, as an accessibility providing technology, could be the defining market for our business and what compels widespread adoption.

Looking Forward - Products and Channels Group (MedivoxRx Technologies)

The Products and Channels Group plans to focus its near term future efforts on Wizzard's newly acquired MedivoxRx Division and its Talking Pill Bottle product line. The Group plans to begin installations of its recently completed Automated Pharmacy product in both government and retail pharmacies in the U.S. along with the launch of its Home Kit independent living product line in retail pharmacies in the U.S. Currently, MedivoxRx is focusing its efforts on marketing the retail Home Kits to individual and small chains of pharmacies along with marketing its pharmacy solution to the national retail pharmacy chains. The initial efforts have show great promise with several pharmacies purchasing and reselling our products in the first two months of the campaign launch. MedivoxRx has retained a telemarketing service and is currently targeting the states of Illinois and Maryland with impressive results in the early stages of the marketing campaign while at the same time finalizing efforts with a national medical distributor to carry the product nationwide.

The Group will attend and speak at several pharmaceutical and industry relevant trade shows to increase demand for the Talking Pill Bottle.

In addition to the expanding sales efforts, MedivoxRx plans to increase its lobbying efforts of insurance companies and government regulators encouraging Medicare and insurance companies to realize the benefits of the Talking Pill Bottle and cover its cost for deserving individuals.

Looking Forward - General & Administrative

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

Looking Forward - New Products Group

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

Business customers and general consumers now demand data manipulation, personal entertainment and communications functions be integrated into a single hand held device. The Wizzard New Products Division is charged with finding new ways to allow speech and telecommunications to work together. Although speech technology is well entrenched in the Accessibility and Telemedicine fields, the Wizzard New Products Division will continue to search for new, effective, and appropriate applications in these areas. On the desktop and throughout the enterprise the New Products Division continues to explore new directions to push the envelope towards specialized speech interfaces for casual, corporate and medical purposes.

Looking Forward - Acquisition Strategy

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

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

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

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

LOOKING FORWARD (cont.)

Looking Forward - Acquisition Strategy (cont.)

Home Health Care Agencies

In the medical industry, data integration gaps have been widening in conjunction with an increase in paperwork which is driving up costs for all health care providers. The industry goal is to make data integration easier on front and back ends while reducing repetitive paperwork, and speech technology will play a key role in both. Home health care is a very profitable, fragmented, high growth sector but, in terms of workflow, it is also the least standardized.

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

Research and Development

During the calendar years ended December 31, 2004 and 2003, we spent \$65,705 and \$0, respectively, on research and development.

Necessary Material

Beyond basic materials such as CD-ROMs, jewel cases that hold the CD-ROMs and printing, which are all readily available from multiple sources, we depend upon three to five speech recognition companies to license us their speech recognition engines. It is these engines on which we create our applications. We do not foresee any difficulty in continuing to license these engines, due to the competitive market between their manufacturers.

Furthermore, Microsoft is beginning to distribute its new speech recognition engine for free in upcoming versions of its Windows operation system and its Office suite of business products. The microphones that we ship with our products are purchased from Andrea Electronics and Plantronics and are readily available through other companies in equal qualities, due to an extremely competitive market for microphone headsets.

Licenses

We have the following licenses, which are integral to our business operations: IBM ViaVoice speech recognition and text-to-speech engines; and AT& T Natural Voices text-to-speech engine.

Patents Pending

MedivoxRx Technologies currently has two patents pending in the United States and one patent pending in Canada for the talking prescription pill bottle.

Environmental Compliance

We do not believe that there are any material laws, rules or regulations regarding environmental concerns that are applicable to our present or intended business operations.

Governmental Regulations

There are no present governmental regulations that are likely to affect our present or proposed business operations. State sales taxes are not currently required to be collected on Internet sales, but any future sales tax requirements may affect our customer's purchasing decisions, and some purchasers may stop ordering products over the Internet. Congress' four-year extension on the moratorium on state taxes and regulation of the Internet is scheduled to expire in November, 2007, and the effects of this cannot yet be predicted.

Employees

Currently, we have 12 full time employees and eight contractors who spend a majority of their time working for Wizzard.

Item 2. Description of Property

Wizzard's offices are located at 5001 Baum Blvd., Suite 770, Pittsburgh, PA 15213. They consist of approximately 3,500 square feet of space, which are rented for \$3,672 per month. The lease terminates on August 1, 2007. We also maintain a sales office in Deerfield Beach, Florida. The Florida lease calls for monthly rent payments of \$2,226 and is scheduled to expire on July 7, 2005.

Item 3. Legal Proceedings

Wizzard is involved in routine legal and administrative proceedings and claims of various types. We have no material pending legal or administrative proceedings, other than as discussed above or ordinary routine litigation incidental to our business, to which we or any of our subsidiaries are a party or of which any property is the subject. While any proceeding or claim contains an element of uncertainty, management does not expect that any such proceeding or claim will have a material adverse effect on our results of operations or financial position.

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

During the fourth quarter of the calendar year ended December 31, 2004, we did not submit any matter to a vote of our security holders, whether through the solicitation of proxies or otherwise.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters.

Market Information

Our common stock is currently traded on the OTC Bulletin Board of the NASD under the symbol "WIZD." We can not guarantee that the present market for our common stock will continue or be maintained. In addition, the sale of unregistered and restricted common stock pursuant to Rule 144, or of 1,400,000 shares and 1,400,001 shares underlying warrants that we are currently in the process of registering for resale, may substantially reduce the market price of our common stock. See the caption "Recent Sales of Unregistered Securities," below.

The quarterly high and low bid prices for our shares of common stock since public trading of these shares for the last two years are as follows:

Quarter or period ending: -----	Bid*	
	High ----	Low ---
January 1, 2003 through March 31, 2003	\$0.96	\$0.33
April 1, 2003 through June 30, 2003	\$0.73	\$0.41
July 1, 2003 September 30, 2003	\$0.52	\$0.37
October 1, 2003 December 31, 2003	\$1.45	\$0.40
January 1, 2004 through March 31, 2004	\$4.28	\$1.06
April 1, 2004 through June 30, 2004	\$3.73	\$1.87
July 1, 2004 through September 30, 2004	\$2.86	\$1.48
October 1, 2004 through December 31, 2004	\$2.23	\$1.50

These bid prices were obtained from Pink Sheets, LLC, formerly known as the "National Quotation Bureau, LLC," and do not necessarily reflect actual transactions, retail markups, mark downs or commissions.

Resales of Restricted Securities

As of March 18, 2005, approximately 12,953,394 shares of our common stock were publicly traded. We expect that this number will increase by the 2,800,001 shares that we are in the process of registering for resale by certain security holders in a registration statement on Form SB-2. This increase of approximately 22% in the available shares for public trading may dramatically reduce the price of our common stock on the basis of supply and demand alone. In addition, in May, 2004, we registered a total of 2,472,526 shares of our common stock on a registration statement on Form SB-2. The sale of all or any portion of these shares may have a further negative effect on our stock price.

Holders

As of the date of this Report, we have about 311 stockholders. This figure does not include an indeterminate number of stockholders who may hold their shares in street name.

Dividends

We have not declared any cash dividends on our common stock, and do not intend to declare dividends in the foreseeable future. Management intends to use all available funds for the development of our plan of operation. There are no material restrictions limiting, or that are likely to limit, our ability to pay dividends on our common stock.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

The following information is provided as of December 31, 2004:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)
-----	-----	-----	-----
Equity compensation plans approved by security holders	-a- -0-	-b- -0-	-c- -0-
Equity compensation plans not approved by security holders	-0-	-0-	74,293
Total	-0-	-0-	74,293

Recent Sales of Unregistered Securities

We have sold the following restricted shares of common stock during the past three calendar years:

In December, 2002, we issued to ATTY Consulting 1,200,000 "unregistered" and "restricted" shares in exchange for consulting services valued at \$480,000, based on the bid price of our common stock on the date of issuance. We believe that the offer and sale of these securities was exempt from the registration requirements of the Securities Act, pursuant to Sections 4(2) and 4(6) thereof, and Regulation D of the Securities and Exchange Commission and from various similar state exemptions.

The following table provides information about all "unregistered" and "restricted" securities that Wizzard has sold during the calendar years ended December 31, 2003, and 2004, which were not registered under the 1933 Act:

Name of Owner	Date Acquired	Number of Shares	Aggregate Consideration
-----	-----	-----	-----
Great North Distributors, Inc.	2-7-03	225,000	Retirement of debt totaling \$96,525
The Agency, LLC	3-30-03	6,098	Purchase of assets valued at \$6,092
Gordon Berry	3-31-03	165,000	Retirement of debt totaling \$97,421

Recent Sales of Unregistered Securities (cont.)

Name of Owner -----	Date Acquired -----	Number of Shares -----	Aggregate Consideration -----
Patty Plagman	3-31-03	394,000	Retirement of debt totaling \$150,532
Armen Geronian	3-31-03	117,778	Retirement of debt totaling \$39,476
Rubin Investment Group, Inc.	3-26-03	100,000	\$50,000 warrant exercise
Rubin Investment Group, Inc.	3-27-03	500,000	\$250,000 warrant exercise
Steven Pastor	5-15-03	5,000	Services valued at \$3,500
Arthur Douglas & Associates	5-15-03	500,000	Services valued at \$330,000
Four individuals	5-15-03	35,000	Services valued at \$24,150
Arthur Douglas & Associates	9-30-03	500,000	Consulting services valued at \$245,000
Three investors	1-16-04	824,176	\$600,000
Arthur Douglas & Associates	3-25-04	250,000	Services valued at \$825,000
Four consultants	5-3-04	184,167	Services valued at \$585,651
Three note holders	5-3-04	83,091	Payment of notes payable
Three investors	5-17-04	824,176	\$600,000
Six consultants	7-9-04	147,000	Services valued at \$396,900
Stockholders of MedivoxRx Technologies, Inc.	8-30-04	50,375	Acquisition of MedivoxRx Technologies, Inc.
Three consultants	10-11-04	207,700	Services valued at \$353,090
Hobson, Lorenze, Bowersock & Associates	11-24-04	50,000	Services valued at \$85,000

In January, 2004, and May, 2004, we issued to Alpha Capital Aktiengesellschaft; Genesis Microcap Inc.; and Stonestreet Limited Partnership warrants to purchase a total of 824,174 shares of our common stock at a price of \$1.55 per share, exercisable for three years. As of March 11, 2005, a total of 102,500 of these warrants had been exercised. We also granted to Marc Lord a warrant to purchase 20,000 shares of our common stock at \$0.25 per share, exercisable for three years.

Recent Sales of Unregistered Securities (cont.)

On February 8, 2005, we 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 \$1.50 per share, and bearing an annual interest rate of five percent
- Class A Warrants to purchase a total of 466,667 shares of common stock at a price of \$2.50 per share, exercisable for three years
- Class B Warrants to purchase a total of 933,334 shares of common stock at a price of \$1.50 per share, exercisable until 150 days after the effective date of the registration statement on Form SB-2 under which we are in the process of registering the shares issuable upon the conversion of the promissory notes and the shares issuable upon exercise of the warrants.

Securities Authorized for Issuance under Equity Compensation Plans

The following information is provided as of December 31, 2004:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a)
-----	-----	-----	-----
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-0-	-0-	-0-
Equity compensation plans not approved by security holders	-0-	-0-	74,293
Total	-0-	-0-	74,293

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None; not applicable.

Item 6. Management's Discussion and Analysis or Plan of Operation

Results of Operations

2004 Compared to 2003

Wizzard derives its revenue from the sale of desktop and enterprise speech technology (speech recognition and text-to-speech) programming tools, distributable engines and speech related consulting services and support, as well as through the sale of talking prescription bill bottles. During 2004, Wizzard recorded revenues of \$525,434, an increase of \$54,947, or approximately 11.7%, from our revenues of \$470,487 in 2003. This increase was due in large part to increased sales of our AT&T and IBM licensed products. In 2004, we continued to expand our relationships with these strategic third parties to add additional products and operating system support.

Item 6. Management's Discussion and Analysis or Plan of Operation Results of Operations (cont.)

During 2004, cost of goods sold was \$408,349, an increase of \$20,019, or approximately 5.2%, over the 2003 figure of \$388,330. This is attributed to an increase in labor cost associated with consulting and custom programming and increased royalties payments to AT&T and IBM on licensed products. Wizzard generated a gross profit of \$117,084 in 2004, versus a gross profit of \$82,157 in 2003. We feel our gross margin for our speech technologies should hold steady or increase over the next several years based on current products and other offerings continuing to be of value to our customers and the fact that we have finalized the amortization of the technologies purchased in the Speech Systems acquisition. The cost of goods for our talking prescription pill bottle is higher than for our core speech technologies but has been reduced significantly from the initial acquisition date and will continue to fall as sales increase.

Selling expenses increased to \$292,851 in 2004, from \$153,865 in the prior year, due to increased marketing efforts, specifically for our talking prescription pill bottle. We plan to continue marketing our own and strategic third party products through various forms of customer interaction mentioned above.

In 2004, Wizzard had operating expenses of \$5,544,959, as compared to \$2,078,765 in 2003. The increase is primarily attributed to 3,165,447 in non cash expenses, expenses related to our MedivoxRx Technologies acquisition, funding the development of the new speech enabled talking prescription pill bottle and doubling our work staff in 2004.

During 2004 and 2003, we had depreciation expenses of \$34,943 and \$33,136, respectively. Research and development expense also increased to \$65,705, from \$0 in the prior year related to the integration of the text to speech technology into the Talking pill bottle. Wizzard incurred Non-Cash legal, public relations and consulting fees of \$2,967,558 in fiscal 2004, as compared to \$1,124,815 in 2003. Due to the increased liquidity of its common stock traded on the OTC Bulletin Board exchange, Wizzard has been able to pay for valuable and sometimes critical services with restricted and unrestricted common stock. This has helped us to use our cash for general and administrative operations.

During December 2004, the Company performed its annual test of impairment of goodwill and intangible assets by comparing the net carrying value including goodwill of the assets with the present value of future cash flows. Fair value was estimated using the expected present value of discounted future cash flows of the businesses within Wizzard Software Corporation. When making these estimates, we were required to make estimates of future operating trends and judgments on discount rates and other variables. Actual future results and other assumed variables could differ from those estimated.

The result of the annual impairment test indicated that the carrying value of goodwill and intangible assets exceeded their implied fair value and an impairment charge of \$522,931 and \$169,797, respectfully was recorded in the consolidated statement of operations during the fourth quarter of 2004. All of the goodwill impaired relates to the acquisition of MedivoxRx Technologies. The intangibles assets impaired related to the unamortized balance of the Active X Voice Tools Software, Trademarks, patents, website registrations and Memorandum of Understanding.

In connection with our relocation in 2004, we realized a loss of \$38,811 on abandoned leasehold improvements and other assets during that year. Interest expense declined to \$20,155 in 2004, from \$47,434 in 2003.

Net loss increased to \$5,486,840 in 2004, as compared to a net loss of \$2,044,042 in 2003. The \$3,442,798 increase is due principally to the increase in operating expenses, including \$3,165,447 in Non-Cash legal, public relations and consulting fees as discussed above. As a result of this increase in net loss, we have a basic and diluted loss per common share of \$0.22 in 2004, versus a basic and diluted loss per common share of \$0.10 in 2003.

Liquidity and Capital Resources 2004 compared to 2003

At December 31, 2004, the Company had working capital of \$433,537, an increase of \$659,108 over the working capital deficit of \$(225,571) at December 31, 2003. The increase in working capital is due to the net \$1,898,576 in proceeds received from the issuance of common stock. Current assets included \$464,402 in cash and accounts receivable, an increase of \$346,723 from our cash, restricted cash and accounts receivable of \$117,679 at December 31, 2003.. On February 8, 2005, subsequent to the year ended December 31, 2004, the Company closed a \$1,400,000, 5% convertible note subscription agreement.

The Company believes it is still in the early stages of the new and developing speech technology market and estimates it will require approximately \$120,000 per month to maintain current operations. As mentioned in Note 2 to the accompanying financial statements, the Company has not yet been able to establish profitable operations and has not generated cashflows from operations, thus raising substantial doubt about the Company ability to continue as a going concern. The Company has been successful over the past nine years in obtaining working capital and will continue to seek to raise additional capital from time to time as needed and until profitable operations can be established.

Liquidity and Capital Resources (cont.)

2004 compared to 2003

During fiscal 2004, our operating activities used net cash of \$1,469,721, as compared to \$467,970 in net cash used by operating activities in the preceding year. This change was due in large part to current year losses offset by non-cash expenses of \$3,165,447, and a non-cash impairment charges of \$522,931 and \$169,797, of goodwill and intangible assets, respectfully.

In 2004, depreciation and amortization expense was \$190,912, which was up somewhat from \$149,163 in 2003. In both periods, this expense was primarily attributed to the amortization of technology purchased in the Speech Systems, Inc. acquisition.

Accounts payable decrease by \$29,924 in fiscal 2004, as compared to a increase of \$58,933 in 2003. This decrease is primarily related to the payment of penalties on the delay in registering the shares underlying the 8% convertible note payable.

Net cash used by investing activities increased to \$36,682 in 2004, versus \$21,061 in 2003. In both periods, this cash was used for the purchase of property and equipment.

In 2003, net cash provided by financing activities increased to \$1,898,576, from \$491,618 in 2003. Net cash of \$2,025,859 was provided by the issuance of common stock in 2004, less the payment of offering costs of \$127,283; in 2003, this figure was \$503,601. In 2003, we received \$32,017 in proceeds from a note payable to a related party, which decreased to \$0 in 2004. We also paid a related party note of \$50,000, plus interest, in fiscal 2003, versus \$0 in 2004.

Safe Harbor Statement

Statements made in this Form 10-KSB 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 Wizzard, 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" or similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond Wizzard'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 our reports on file with the SEC: general economic or industry conditions, nationally and/or in the communities in which Wizzard conducts business, changes in the interest rate environment, legislation or regulatory requirements, conditions of the securities markets, changes in the casino industry, the development of products that may be superior to the products offered by Wizzard, demand for financial services, competition, changes in the quality or composition of Wizzard'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 Wizzard'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. Wizzard 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 7. Financial Statements

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2004

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES

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Consolidated Statements of Operations, for the years ended December 31, 2004 and 2003	3

Item 7. Financial Statements (cont.)

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Gregory & Eldredge, LLC
Certified Public Accountants
3650 South Craig Circle * Salt Lake City, Utah 84109
(801)277-2763 Phone * (801)277-6509 Fax

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
Pittsburgh, Pennsylvania 15213

We have audited the accompanying consolidated balance sheet of Wizzard Software Corporation and subsidiaries as of December 31, 2004, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of Wizzard Software Corporation and subsidiaries and subsidiaries as of December 31, 2004 and the results of their operations and their cash flows for the years ended December 31, 2004 and 2003, in conformity with generally accepted accounting principles in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has not yet established profitable operations and has incurred significant losses since its inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

/s/ Gregory & Eldredge, LLC

January 21, 2005, except for note 15, As to which the date is March 18, 2005, Salt Lake City, Utah

Item 7. Financial Statements (cont.)

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

ASSETS

December 31, 2004

CURRENT ASSETS:

Cash	\$ 445,702
Accounts receivable, net of \$0 allowance	18,700
Inventory, net	86,694
Prepaid expenses	68,737

Total current assets 619,833

PROPERTY & EQUIPMENT, net 99,327

OTHER ASSETS 8,124

\$ 727,284

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 148,156
Accrued expenses	13,064
Loans payable related party	25,076

Total current liabilities 186,296

LONG TERM OBLIGATIONS:

8% convertible note payable related party 100,000

Total long term liabilities 100,000

286,296

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, 26,094,228 shares issued and outstanding 26,094

Additional paid-in capital 13,886,763
Accumulated Deficit (13,471,869)

Total Stockholders' Equity 440,988

\$ 727,284

The accompanying notes are an integral part of this consolidated financial statement.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,	
	2004	2003
NET SALES	\$ 525,434	\$ 470,487
COST OF GOODS SOLD	408,349	388,330
Gross Profit	117,085	82,157
OPERATING EXPENSES:		
Selling expenses	292,851	153,865
General and administrative	1,415,696	590,085
Research and development	65,705	-
Non-cash legal and consulting fees	1,322,158	550,815
Investor relations consulting fees	50,000	-
Non-cash Investor relations consulting fees	1,545,400	574,000
Compensation for re-pricing warrants	160,420	210,000
Impairment of goodwill	522,932	-
Impairment of intangible asset	169,797	-
Total Expenses	5,544,959	2,078,765
LOSS FROM OPERATIONS	(5,427,874)	(1,996,608)
OTHER EXPENSES:		
Loss on abandoned leasehold improvements	(38,811)	-
Interest expense related party	(20,155)	(47,434)
Total Other Expenses	(58,966)	(47,434)
LOSS BEFORE INCOME TAXES	(5,486,840)	(2,044,042)
CURRENT INCOME TAX EXPENSE	-	-
DEFERRED INCOME TAX EXPENSE	-	-
NET LOSS	\$(5,486,840)	\$(2,044,042)
BASIC AND DILUTED LOSS PER COMMON SHARE:	\$ (.22)	\$ (.10)
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARE OUTSTANDING:	24,824,265	20,631,309

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

**WIZZARD SOFTWARE CORPORATION STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	Common Stock		Additional Paid in Accumulated Capital	(Deficit)
	Shares	Amount		
BALANCE, December 31, 2002	18,814,800	\$ 18,815	\$ 5,622,803	\$(5,940,987)
Stock issued in payment of related party notes payable and accrued interest at \$0.34 to \$1.20 per share	901,787	901	386,564	-
Stock issued as consideration for an individual loaning the company \$50,000	17,000	17	20,383	-
Compensation for re-pricing of 300,000 warrants from \$1.25 to \$0.50 per share	-	-	210,000	-
Stock issued upon exercise of warrants April, 2003 \$.50 per share	600,000	600	299,400	-
Stock issued upon exercise of options for employee payroll at \$.47 to \$1.23 per share	319,991	320	203,281	-
Stock issued for the purchase of a website \$1.00 per share, March 2003	6,098	6	6,092	-
Advertising services paid for by a shareholder of the Company	-	-	6,000	-
Issuance of stock for consulting services, May to September 2003, at \$.49 to \$.70 per share	1,040,000	1,040	601,610	-
Issuance of stock for legal services, May, 2003, at \$.57 per share	12,540	13	7,136	-
Stock issued upon exercise of options for Legal services at \$0.56 to \$0.84 per share May to December 2003	36,040	36	25,531	-
Stock issued upon exercise of options for Consulting services at \$0.65 to \$1.20 per share April and December 2003	428,000	428	473,022	-
Compensation for the issuance 20,000 warrants to purchase common stock at \$0.25 per share	-	-	16,000	-
Net loss for the year ended December 31, 2003	-	-	-	(2,044,042)

**WIZZARD SOFTWARE CORPORATION STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (cont.)**

	Common Stock		Additional Paid in Accumulated Capital	(Deficit)
	Shares	Amount		
BALANCE, December 31, 2003	22,176,256	22,176	7,877,822	(7,985,029)
Issuance of common stock for cash, less \$127,254 offering costs, at \$0.73 per share, January and May 2004	1,648,352	1,648	1,070,085	-
Compensation for the re-pricing of warrants to purchase common stock from \$1.50 to \$1.00 per share	-	-	160,420	-
Stock issued upon exercise of warrants at \$0.25 to \$1.55 per share	646,076	646	663,380	-
Stock issued upon exercise of options at \$1.81 per share, March 2004	90,210	90	162,756	-
Stock issued for employees services upon exercise of options at \$1.77 per share	77,666	78	137,391	-
Stock issued for consulting services upon exercise of options at \$1.99 to \$4.24 per share	62,300	62	129,088	-
Stock issued for investor relations consulting services at \$2.77 to \$3.30 per share, March 2004	370,000	370	1,157,030	-
Subsidiary stock issued to for investor relations services at \$1.94 per share	-	-	388,000	-
Stock issued for consulting services at \$1.73 to \$3.18 per share	468,867	469	1,114,102	-
Stock issued in payment of a \$10,016 note payable \$614 in accrued expenses and \$78,437 in consulting services at \$3.18 per share, May 2004	27,999	28	89,039	-
Stock issued in payment of accrued interest at accrued expenses at \$3.50 per share, May 2004	18,117	18	63,360	-

**WIZZARD SOFTWARE CORPORATION STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (cont.)**

	Common Stock		Additional Paid in Accumulated Capital	(Deficit)
	Shares	Amount		
Stock issued related to the acquisition of MedivoxRx Technologies, May 2004	150,035	150	536,975	-
Stock issued related to the acquisition of Medivox-RX Technologies at \$1.70 per share, July 2004	51,375	52	87,285	-
Stock issued in payment of penalties related to Delay in registration of shares underlying the 8% convertible note payable at \$3.50 per share	19,286	19	67,481	-
Stock issued upon conversion of note payable at \$0.50 per share and \$47,837 of accrued interest at \$2.70 May to October 2004	287,689	288	182,549	-
Net loss for the year ended December 31, 2004	-	-	-	(5,486,840)
BALANCE, December 31, 2004	26,094,228	\$ 26,094	\$13,886,763	\$(13,471,869)

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

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS
Net Increase (Decrease) in Cash

	For the Years Ended December 31,	
	2004	2003
Cash Flows from Operating Activities:		
Net loss	\$(5,486,840)	\$(2,044,042)
Adjustments to reconcile net loss to net cash used by operating activities:		
Compensation of stock and options	3,165,447	1,355,215
Impairment of definite-life intangible assets	169,797	-
Impairment of goodwill	522,932	-
Loss on abandoned leasehold and assets	38,811	-
Depreciation and amortization expense	52,103	149,163
Change in assets and liabilities:		
Restricted cash	34,771	(34,771)
Accounts receivable	10,663	33,161
Inventory	(11,496)	4,959
Prepaid expenses	(48,570)	(6,674)

WIZZARD SOFTWARE CORP. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

Net Increase (Decrease) in Cash

	For the Years Ended December 31,	
	2004	2003
Other assets	(1,672)	(4,452)
Accounts payable	(29,940)	58,933
Accrued expense	14,258	20,538
Total Adjustments	4,017,104	1,560,072
Net Cash Used in Operating Activities	(1,469,736)	(467,970)
Cash Flows from Investing Activities:		
Purchase of property & equipment	(36,682)	(21,061)
Net Cash Used in Investing Activities	(36,682)	(21,061)
Cash Flows from Financing Activities:		
Proceeds from the issuance of common stock	2,025,859	503,601
Payment of stock offering cost	(127,283)	-
Capital contribution	-	6,000
Proceeds from note payable - related party	-	32,017
Payments on note payable - related party	-	(50,000)
Net Cash Provided by Financing Activities	1,898,576	491,618
Net Increase in Cash	392,158	2,587
Cash at Beginning of Period	53,544	50,957
Cash at End of Period	\$ 445,702	\$ 53,544

Supplemental Disclosures of Cash Flow Information:

Cash paid during the periods for:

Interest	\$ -	\$ 4,387
Income taxes	\$ -	\$ -

Supplemental Schedule of Non-cash Investing and Financing Activities: For the Year Ended December 31, 2004

The Company recorded \$160,420 in compensation for the re-pricing of 408,076 warrants from \$1.50 to \$1.00 per share and extending the expiration date from January 1, 2004 to February 29, 2004. The Company issued 370,000 common shares for investor relations services valued at \$1,157,400.

Supplemental Schedule of Non-cash Investing and Financing Activities: For the Year Ended December 31, 2004

The Parent recorded a \$388,000 in investor relations expense and a capital contribution for the issuance of 200,000 common shares of Wizzard Software Corp. (Subsidiary).

The Company issued 18,117 common shares in payment of \$63,408 in accrued interest.

The Company issued 531,167 common shares for consulting services valued at \$1,243,721.

The Company issued 77,666 common shares to employees for services valued at \$137,469.

WIZZARD SOFTWARE CORP. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

The Company issued 27,999 common shares in payment of a \$10,016 note payable and \$614 in related accrued interest and \$78,437 in consulting services.

On April 23, 2004, the Company acquired MediVoxRx Technologies, Inc. through a triangular purchase wherein the Company's newly formed wholly owned subsidiary acquired the operations MediVoxRx Technologies through the Company issuing 150,035 common shares to acquire all of the issued and outstanding shares of MediVoxRx Technologies, Inc. As a result of the purchase, the Company recorded goodwill of \$435,594 as the purchase price of \$537,125 exceeded the \$101,531 net book value of the assets. On July 9, 2004, the Company issued 51,375 restricted common shares to the former stockholders upon Wizzard Merger Corp. receiving Federal Supply Schedule approval on the talking pill bottle and recorded additional goodwill of \$87,337.

The Company issued 19,286 common shares in payment of \$67,500 in penalties related to the delay in the registering shares underlying the 8% convertible note payable.

The Company issued 287,689 common shares upon conversion of \$135,000 of the 8% convertible note payable and payment of related accrued interest payable of \$47,837.

For the Year Ended December 31, 2003: During March 2003, the Company recorded \$210,000 in compensation for the re-pricing of warrants from \$2.00 to \$.50 per share.

The Company issued 6,098 common shares to purchase certain intangible assets valued at \$6,092.

The Company issued 901,787 shares of common stock in payment of \$374,183 in related party notes payable and \$13,323 in related accrued interest.

The Company issued 17,000 shares of commons stock valued at \$20,400 in considerations for a entity loaning the Company \$50,000.

The Company issued 1,040,000 shares of common stock for consulting services valued at \$602,650,

The Company issued shares 428,000 of common stock upon the exercise of options for consulting services valued at \$473,450.

The Company issued shares 48,580 of common stock (36,040 shares upon the exercise of options) for legal services valued at \$32,715.

On December 15, 2003, the Company recognized \$16,000 in compensation related to the issuance of 20,000 warrants to purchase common shares at \$.25 per share, expiring December 15, 2006.

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

WIZZARD SOFTWARE CORP. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Wizzard Software Corporation ("Parent") a Colorado corporation, was organized on July 1, 1998 as Balance Living Inc. Wizzard Software Corporation and Subsidiaries ["Company"] engage primarily in the resale of AT&T and IBM speech engines licenses and the development, sale, and service of custom and packaged computer software products. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

Wizzard Software Corp. ("WSC") was incorporated on February 29, 1996 under the laws of the State of Delaware. The Company is an OEM licensee of certain speech to text and text to speech software engines. The Company also develops, sells, and service of custom and packaged speech recognition computer software products. On February 7, 2001, the Company completed the Plan of Reorganization and Stock Exchange agreement, wherein, Parents acquired 96% of the common stock of the subsidiary. The merger was accounted for as a recapitalization of the Subsidiary, wherein Subsidiary became a 96% owned subsidiary of the Parent.

During 2004 WSC issued 200,000 common shares (approximately 1% of the outstanding shares) for consulting services. On January 19, 2005 the Parent acquired the remaining 5% minority interest and dissolved WSC into the Parent.

Speech Systems Incorporated ("SSI") was incorporated on under the laws of Florida. On May 22, 2001 SSI was acquired by the Parent in a transaction accounted for as a purchase.

On April 9, 2004, the Parent organized Wizzard Merger Corp. ("WMC") a New York corporation to acquire and dissolve into, the operations of MediVoxRx Technologies, Inc., a New York Corporation, in a transaction accounted for as a purchase. WMC engages primarily in the development, sale, and service of a talking prescription pill bottle.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Consolidation - The consolidated financial statements presented reflect the accounts of Parent, WSC, SSI, and MED ("Company"). At December 31, 2004 and 2003 the Company held a 95% and 96% ownership interest in WSC, respectively. The Company recorded no liability for the 5% and 4% non-controlling interest as WSC had a stockholders deficit at the time of merger. Further the net loss for WSC. for the year ended December 31, 2004 and 2003 applicable to the 5% and 4% non-controlling interest were not allocated to the non- controlling interest as there is no obligation of the non-controlling interest to share in such losses. All significant inter-company transactions between the parent and subsidiaries have been eliminated in consolidation.

Cash and Cash Equivalents - For purposes of the financial statements, the Company considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents. The Company maintains its cash balance at one financial institution located in Pittsburgh, Pennsylvania. At December 31, 2004, the Company had cash balances of \$345,702 in excess of federally insured balances.

Accounts Receivable - Accounts receivable consist of trade receivables arising in the normal course of business. At December 31, 2004, the Company has an allowance for doubtful accounts of \$0 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 years ended December 31, 2004 and 2003, the Company wrote off \$16,545 and \$0 in accounts receivable, respectively.

Inventory - Inventory consists of software and related products and is carried at the lower of cost or market on a first in first out basis.

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

Goodwill and Definite-life intangible assets - Goodwill represented the excess of costs over the fair value of the identifiable net assets of businesses acquired. Definite-life intangible assets consist of website development cost, patents, trademarks, purchased rights to a Merchant Operating Understanding (for the distribution of the Company's products) and trade secrets of the speech recognition software ActiveX Voice Tools, purchased in the acquisition of Speech Systems, Inc., and a patents pending and trademarks acquired in the purchase of MediVoxRx Technologies, Inc. The Company accounts for Goodwill and definite-life intangible assets in accordance with provisions of 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. Definite-life intangible assets were being amortized over two to five years on a straight-line basis.

Software Development Costs - Statement of Financial Accounting Standards ("SFAS") No. 86 "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed" requires software development costs to be capitalized upon the establishment of technological feasibility. The establishment of technological feasibility and the ongoing assessment of the recoverability of these costs requires considerable judgment by management with respect to certain external factors such as anticipated future revenue, estimated economic life, and changes in software and hardware technologies. Capitalizable software development costs have not been significant and accordingly no amounts are shown as capitalized at December 31, 2004.

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 12).

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 and marketing costs are expensed as incurred and amounted to \$3,800 and \$887 for the period ending December 31, 2004 and 2003.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 - Revenue is recognized when earned. The Company's revenue recognition policies are in compliance with the American Institute of Certified Public Accountants Statement of Position ("SOP") 97-2 (as amended by SOP 98-4 and SOP 98-9) and related interpretations, "Software Revenue Recognition" and the Securities and Exchange Commission Staff Accounting Bulletin No. 101 and 104. The Company sells packaged and custom software products and related voice recognition product development consulting. Software product revenues are recognized upon shipment of the software product only if no significant Company obligations remain, the fee is fixed or determinable, and collection is received or the resulting receivable is deemed probable. Revenue from package software products are recorded when the payment has been received and the software has been shipped. Revenue is recognized, net of discount and allowances, at the time of product shipment. For packaged software products the Company offers a 30 day right of return. Provisions are recorded for returns, concessions, and bad debts and at December 31, 2004 amounted to \$0, respectively. Revenue related to obligations, which include telephone support for certain packaged products, are based on the relative fair value of each of the deliverables determined based on vendor-specific objective evidence ("VSOE") when significant. The Company VSOE is determined by the price charged when each element is sold separately. Revenue from packaged software product sales to and through distributors and resellers is recorded when payment is received and the related products are shipped. The Company's distributors or resellers do not carry packaged software product inventory and thus the Company does not offer any price protections or stock balancing rights. Revenue from non-recurring programming, engineering fees, consulting service, support arrangements and training programs are recognized when the services are provided. Such items are included in net revenues and amounted to \$29,050 and \$38,730 at December 31, 2004 and 2003, respectively.

Recently Enacted Accounting Standards - Statement of Financial Accounting Standards ("SFAS") No. 152, "Accounting for Real Estate Time- Sharing Transactions - an amendment of FASB Statements No. 66 and 67", SFAS No. 153, "Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29", and SFAS No. 123 (revised 2004), "Share-Based Payment", which replaces SFAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for stock Issued to Employees" and Emerging Issues Task Force ("EITF") Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," were recently issued. SFAS No. 152, 153, and EITF 03-1 have no current applicability to the Company or their effect on the financial statements would not have been significant.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs". SFAS No. 151 requires abnormal amounts of inventory costs related to idle facility, freight handling and wasted material (spoilage) to be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Company will be required to adopt the provisions of SFAS No. 151 for fiscal years beginning after June 15, 2005. Management believes the provisions of this Standard will not have a significant effect on our financial position or results of operations.

SFAS No. 123(R) requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. The cost will be measured based on the fair value of the instruments issued. The Company will be required to apply SFAS No. 123(R) as of the first interim reporting period that begins after June 15, 2005. Accordingly, The Company will adopt SFAS No. 123(R) in the third quarter of fiscal 2005 using the modified-prospective method. Management is currently evaluating the impact SFAS No. 123(R) will have on the Company's results of operations as a result of adopting this new Standard.

Stock Options - The Company accounts for the stock option plans in accordance with the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The Corporation has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost under SFAS No. 123 has been recognized for the stock option plans or other agreements in the accompanying statement of operations. Had compensation cost for the Company's stock option plans and agreements been determined based on the fair value at the grant date for awards in 2004 and 2003 consistent with the provisions of SFAS No. 123, the Company's net earnings net of taxes and earnings per share would have been reduced to the pro forma amounts indicated below:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

		2004	2003
Net (Loss)	As reported	\$ (5,486,840)	\$ (2,044,042)
Add: Stock-based employee compensation expense included in reported net income		-	-
Deduct: Total stock-based employee compensation expense determined under fair value based method		-	-
Net (Loss)	Proforma	\$ (5,486,840)	\$ (2,044,042)
Basic and diluted			
loss per share	As reported	\$ (.22)	\$ (.10)
	Proforma	\$ (.22)	\$ (.10)

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 at December 31, 2004 and 2003 are \$65,705 and \$0, respectively, of research and development costs associated with the development of new products.

Reclassification - The financials statements for the period ended prior to December 31, 2004 have been reclassified to conform to the headings and classifications used in the December 31, 2004 financial statements.

NOTE 2 GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America, which contemplate continuation of the Company as a going concern. However, the Company has incurred significant losses from inception, and has not generated any cash flow from operating activities 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 consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 3 ACQUISITION

On April 23, 2004, the Company acquired MediVoxRx Technologies, Inc. (engaged in the development and marketing of a talking prescription pill bottle) through a triangular purchase wherein the Company's newly formed wholly owned subsidiary Wizzard Merger Corp. to acquire the operations MediVoxRx Technologies through the Parent issuing 150,035 common shares and certain contingent consideration (See Below) to acquire 100% of the issued and outstanding shares of MediVoxRx Technologies, Inc. The consolidated financial statements include the operations of Wizzard Merger Corp from April 23, 2004 through December 31, 2004.

The Company acquired the MediVoxRx operations with the intention of integrating the Company's text to speech software tools enabling the talking prescription pill bottles to have the prescription message load via electronic means. This was completed during November 2004.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at April 23, 2004 (purchase date):

Inventory and deposit to purchase inventory	\$ 51,937
Production molds	47,710
Definite-life intangible assets (5 year life)	6,558
Accounts payable	(4,674)
Net estimated fair value of assets acquired	101,531
Goodwill (None of which is deductible for tax purposes)	435,594
Original purchase price	\$ 537,125

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 ACQUISITION (cont.)

During July 2004, the Parent recorded an additional \$87,338 in goodwill upon the issuance of an additional 51,375 restricted common shares to the former stockholders upon Wizzard Merger Corp. receiving Federal Supply Schedule approval. The goodwill was impaired during December 2004. (See Note 6.)

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

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

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

The Parent will also issue an additional 625,000 restricted common shares to the former stockholders of MediVoxRX if the Wizzard Merger Corp. meets certain revenue and profit projections for the first year of operations forward from the April 23, 2004, acquisition date.

The Parent will further issue an additional 625,000 restricted common shares to the former stockholders of MediVoxRX if the Wizzard Merger Corp. meets revenue and profit projections for the second year of operations forward from the April 23, 2004 acquisition date.

NOTE 4 INVENTORY

The following is a summary of inventory at December 31, 2004:

	2004
Raw materials	\$ 68,696
Finished goods	17,998
	<hr/>
	\$ 86,694

The Company does not estimate that an allowance for slow moving or obsolete inventory was necessary at December 31, 2004.

NOTE 5 PROPERTY & EQUIPMENT

The following is a summary of property and equipment at December 31, 2004:

	2004
Furniture, fixtures and equipment	\$ 95,367
Production molds	47,710
Software	5,860
	<hr/>
	148,937
(Less) Accumulated Depreciation	(49,610)
	<hr/>
Property & Equipment, net	\$ 99,327

Depreciation expense for the year ended December 31, 2004 and 2003 was \$34,943 and \$33,136, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 GOODWILL / DEFINITE-LIFE INTANGIBLES ASSETS

The Company has classified its intangible assets as a definite-life intangible asset and is amortizing them on a straight-line basis over two to five years. During December 2004 the Company used the estimated future cash flows to test the remaining intangible assets for impairment and recorded an impairment of intangible assets determined that the Company's intangible assets were impaired. Amortization expense of \$117,160 and \$116,027 was recorded for the year ended December 31, 2004 and 2003 and has been included in cost of goods sold. The following is a summary of intangibles:

	Life	December 31, 2004
Active X Voice Tools Software	5 years	\$ 500,000
Trademarks, patents, website registrations	2 to 5 years	23,503
Memorandum of Understanding	5 years	66,227
		<hr/>
		589,730
Accumulated amortization		(419,933)
Impairment		(169,797)
		<hr/>
Intangibles, net		\$ -

Goodwill - On April 23, 2004, the Company recorded goodwill of \$435,594 in connection with the acquisition of MediVoxRx Technologies, Inc. as the purchase price of \$537,125 exceeds the \$101,531 net book value of the assets acquired. During July 2004, the Parent recorded an additional \$87,338 in goodwill with the issuance of 51,375 restricted common shares to the former stockholders upon Wizzard Merger Corp. receiving Federal Supply Schedule approval.

Impairment - During December 2004, the Company performed its annual test of impairment of goodwill and intangible assets by comparing the net carrying value including goodwill of the assets with the present value of future cashflows. Fair value was estimated using the expected present value of discounted future cash flows of the businesses within Wizzard Software Corporation. When making these estimates, we were required to make estimates of future operating trends and judgments on discount rates and other variables. Actual future results and other assumed variables could differ from those estimated.

The result of the annual impairment test indicated that the carrying value of goodwill and intangible assets exceeded their implied fair value and an impairment charge of \$522,931 and \$169,797, respectfully was recorded in the consolidated statement of operations during the fourth quarter of 2004. All of the goodwill impaired relates to the acquisition of MedivoxRx Technologies. The intangibles assets impaired related to the unamortized balance of the Active X Voice Tools Software, Trademarks, patents, website registrations and Memorandum of Understanding.

NOTE 7 NOTES PAYABLE

Convertible Note Payable - On September 14, 2001, the Company issued a Series 2001-A 8% convertible note payable of the Company in the amount of \$250,000, with a maturity date of August 1, 2011. The Note is convertible into the Company's common stock at the lesser of \$0.50 per share or 75% of the closing bid price. During the year ended December 31, 2001, \$15,000 of the note with related accrued interest of \$208 was converted into 30,416 shares of common stock. During the year ended December 31, 2004 \$135,000 of the note with related accrued interest of \$47,837 was converted into 287,689 common shares. As the conversion price was below the fair value of the common stock on the date issued the Company has recorded the beneficial conversion feature of the note in accordance with the provisions found in EITF 98-5 by recording a \$250,000 discount on the note. The discount was recorded as interest expense on September 14, 2001 as the note was immediately convertible. The note called for the Company to register the underlying shares into which the note can be converted by March 15, 2002, which did not occur. On May 3, 2004 the Company issued 19,286 restricted common shares for the payment of the \$67,500 penalty for the delay in the registration equal to \$7,500 for the first month then \$10,000 for every month thereafter through October 2002. As of December 31, 2004, the balance of the note is \$100,000 with related accrued interest payable of \$8,892.

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

The Company had a demand note payable to a shareholder which was paid in full in May 2004. The note accrued interest at a rate of prime plus 1% or approximately 5.75%. The Company issued 27,999 of its restricted common shares in payment of the note balance of \$10,016 and accrued interest of \$614 and \$78,408 in consulting fees.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 CAPITAL STOCK

Preferred Stock - The Company has authorized 10,000,000 shares of preferred stock, \$0.001 par value. As of December 31, 2004, no shares were issued and outstanding.

Common Stock - The Company has authorized 100,000,000 shares of common stock, \$0.001 par value. As of December 31, 2004, 26,094,228 shares were issued and outstanding.

During 2004, the Company issued 646,076 common shares upon the exercise of warrants outstanding to purchase common stock of the Company at \$0.25 to \$1.55 per share.

During 2004, the Company issued a total of 167,876 common shares upon exercise of options issued for \$300,315 in employee compensation.

During 2004, the Company issued 62,300 common shares upon exercise of options issued for \$129,150 in consulting services.

During January 2004, the Company raised an additional \$1,071,733 through the issuance of 1,648,352 common shares and 824,174 warrants to purchase common shares at \$1.55 per share, expiring January 23, 2007. The Company has registered the common shares issued and all of the shares of common stock underlying the Warrants (the "Warrant Shares").

During the year ended December 31, 2004, the Company issued 370,000 common shares for \$1,157,400 in investor relations consulting services.

During 2004, the Company issued 468,867 common shares in payment of \$1,114,571 in consulting services.

On April 23, 2004, the Company acquired MediVoxRx Technologies, Inc. through a triangular purchase wherein the Company's newly formed wholly owned subsidiary acquired the operations MediVoxRx Technologies through the Company issuing 150,035 common shares to acquire all of the issued and outstanding shares of MediVoxRx Technologies, Inc. During July 2004, the Parent issued an additional 51,375 restricted common shares to the former stockholders upon Wizzard Merger Corp. receiving Federal Supply Schedule approval. Additionally, the Company has agreed to issue as many as additional 1,500,000 common shares to the former shareholders of MediVoxRx Technologies, Inc. if certain development, acceptance and profitability milestones are met (See Note 3).

On May 3, 2004, the Company issued 19,286 common shares in payment of \$67,500 in penalties related to the delay in the registering shares underlying the 8% convertible note payable (See Note 6).

The Company issued 287,689 common shares upon conversion of \$135,000 of the 8% convertible note payable and payment of related accrued interest payable of \$47,837.

On May 3, 2004, the Company issued 18,117 common shares in payment of \$63,408 in accrued interest.

On May 3, 2004, the Company issued 27,999 common shares in payment of a \$10,016 note payable and \$614 in related accrued interest and \$78,408 in consulting services.

On March 31, 2003, the Company issued 6,098 shares of restricted common stock valued at \$0.78 per share to purchase certain assets valued at \$6,098.

During 2003, the Company issued 901,787 shares of common stock in payment of \$374,183 related party notes payable with related accrued interest of \$13,323. The Company further issued 17,000 shares valued at \$20,400 in consideration for an individual loaning the Company \$50,000. The \$20,400 was expensed immediately as the note was payable on demand.

During 2003, the Company issued 319,991 shares of common stock upon the exercise of options under the Company's employee stock option plan for services valued at \$203,601 or \$0.47 to \$1.20 per share.

During 2003, the Company issued 428,000 shares of common stock upon the exercise of options for consulting services valued at \$473,450 or \$0.65 to \$1.20 per share.

During 2003, the Company issued 48,580 shares of common stock (36,040 upon the exercise of options) for legal services valued at \$32,715 or \$0.56 to \$0.84 per share.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 CAPITAL STOCK (cont.)

During 2003 the Company recorded \$210,000 in compensations related to the revaluation of 600,000 warrants from \$2.00 per share to \$.50 per share. During May and June, 2003, the Company received \$300,000 and issued 600,000 shares of common stock upon exercise of warrants at \$0.50 per share.

During 2003, the Company issued 1,040,000 shares of common stock for consulting services valued at \$602,650 or \$0.49 to \$0.70 per share.

During 2003, a shareholder of the Company contributed \$6,000 for certain advertising services. The contribution was recorded as additional paid in capital.

Common Stock of Wizzard Software Corp. (Subsidiary) - On September 23, 2004, the board of directors of Wizzard Software Corp (Subsidiary) approved the issuance of 200,000 common shares to an investor relations firm of the Parent. The issuance decreased the Parent's ownership percentage in Wizzard Software Corp. (Subsidiary) from 96% to 95%. The Parent recorded the issuance as consulting expense for the \$388,000 or \$1.94 per share in consulting services.

NOTE 9 STOCK OPTIONS & WARRANTS

2002 Stock Option Plan - During 2002, the Board of Directors adopted a Stock Option Plan (2002 Plan). Under the terms and conditions of the Plan, the board is empowered to grant stock options to employees, officers, directors and consultants of the Company. Additionally, the Board will determine at the time of granting the vesting provisions and whether the options will qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code (Section 422 provides certain tax advantages to the employee recipients). The total number of shares of common stock available under the Plan may not exceed 1,000,000. At December 31, 2004 and 2003, total options available to be granted under the Plan amounted to 14,259 and 104,469, respectively. During 2004, the Company granted 90,210 options which were immediately exercised for services valued at \$152,020.

2004 Stock Option Plan - During 2004, the Board of Directors adopted a Stock Option Plan (2004 Plan). Under the terms and conditions of the Plan, the board is empowered to grant stock options to employees, officers, directors and consultants of the Company. Additionally, the Board will determine at the time of granting the vesting provisions and whether the options will qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code (Section 422 provides certain tax advantages to the employee recipients). The total number of shares of common stock available under the Plan may not exceed 200,000. At December 31, 2004, total options available to be granted under the Plan amounted to 60,034, respectively. During 2004, the Company granted 139,966 options which were immediately exercised for services valued at \$266,619.

The fair value of each option granted is estimated on the date granted using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants during the period ended December 31, 2004 and 2003 risk-free interest rates of 1.02% and 1.2% expected dividend yields of zero, expected volatility 0.0%, and no expected life as the options were immediately exercised.

A summary of the status of the options granted under the Company's 2004 and 2002 stock option plans and other agreements at December 31, 2004 and 2003 and changes during the year then ended is presented below:

	December 31, 2004		December 31, 2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	-	\$ -	-	\$ -
Granted	230,176	1.87	784,031	0.90
Exercised	(230,176)	1.87	(784,031)	0.90
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of Period	-	\$ -	-	\$ -
Weighted average fair value of options granted during the year	230,176	\$0.00	784,031	\$0.00

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 STOCK OPTIONS & WARRANTS (cont.)

Warrants - The Company granted warrants to purchase 408,076 shares of common stock at \$1.50 per share, expiring August 6, 2002 through January 1, 2004, for services rendered in connection with the Company's private placement. On January 1, 2004, the Company recorded a \$160,420 expense for re-pricing of 408,076 warrants to purchase common stock from an exercise price of \$1.50 per share reduced to \$1.00 per share and extending the expiration date of the warrants from January 1, 2004 to February 29, 2004. The warrants were exercised during February 2004.

On January, 23, 2004, and May 17, 2004, the Company issued a total of 824,174 warrants to purchase common stock at exercise prices of \$1.55 per share, which expire on January 23, 2007. The warrants were granted in connection with a private placement. During December 2004, 58,000 of the warrants were exercised.

During 2001, the Company granted warrants to purchase 115,000 shares of common stock at prices ranging from \$.25 to \$1.00 per share, expiring through October 18, 2004 in connection with consulting contract and recorded \$56,660 in consulting expense. During February, 2004, 75,000 and 40,000 of these warrants were exercised at \$1.00 and \$0.25 per share, respectively.

In August 2000, the Company granted warrants to purchase 65,000 shares of common stock at \$1.25 per share. On February 13, 2004, these warrants were exercised.

The Company granted warrants to purchase 540,000 shares of common stock at \$1.00 per share to certain shareholders, whom contributed back 3,725,000 common shares in connection with the reorganization agreement. These warrants expired August 6, 2003.

The Company granted warrants to purchase 60,000 share of common stock for legal services valued at \$6,441, at \$1.00 per share. These warrants expired August 2003.

The Company granted warrants to purchase 600,000 shares of common shares of the Company at \$2.00 per share, in connection with public relations and consulting contracts and recorded \$99,243 in consulting expense. On March 28, 2003, the Company recorded compensation expense of \$210,000 for re-pricing the 600,000 warrants from \$2.00 per share to \$0.50 per share. These warrants were exercised during May and June of 2003.

On December 15, 2003, the Company recognized \$16,000 in compensation related to the issuance of 20,000 warrants to purchase common shares at \$.25 per share, expiring December 15, 2006. These warrants fair value was estimated on the date granted using the Black-Scholes option pricing model with the following assumptions being used risk-free interest rates of .92% expected dividend yields of zero, expected life of 3 years, and expected volatility 113.3%.

A summary of the status of the warrants granted at December 31, 2004 and 2003 and changes during the year then ended is presented below:

	December 31, 2004		December 31, 2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	608,076	\$1.28	1,788,076	\$1.44
Granted	824,174	\$1.55	20,000	\$0.25
Exercised	(646,076)	\$1.03	(600,000)	\$0.50
Forfeited	-	-	-	-
Expired	-	-	(600,000)	\$1.00
Outstanding at end of year	786,174	\$1.55	608,076	\$1.28

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 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 December 31, 2004 operating loss carryforwards of approximately \$12,500,000 which may be applied against future taxable income and which expires in various years through 2024.

The amount of and ultimate realization of the benefits from the operating loss carryforward for income tax purposes is dependent, in part, upon the tax laws in effect, the future earnings of the Company, and other future events, the effects of which cannot be determined. Because of the uncertainty surrounding the realization of the loss carryforward and significant changes in the ownership of the Company, a valuation allowance has been established equal to the tax effect of the loss carryforward and, therefore, no deferred tax asset has been recognized for the loss carryforward. The net deferred tax asset is approximately \$4,250,000 as of December 31, 2004, with an offsetting valuation allowance of the same amount. The change in the valuation allowance for the year ended December 31, 2004 is approximately \$1,267,000.

NOTE 11 OPERATING LEASES

The Company leases office space, in Pennsylvania, under an operating lease agreement, which calls for monthly payments of \$3,672 and expires on August 1, 2007. The Company leases additional office space, in Florida, under an operating lease agreement, which calls monthly payments of \$2,226 and expires on July 7, 2005.

The future minimum lease payments for non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2004 are as follows:

Year ending December 31	Lease Payments
2005	56,340
2006	42,984
2007	25,074
Thereafter	-
Total Minimum Lease Payments	<u>\$ 124,398</u>

Lease expense charged to operations was \$62,737 and \$38,731 for the years ended December 31, 2004 and 2003.

NOTE 12 LOSS PER 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 years ended December 31,:

	2004	2003
Loss) from continuing operations available to common shareholders (numerator)	<u>\$(5,486,840)</u>	<u>\$(2,044,042)</u>
Weighted average number of common shares outstanding during the period used in loss per share (denominator)	<u>24,824,265</u>	<u>20,631,309</u>

At December 31, 2004, the Company had 786,174 warrants outstanding to purchase common stock of the Company at \$0.25 to \$1.55 per share and a convertible note payable wherein the holder could convert the note into a minimum of 200,000 shares of common stock; which were not included in the loss per share computation because their effect would be anti-dilutive. See Note 15 for subsequent issuances of common stock and common stock equivalents.

At December 31, 2003, the Company had 608,076 warrants outstanding to purchase common stock of the Company at \$.25 to \$2.00 per share and a convertible note payable wherein the holder could convert the note into a minimum of 470,000 shares of common stock; which were not included in the loss per share computation because their effect would be anti-dilutive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 CONCENTRATION OF REVENUES

During the year ended December 31, 2004 and 2003, 47% and 27%, respectively, of the Company's revenue was derived from the sale of AT&T's OEM Natural Voices desktop products.

During the year ended December 31, 2004 and 2003, 35% and 47%, respectively, of the Company's revenue was derived from the sale of IBM's OEM ViaVoice desktop products.

NOTE 14 COMMITMENTS & CONTINGENCIES

The Company is from time to time involved in routine legal and administrative proceedings and claims of various types. While any proceedings or claim contains an element of uncertainty, Management does not expect on our results of operations or financial position.

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

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

NOTE 15 SUBSEQUENT EVENTS

Exercise of Warrants On January 25, 2005, February 23, 2005 and March 4, 2005, the Company issued 4,500, 25,000 and 15,000 common shares, respectively, upon the exercise of warrants at \$1.55 per share.

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

Stock for Consulting Services On February 4, 2004, the Company issued 17,500 common shares upon the exercise of options for consulting services valued at \$41,475.

On February 4, 2004, the Company issued 5,000 common shares for consulting services valued at \$11,850.

On February 14, 2004, the Company issued 60,000 common shares for investor relations services valued at \$140,400

Stock for Employee Services - On February 14, 2004, the Company issued 20,584 common shares upon the exercise of options for consulting services valued at \$48,166.

Acquisition of Minority Interest - On January 19, 2005, the Company shareholders approved the acquisition of the 5% minority interest of Wizzard Software Corp. ("WSC") wherein WSC will be merged with and into the Parent through the issuance of 787,176 common shares of the Parent for the 787,176 minority shares of WSC. As a result of the acquisition, the Company will record Goodwill of \$1,191,967, which will be immediately impaired. As of March 18, 2005, the Company had issued 454,580 of the 787,176 common shares to be exchanged.

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

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

No later than March 25, 2005, the Company is required to file a Registration Statement registering all shares issuable upon conversion of the promissory notes and the warrants. The Registration Statement must be declared effective not later than 120 days after the closing date. For every 30 day period that either of these deadlines have not been met, the Company is to pay to the subscribers liquidated damages equal to two percent of the purchase price of the promissory notes remaining unconverted and the purchase price of the shares issued upon conversion of the notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 SUBSEQUENT EVENTS (cont.)

Letter of Intent to Acquire - On March 18, 2005, we executed a Letter of Intent with Interim Health Care of Wyoming Inc., a Wyoming corporation ("Interim"). Under the Letter of Intent, we agreed to acquire all of Interim's assets in consideration of \$868,000 in cash and \$384,000 in "unregistered" and "restricted" shares of the Company's common stock, based on the average closing price of the Company's common stock on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. for the five business days following the date of the Letter of Intent. Seventy five percent of this additional payment will be in the form of "unregistered" and "restricted" shares of the Company's common stock and 25% will be in cash. In addition, Interim will receive additional payments of two times its earnings before interest, taxes, depreciation and amortization ("EBITDA") for: (i) any EBITDA during the calendar year ended December 31, 2005, which exceeds Interim's EBITDA of \$288,000 for the calendar year ended December 31, 2004; and (ii) any EBITDA during the calendar year ended December 31, 2006, which exceeds Interim's EBITDA during the calendar year ended December 31, 2005.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Pritchett, Siler & Hardy, P.C., of Salt Lake City, Utah, audited our financial statements for the fiscal year ended December 31, 2002, and reviewed our financial statements for the quarterly periods ended March 31, 2003; June 30, 2003; and September 30, 2003. These financial statements accompanied our Form 10-KSB Annual Report for the year ended December 31, 2002, and our Form 10-QSB Quarterly Reports for the quarters ended March 31, 2003; June 30, 2003; and September 30, 2003, which have been filed with the Securities and Exchange Commission.

On January 22, 2004, our Board of Directors resolved to dismiss Pritchett, Siler & Hardy, P.C., as our principal independent accountant and to retain Gregory & Associates, LLC, Certified Public Accountants, of Salt Lake City, Utah, as our new principal independent accountant, and to audit our financial statements for the fiscal year ended December 31, 2003. Alan Gregory, CPA, the principal of Gregory & Associates, LLC, had been Pritchett, Siler & Hardy, P.C.'s engagement partner with respect to our company, and Mr. Gregory has recently left Pritchett, Siler & Hardy, P.C. to form his own firm. On January 27, 2004, we filed with the Securities and Exchange Commission a Current Report on Form 8-K with respect to this change in accountants. See the Exhibit Index, Item 13 of this Report.

During the most recent fiscal year, and through the date of the Current Report, there were no disagreements between us and Pritchett, Siler & Hardy, P.C., whether resolved or not resolved, on any matter of accounting principles or practice, financial statement disclosure or auditing scope or procedure, which, if not resolved, would have caused them to make reference to the subject matter of the disagreement in connection with their reports.

With the exception of a "going concern" qualification, the reports of Pritchett, Siler & Hardy, P.C. did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During our most recent fiscal year, and through the date of the Current Report, Pritchett, Siler & Hardy, P.C. has not advised us that any of the following exists or is applicable:

- 1) That the internal controls necessary for us to develop reliable financial statements do not exist, or that information has come to their attention that has led them to no longer be able to rely on our management's representations or that has made them unwilling to be associated with the financial statements prepared by management;
- 2) That our company needs to expand significantly the scope of our audit, or that information has come to their attention that if further investigated may materially impact the fairness or reliability of a previously issued audit report or the underlying financial statements or any other financial presentation, or cause them to be unwilling to rely on management's representations or be associated with our financial statements for the foregoing reasons or any other reason; or
- 3) That they have advised us that information has come to their attention that they have concluded materially impacts the fairness or reliability of either a previously issued audit report or the underlying financial statements for the foregoing reasons or any other reason.

During our most recent fiscal year, and through the date of the Current Report, we have not consulted Gregory & Associates, LLC, regarding the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements or any other financial presentation whatsoever.

We may continue our search for auditors whose business location is more closely proximate to the principal executive offices and the location where our principal business operations are conducted in Pittsburgh, Pennsylvania.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Identification of Directors and Executive Officers.

The following table sets forth the names of all of our current directors and executive officers. These persons will serve until the next annual meeting of our stockholders or until their successors are elected or appointed and qualified, or their prior resignations or terminations.

Name	Positions Held	Date of Election or Designation	Date of Termination or Designation
Christopher J. Spencer	Director and President	2/07/01	*
Armen Geronian	Treasurer	12/17/01	*
	Director and Assistant Secretary	2/07/01	*
Gordon Berry	Director	2/07/01	*
Alan Costilo	Director	6/04/01	*

* Presently serving in these capacities.

Christopher J. Spencer, Chairman, President and Treasurer - Mr. Spencer, age 36, has served as our Chief Executive Officer, President and as a director of Wizzard since February 7, 2001, and of our subsidiary, Wizzard Delaware, since its formation in 1995. Mr. Spencer has been responsible for our overall direction since our inception and has been instrumental in leading us to our current position in the speech recognition industry. In an online poll conducted by Speech Technology magazine, Mr. Spencer was recently recognized as one of 20 top visionaries in the speech recognition industry. The poll was targeted to the speech recognition professionals who read the magazine; poll responses were monitored to ensure that employees of a nominee's company could not vote for that nominee. Through Mr. Spencer's efforts, we have successfully obtained financing of approximately \$12 million to date. These funds have helped us complete the development and begin marketing of our talking pill bottle product and our variety of programming tools.

From 1994 until 1996, Mr. Spencer founded and worked for ChinaWire, Inc., a high-technology company engaged in financial remittance between international locations and China. Mr. Spencer's efforts were responsible for ChinaWire's exclusive contract with the Ministry of Posts and Telecommunications of the People's Republic of China. Mr. Spencer was also involved in raising over \$3,500,000 for the venture.

Mr. Spencer worked for Lotto USA, Inc. from 1992-1994, where he was founder and Chief Executive Officer for the Pennsylvania computer networking company. Besides assisting in designing the technology, Mr. Spencer helped Lotto USA implement an additional \$1.00 service charge for every out-of-state lottery ticket sold in the State of Pennsylvania, which substantially increased the revenues of this company.

From 1990 until 1992, Mr. Spencer worked for John Valiant, Inc., and was responsible for business concept development and obtaining financing. Mr. Spencer's efforts combined an effective advertising/promotions campaign with proper timing in the young adult/college restaurant/nightclub market. John Valiant was sold for a profit in 1992 after successfully operating three revenue-generating divisions.

Mr. Spencer attended West Virginia University from 1987 to 1989.

Armen Geronian, Director and Chief Technical Officer - Mr. Geronian, age 36, co-founded and has served as Chief Technical Officer, Assistant Secretary, and a director of Wizzard Delaware since its inception and of Wizzard since February 7, 2001. Mr. Geronian has spearheaded the development of our IVA product, and is responsible for all of our technical decisions regarding the software code and other attributes of our products and services.

Mr. Geronian has extensive software development knowledge and experience. In 1995, he created custom software for an industrial furnace control company. In 1994, Mr. Geronian was the lead developer of a money transfer service software system for ChinaWire, Inc.; he also created custom software packages for warehouse inventory, a project which included over fifteen large databases for reporting, accounts payable/receivable, and complete auditing control functions.

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act - Identification of Directors and Executive Officers (cont.)

In 1993, Mr. Geronian helped create a custom software package for medical claims processing that provided communications between offices and System One.

From 1988 until 1992, Mr. Geronian was part of a large project developing accounting, economic development and financial software to be sold to several large Russian corporations. In 1988, he was engaged in software development for the Russian version of Novell, designed to assist students in math and statistics.

Mr. Geronian received his B.S. in Computer Science from the University of Moscow in 1990.

Gordon Berry, Director and VP Business Development - Mr. Berry, age 65, has served as a director of Wizzard since February 7, 2001, and of Wizzard Delaware since 1997. Mr. Berry is involved in all of our business, corporate and financial decisions, serving as a guide and counsel for the executive officers and Board of Directors. Since 1990, Mr. Berry has been a consultant to a variety of businesses, assisting them in the areas of sales, marketing and strategic planning. From 1985-1990, Mr. Berry was Vice President of Sales/Marketing for Champion Commercial Industry, a multi-division manufacturer of metal products, where Mr. Berry increased the firm's revenues by 60% while developing several new product lines.

From 1980-1985, Mr. Berry was Vice President for Trundle Consultants, Inc., where he specialized in all areas of sales and marketing, dealing primarily with firms having sales of less than \$100 million annually. From 1974-1979, Mr. Berry ran IMI, a sole proprietorship specializing in venture capital and business consulting. IMI was subsequently merged with Trundle Consultants Inc.

From 1963-1974, Mr. Berry worked in manufacturing for Electric Products Company, and concluded his tenure as Division Manager and member of the Executive Committee.

Mr. Berry attended Cornell University and received his Bachelor's degree in Industrial Management from Georgia Tech in 1962.

Alan Costilo, M.D., Director and VP Custom Solutions - Dr. Costilo, age 55, was the President, CEO and founder of Speech Solutions, Inc., a Florida-based speech recognition software company, from 1993 until 2001. He was responsible for that company's overall business strategy, technical development and for developing vendor relationships. He also was responsible for the development of the ActiveX Voice Tools product, under three separate IBM development contracts, which was acquired by Wizzard Software in May 2001.

From 1985-1993, Dr. Costilo practiced as a Doctor of Chiropractic Medicine in Philadelphia, Pennsylvania. During this period, he implemented computer office management systems; created office networks for doctors' insurance/business offices and treatment rooms; and developed an automatic progress notes software called ProNotes, which allowed for the easy creation of medical progress notes directly in the computer system using a digitizer board as interface and WordPerfect as the software environment. He used this product to develop ProNotes, Inc., the predecessor of Speech Solutions, Inc. From 1973-1994, he was the President of numerous seasonal retail establishments that operated profitably for 21 years, employing more than 30 people.

He received his Doctor of Medicine and Surgery Degree from Universidad CETEC, Santo Domingo, in 1982; and his Doctor of Chiropractic Degree from Cleveland Chiropractic College, Kansas City, Missouri, in 1985.

Marc Lord, Strategic Advisory Board Member - Marc Lord, age 41, currently works for InSpeech Consultancy. Prior to that, he had worked at AT&T, ScanSoft, and in Microsoft's speech product group (Speech.Net) since its formation, and has managed development and product integration for all Microsoft releases that employ speech technologies, including WindowsXP, OfficeXP, AutoPC, MS Agent, Encarta and Sidewinder. While serving as Program Manager for Voice Output Technologies at Microsoft, Mr. Lord drove product development for several major product releases that feature speech recognition and synthesis capabilities. He has managed Microsoft's key vendors, established partnerships and negotiated license agreements with numerous speech industry companies. In his fifteen-year software career, Mr. Lord has worked both in the U.S. and internationally and helped commercialize a number of cutting-edge technologies, including applications for multimedia language instruction, AI-based financial risk analysis, wearable digital photonics and browser-based training systems.

He completed his undergraduate studies in International Business and Computer Science at Brigham Young University prior to attending the University of Washington for a Master's Degree in Business Administration.

We added Mr. Lord to our strategic advisory board because of his experience in the speech recognition technology area. He was instrumental in obtaining our link between our web site and Microsoft's web site. He has also introduced our management to leaders in the industry and has used his experience to advise management on many industry matters. We plan to continue to use Mr. Lord's contacts in the industry to help us gain a higher profile.

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act - Identification of Directors and Executive Officers (cont.)

Strategic Advisory Board - We formed our strategic advisory board as a group of successful people with experience in speech recognition technology, brand building and public relations. We do not have any secrecy agreements with the board members, as they are not privy to technical information or trade secrets about our products. The board members are free to provide services to other companies in our industry. The strategic advisory board members have no written or specific duties to Wizzard Software. They use their expertise and contacts in the fields of speech recognition technology and branding and marketing to offer suggestions to management and to review branding and promotional materials that we have prepared. Management has found this assistance to be invaluable.

Family Relationships - There are no family relationships between any of our directors or executive officers.

Involvement in Certain Legal Proceedings - During the past five years, none of our present or former directors, executive officers or persons nominated to become directors or executive officers:

- was a general partner or executive officer of any business against which any bankruptcy petition was filed, either at the time of the bankruptcy or two years prior to that time
- was convicted in a criminal proceeding or named subject to a pending criminal proceeding, excluding traffic violations and other minor offenses
- was subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
- was found by a court of competent jurisdiction in a civil action, the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Audit Committee - We do not have a formal audit committee. The functions that would normally be undertaken by such a committee are undertaken by our Board of Directors as a whole.

Compliance with Section 16(a) of the Exchange Act - Each of Wizzard's directors, executive officers and 10% owners have filed Form 3 Initial Statement of Beneficial Ownership with the Securities and Exchange Commission as follows:

Name	Filing Date
-----	-----
Christopher J. Spencer	2/04/02
Armen Geronian	2/04/02
Gordon Berry	2/04/02
Alan Costillo	2/04/02
Jack and Magee Spencer	2/04/02
Voice Recognition Investment, L.P.	2/06/02

In addition, the following directors filed Form 4 Statements of Changes in Beneficial Ownership of securities on or about the dates indicated:

Name	Filing Date	Transaction Date
-----	-----	-----
Christopher J. Spencer	3/14/05	10/8/04
	3/14/05	2/15/05
Gordon Berry	9/09/02	8/28/02
	3/12/03	3/04/03
	1/06/04	12/10/03
	12/16/04	10/8/04
	1/18/05	1/12/05
	3/14/05	2/15/05

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act - Identification of Directors and Executive Officers (cont.)

Armen Geronian	9/11/03	9/05/02
	3/12/03	3/04/03
	3/15/04	3/12/04
	5/25/04 (1)	3/12/04
	3/14/05	10/8/05
	3/14/05	2/15/05
Alan Costilo	11/01/02	10/28/02
	12/16/04	10/8/04
	12/16/04	12/15/04
	3/14/05	2/15/05

(1) This filing was an amendment to the Form 4 that Mr. Geronian initially filed on March 15, 2004.

Code of Ethics - We have adopted a Code of Ethics for our executive officers and have attached a copy as Exhibit 14 to our Form 10KSB Annual Report for the year ended December 31, 2003. See the Exhibit Index, Item 13 of this Report.

Item 10. Executive Compensation

Cash Compensation - The following table shows the aggregate compensation that we have paid to directors and executive officers for services rendered during the periods indicated:

SUMMARY COMPENSATION TABLE

(a)	Long Term Compensation							
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Name and Principal Position	Year or Period Ended	Salary (\$)	Bonus (\$)	Secur-ities Other Annual Compen	All Rest-rictdl Stock	Under-lying Options	LTIP Pay-outs	Other Compensat'n
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Christopher J. Spencer President, Treasurer and Director	12/31/02	\$ 60000	0	0	0	0	0	0 (1)
	12/31/03	\$ 70000	0	0	0	0	0	0
	12/31/04	\$ 70000	0	0	6000	0	0	0
Armen Geronian Asst. Sec. and Director	12/31/02	\$ 0	0	0	0	0	0	0 (1)
	12/31/03	\$ 0	0	0	0	0	0	0 (1)
	12/31/04	\$70000	0	0	6000	0	0	0
Gordon Berry Director	12/31/02	0	0	\$24000(2)	0	0	0	\$1500 (1)
	12/31/03	0	0	\$24000(2)	0	0	0	0
	12/31/04	0	0	\$48000(2)	0	0	0	0
Alan Costilo Director	12/31/02	0	0	\$15000(2)	0	0	0	0
	12/31/03	0	0	\$24000(2)	0	0	0	0
	12/31/04	0	0	\$48000(2)	0	0	0	0

(1) Medical insurance is paid as part of Mr. Spencer's salary; Mr. Geronian gets his medical insurance paid; and through 2002 Mr. Berry received a \$1,500 automobile allowance.

Item 10. Executive Compensation (cont.)

(2) We paid these amounts to Messrs. Berry and Costilo as independent contractors, rather than as employees.

Bonuses and Deferred Compensation - None

Compensation Pursuant to Plans - None

Options/SAR Grants

Option/SAR Grants in Last Fiscal Year

Individual Grants				
(a)	(b)	(c)	(d)	(e)
Name	Number of Securities Underlying Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date
Christopher J. Spencer	6,000	4.2%	(1)	(2)
Armen Geronian	6,000	4.2%	(1)	(2)

(1) Services valued at the bid price of Wizzard's common stock per share.

(2) These options were exercised immediately after they were granted.

Aggregated Option/SAR Exercises and Fiscal Year-End Option/SAR Value Table.

(a)	(b)	(c)	(d)	(e)
Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Exercisable/Unexercisable	Exercisable/Unexercisable
Christopher J. Spencer	6,000	(1)	-0-	-0-
Armen Geronian	6,000	(1)	-0-	-0-

(1) Services valued at the bid price of Wizzard's common stock per share.

Pension Table - None

Other Compensation - None

Item 10. Executive Compensation (cont.)

Compensation of Directors - None

Employment Contracts - None

Termination of Employment and Change of Control Arrangements - None

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following tables set forth the share holdings of our directors and executive officers and those persons who own more than five percent of our common stock as of the date of this Report:

DIRECTORS AND EXECUTIVE OFFICERS

Name and Address	Title	Number of Shares Beneficially Owned	Percent of Class (1)
<S>	<C>	<C>	<C>
Christopher J. Spencer 2728 Bear Run Rd. Pittsburgh, PA 15237	Director, President and Treasurer	2,894,167	10.8%
Armen Geronian 4346 Ludwick St. Pittsburgh, PA 15217	Director and Assistant Secretary	2,774,412	10.4%
Gordon Berry 4226 Stonehaven So. Euclid, OH 44121	Director	349,000	1.3%
Alan Costilo 3557 Lakeview Drive Delray Beach, FL 33445	Director	-0-	-0-
All officers and directors as a group (4 persons)		6,017,579	22.5%

(1) Based upon 26,796,231 outstanding shares at March 18, 2005.

FIVE PERCENT STOCKHOLDERS

Name and Address	Title	Number of Shares Beneficially Owned	Percent of Class(1)
<S>	<C>	<C>	<C>
Christopher J. Spencer (2) 2728 Bear Run Rd. Pittsburgh, PA 15237	Director President and Treasurer	2,894,167	10.8%
Armen Geronian 4346 Ludwick St. Pittsburgh, PA 15217	Director and Assistant Secretary	2,774,412	10.4%

Item 11. Security Ownership of Certain Beneficial Owners and Management (cont.)

Name and Address	Title	Number of Shares Beneficially Owned	Percent of Class(1)
<S>	<C>	<C>	<C>
Voice Recognition Investment, L.P. 812 Kenmore Rd. Chapel Hill, NC 27514	Stockholder	3,431,078	12.8%
Jack and Magee Spencer (2) 8609 Beaver Pond Lane Fairfax Station, VA 22039	Stockholders	2,912,307	10.9%
Total:		12,011,964	44.9%

(1) Based upon 26,796,231 outstanding shares at March 18, 2005.

(2) Jack and Magee Spencer are the parents of Christopher J. Spencer.

Changes in Control - To our knowledge, there are no present arrangements or pledges of our securities which may result in a change in control of our company.

Item 12. Certain Relationships and Related Transactions

Transactions with Management and Others - Except as indicated below, during the past two years, there have been no material transactions, series of similar transactions or currently proposed transactions, to which our company or any of our subsidiaries was or is to be a party, in which the amount involved exceeded \$60,000 and in which any director or executive officer, promoter or founder or any security holder who is known to us to own of record or beneficially more than five percent of our common stock, or any member of the immediate family of any of the foregoing persons, or any promoter or founder had a material interest.

During the year ended December 31, 2002, Wizzard borrowed a total of \$402,183 from five of its stockholders. In March, 2003, we borrowed an additional \$22,000. These notes were payable on demand and accrued interest at a rate of prime plus 1%, or approximately 5.75%. During the quarter ended March 31, 2003, we issued 901,778 shares of common stock in payment of \$374,183 related party notes payable and \$13,323 in related accrued interest. We repaid the remaining \$50,000 note payable, with accrued interest of \$2,386, in April 2003.

In April, 2003, we borrowed a total of \$10,017 from a stockholder. The note is payable on demand and accrues interest at a rate of prime plus 1%, or approximately 5.75%, and amounted to \$410 at December 31, 2003. On May 3, 2004, Wizzard issued 27,999 shares of its common stock in payment of a \$10,016 note payable and \$614 in related accrued interest and \$78,408 in consulting services.

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

Item 13. Exhibits and Reports on Form 8-K

Reports on Form 8-K - 8-K Current Report dated January 22, 2004, filed on January 27, 2004, regarding change in accountants.

8-K Current Report dated January 23, 2004, filed on January 28, 2004, regarding the closing a of Subscription Agreement with three institutional investors.

8-K Current Report dated February 6, 2004, filed February 6, 2004, regarding MedivoxRx Technologies Letter of Intent.

8-K Current Report dated April 28, 2004, filed on April 28, 2004, and amended on July 8, 2004, regarding closing of MedivoxRx Technologies acquisition.

8-K Current Report dated February 8, 2005, filed on February 9, 2005, regarding Subscription Agreements with three institutional investors.

Exhibits*

(i) Where Incorporated in this Report

Annual Report on Form 10-KSB
for the year ended December 31, 2003.** Part I

(ii)

Exhibit Number -----	Description -----
31	302 Certification of Christopher J. Spencer
32	906 Certification

* Summaries of all exhibits contained within this Report are modified in their entirety by reference to these Exhibits.

** This document and related exhibits have been previously filed with the Securities and Exchange Commission and are incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The following is a summary of the fees billed to Wizzard by its principal accountants during the calendar years ended December 31, 2004, and December 31, 2003:

Fee category -----	2004 ----	2003 ----
Audit fees	\$42,761	\$19,476
Audit-related fees	\$ -0-	\$ 570
Tax fees	\$ -0-	\$ -0-
All other fees	\$ -0-	\$ -0-
Total fees	\$42,761	\$20,046

Audit fees - Consists of fees for professional services rendered by our principal accountants for the audit of our annual financial statements and the review of financial statements included in our Forms 10-QSB or services that are normally provided by our principal accountants in connection with statutory and regulatory filings or engagements.

Audit-related fees - Consists of fees for assurance and related services by our principal accountants that are reasonably related to the performance of the audit or review of Wizzard's financial statements and are not reported under "Audit fees."

Tax fees. - Consists of fees for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

All other fees - Consists of fees for products and services provided by our principal accountants, other than the services reported under "Audit fees," "Audit-related fees" and "Tax fees" above.

SIGNATURES

In accordance with Section 13 or 15(d) 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: 3/31/05

By /s/ Christopher J. Spencer

Christopher J. Spencer
Chief Executive Officer, President,
Treasurer and Director

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: 3/31/05

/s/ Christopher J. Spencer

Christopher J. Spencer
Chief Executive Officer, President,
Treasurer and Director

Date: 3/31/05

/s/ Gordon Berry

Gordon Berry, Controller and Director

Date: 3/31/05

/s/ Armen Geronian

Armen Geronian
Director

Date: 3/31/05

/s/ Alan Costilo

Alan Costilo
Director

Exhibit 31 CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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

1. I have reviewed this Annual Report on Form 10-KSB of the small business issuer;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared; 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

