FORM 10-Q

Securities and Exchange Commission
Washington, D. C. 20549

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

For the quarterly period ended September 30, 2008

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

For the transition period from _________ to __________

Commission File No. 001-33935

WIZZARD SOFTWARE CORPORATION
(Exact name of registrant as specified in its charter)

COLORADO	87-0609860
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5001 Baum Boulevard, Suite 770
Pittsburgh, Pennsylvania 15213
(Address of Principal Executive Offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (1) Yes [X] No (2) Yes [X] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of ''large accelerated filer", "accelerated filer'' and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of November 5, 2008, there were 45,149,877 shares of common stock, par value $.001, of the registrant issued and outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
FINANCIAL STATEMENTS

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WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2008	December 31, 2007
	(unaudited)	
CURRENT ASSETS:		
Cash	$ 1,752,165	$ 6,036,209
Accounts receivable, net of $17,562 and $17,562 allowance, respectively	799,706	874,058
Prepaid expenses	95,054	24,143
Total current assets	2,646,925	6,934,410
LEASED EQUIPMENT, net	-	75,916
PROPERTY AND EQUIPMENT, net	178,259	109,504
GOODWILL	20,800,569	20,724,986
DEFINITE LIFE INTANGIBLE ASSETS, net	346,875	-
OTHER ASSETS	4,757	4,757
Total assets	$ 23,977,385	$ 27,849,573

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 2008	December 31, 2007
CURRENT LIABILITIES:		
Accounts payable	$ 399,417	$ 877,304
Accrued expenses	632,006	356,341
Accrued acquisition costs - Webmayhem, PNPP	-	1,949,843
Capital lease	-	81,411
Notes payable - current portion	46,915	46,915
Convertible Notes Payable, net of discount of $0 and $0, respectively	706,710	-
Deferred revenue	34,302	53,039
Total current liabilities	1,819,350	3,364,853
NOTES PAYABLE, less current portion	16,206	51,016
CONVERTIBLE NOTES PAYABLE, less current portion, net of discount of $0 and $482,158, respectively	1,075,000	1,687,554
Total liabilities	2,910,556	5,103,423
STOCKHOLDERS' EQUITY		
Preferred stock, $.001 par value, 10,000,000 shares authorized, 6,083 and 6,147 Series A cumulative, convertible, contingently redeemable shares issued and outstanding with liquidation preferences, respectively	6	6
Common stock, $.001 par value, 100,000,000 shares authorized, 44,995,274 and 43,304,034 shares issued and outstanding, respectively	44,995	43,304
Additional paid-in capital	68,876,452	64,668,006
Accumulated deficit	(47,854,624)	(41,965,166)
Total stockholders' equity	21,066,829	22,746,150
Total liabilities and stockholders' equity	$ 23,977,385	$ 27,849,573

See accompanying notes to these unaudited consolidated financial statements.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended September 30, 2008	For the Three Months Ended September 30, 2007	For the Nine Months Ended September 30, 2008	For the Nine Months Ended September 30, 2007
REVENUE				
Software	$ 197,834	$ 160,802	$ 657,309	$ 627,087
Healthcare	1,011,921	1,015,715	2,957,432	2,404,950
Media Services	323,584	291,959	1,052,949	590,462
Total Revenue	1,533,339	1,468,476	4,667,690	3,622,499
COST OF GOODS SOLD				
Software	92,366	108,607	298,630	312,734
Healthcare	786,502	619,486	2,076,341	1,538,851
Media Services	239,332	277,042	813,558	647,545
Total Cost of Goods Sold	1,118,200	1,005,135	3,188,529	2,499,130
Gross Profit	415,139	463,341	1,479,161	1,123,369
OPERATING EXPENSES				
Selling expenses	316,736	256,331	861,926	644,259
General and administrative	1,026,557	894,025	3,543,626	2,394,543
Consulting fees	394,565	480,356	2,124,315	2,795,727
Research and development	10,728	54,261	66,731	147,385
Total Operating Expenses	1,748,586	1,684,973	6,596,598	5,981,914
LOSS FROM OPERATIONS	(1,333,447)	(1,221,632)	(5,117,437)	(4,858,545)
OTHER INCOME (EXPENSE):				
Extension and re-pricing of warrants	-	(105,413)	-	(795,023)
Extension of convertible notes payable	-	-	(263,483)	-
Interest income	7,711	86,886	57,275	131,448
Interest expense	(27,947)	(1,126,480)	(569,443)	(1,509,379)
Other income(expense)	(84)	5,337	3,630	9,760
Total Other Income (Expense)	(20,320)	(1,139,670)	(772,021)	(2,163,194)
LOSS BEFORE INCOME TAXES	(1,353,767)	(2,361,302)	(5,889,458)	(7,021,739)
CURRENT INCOME TAX EXPENSE	-	-	-	-
DEFERRED INCOME TAX EXPENSE	-	-	-	-
NET LOSS	$ (1,353,767)	$ (2,361,302)	$ (5,889,458)	$ (7,021,739)
DIVIDENDS:				
Accrued dividend, warrants issued in connection with preferred stock, and intrinsic value of the beneficial conversion feature of preferred stock analogous to a dividend	(106,452)	(7,625,417)	(320,815)	(7,625,417)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	(1,460,219)	(9,986,719)	(6,210,273)	(14,647,156)
BASIC AND DILUTED LOSS PER COMMON SHARE AVAILABLE TO COMMON SHAREHOLDERS	$ (0.03)	$ (0.24)	$ (0.14)	$ (0.36)
BASIC AND DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	44,917,211	42,338,621	44,405,713	40,105,100

See accompanying notes to these unaudited consolidated financial statements.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30, 2008	2007
Cash Flows from Operating Activities		
Net loss	$ (5,889,458)	$ (7,021,739)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of discount on notes payable	482,158	1,396,226
Compensation for re-pricing and extension of warrants	-	795,023
Compensation for extension of notes payable	263,483	-
Stock for non cash expenses	986,528	2,241,333
Non-cash compensation - options issued	444,490	311,999
Non-cash interest expense on notes payable	123,642	-
Depreciation and amortization expense	196,001	59,637
Change in allowance for bad debt	-	-
Change in allowance for slow moving inventory	-	(20,148)
Change in assets and liabilities:		-
Accounts receivable	74,351	(90,900)
Inventory	-	27,461
Prepaid expenses	(70,910)	20,755
Accounts payable	(375,170)	(353,476)
Accrued expense	122,600	81,059
Deferred revenue	(18,737)	(1,755)
Net Cash Used in Operating Activities	(3,661,022)	(2,554,525)
Cash Flows from Investing Activities:		
Purchase of property & equipment	(120,649)	(26,370)
Acquisition of PNPP	(6,264)	(150,324)
Acquisition of iClipx	(12,500)	-
Acquisition of Webmayhem	-	(328,536)
Net Cash Used in Investing Activities	(139,413)	(505,230)
Cash Flows from Financing Activities:		
Proceeds from the issuance of common stock	-	677,319
Net Proceeds from the issuance Series A Preferred Stock	-	6,710,000
Payment of preferred dividends	(422,074)	-
Payments on capital lease	(26,726)	(28,109)
Payments on note payable	(34,809)	(18,028)
Net Cash Provided by (Used in) Financing Activities	(483,609)	7,341,182
Net Increase (Decrease) in Cash	(4,284,044)	4,281,427
Cash at Beginning of Period	6,036,209	2,685,068
Cash at End of Period	$ 1,752,165	$ 6,966,495
Supplemental Disclosures of Cash Flow Information		
Cash paid during the periods for:		
Interest	$ 10,880	$ 10,074
Income taxes	$ -	$ -

(Continued)
See accompanying notes to unaudited consolidated financial statements.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)

Supplemental Schedule of Non-cash Investing and Financing Activities:

For the nine months ended September 30, 2008:

On February 1, 2008, the Company issued 50,000 common shares in payment of a $100,000 note payable.

On February 1, 2008, the Company issued 200,000 restricted common shares valued at $570,000 for consulting services.

On February 6, 2008, the Company issued 220,000 restricted common shares valued at $653,400 to acquire the operations of iClipx Inc.

On February 12, 2008, the Company issued 13,296 common shares in payment of a $25,000 note payable and $1,592 of accrued interest.

On February 29, 2008, the Company issued 49,000 common shares upon the exercise of options valued at $134,750 to consultants for services rendered.

On February 29, 2008, the Company issued 5,000 restricted common shares valued at $13,750 for consulting services.

On March 5, 2008, the Company issued 4,715 restricted common shares upon notice of conversion of 11 shares of Series A Preferred Stock.

On March 5, 2008, the Company issued 688 restricted common shares in payment of all dividends accruing on the shares of Series A Preferred stock that was converted on March 5, 2008.

On March 24, 2008, the Company issued 49,038 restricted common shares valued at $106,412 for Professional Nursing Personnel Pool attainment of the Milestones.

On March 24, 2008, the Company issued 1,000 common shares upon the exercise of options valued at $2,170 to consultants for services rendered.

On March 24, 2008, the Company issued 713,150 restricted common shares valued at $1,547,535 for Webmayhem Inc. attainment of Milestone I.

On March 24, 2008, the Company issued 1,907 restricted common shares valued at $4,138 for consulting services.

On March 15, 2008, the Company issuance of 400,000 warrants to extend the maturity date of three notes payable to April 28, 2009. The Company recorded a $263,483 non-cash expense related to the Fair Market Value of the 400,000 warrants.

On April 15, 2008, the Company issued 9,792 restricted common shares valued at $21,249 for Professional Nursing Personnel Pool attainment of the Milestones.

On May 5, 2008, the Company issued 20,000 common shares in payment of a $40,000 note payable.

On May 7, 2008, the Company issued 22,575 common shares in payment of a $40,000 note payable and $5,150 of accrued interest.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)

Supplemental Schedule of Non-cash Investing and Financing Activities (Continued):

On May 14, 2008, the Company issued 25,852 restricted common shares upon notice of conversion of 53 shares of Series A Preferred Stock.

On May 14, 2008, the Company issued 676 restricted common shares in payment of all dividends accruing on the shares of Series A Preferred stock that was converted on May 14, 2008.

On May 15, 2008, the Company issued 10,000 common shares upon the exercise of options valued at $21,800 to consultants for services rendered.

On May 15, 2008, the Company issued 5,000 restricted common shares valued at $10,900 for consulting services.

On June 19, 2008, the Company issued 89,000 restricted common shares valued at $160,200 for consulting services.

On August 7, 2008, the Company issued 53,796 common shares in payment of $94,144 of accrued interest.

On August 22, 2008, the Company issued 46,500 common shares upon the exercise of options valued at $68,820 to consultants for services rendered.

On September 24, 2008, the Company issued 50,124 common shares in payment of a $91,500 note payable and $8,749 of accrued interest.

On September 25, 2008, the Company issued 50,131 common shares in payment of a $91,500 note payable and $8,761 of accrued interest.

During September 2008, the Company accrued a $106,452 dividend on Series A Convertible Preferred Stock.

During the first nine months of 2008, the company recorded $444,490 of non-cash compensation expense related to the vesting of certain stock options.

For the nine months ended September 30, 2007:

On February 1, 2007, the Company issued 15,000 common shares upon the exercise of options valued at $47,550 to consultants for services rendered.

On February 8, 2007, the Company recorded $689,610 of compensation expense related to the extension of certain warrants.

On February 15, 2007, the Company issued 84,691 restricted common shares valued at $272,705 for consulting services.

On March 19, 2007, the Company issued 5,326,320 restricted common shares valued at $16,298,539 to acquire Webmayhem Inc.

On March 26, 2007, the Company issued 2,400 common shares upon the exercise of options valued at $6,624 to consultants for services rendered.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)

Supplemental Schedule of Non-cash Investing and Financing Activities (Continued):

On March 26, 2007, the Company issued 11,909 restricted common shares valued at $36,918 for Interim Healthcare of Wyoming Inc. attainment of Phase I Incentive.

On April 3, 2007 and April 10, 2007, the Company issued 245,099 restricted common shares valued at $625,000 to acquire certain assets of Professional Nursing Personnel Pool.

On April 10, 2007, the Company issued 566,000 restricted common shares valued at $1,454,620 for consulting services.

On May 24, 2007, the Company issued 51,170 common shares upon the exercise of options valued at $117,691 to consultants for services rendered.

On May 24, 2007, the Company issued 5,000 restricted common shares valued at $11,500 for consulting services.

On May 30, 2007, the Company issued 11,000 common shares upon the exercise of options valued at $25,630 to consultants for services rendered.

On June 13, 2007, the Company issued 6,000 common shares upon the exercise of options valued at $16,200 to employees for services rendered.

On June 21, 2007, the Company issued 75,000 restricted common shares valued at $197,250 for services rendered.

On June 21, 2007, the Company issued 50,330 common shares in payment of a $34,592 note payable and $15,822 of accrued interest.

On July 6, 2007, the Company recorded $105,413 of non- cash expense related to the re-pricing of certain warrants.

On July 12, 2007, the Company issued 25,000 common shares in payment of a $50,000 note payable.

On August 2, 2007, the Company issued 28,000 common shares upon the exercise of options valued at $75,600 to consultants for services rendered.

On August 2, 2007, the Company issued 5,000 restricted common shares valued at $13,500 for consulting services.

On August 20, 2007, the Company issued 1,085 common shares upon the exercise of options valued at $2,463 to a consultant for services rendered.

During September 2007, the Company accrued a $125,417 dividend on Series A Convertible Preferred Stock.

During the first nine months 2007, the company recorded $311,999 of compensation expense related to the vesting of certain stock options issued.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Consolidated Financial Statements - The accompanying consolidated financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at September 30, 2008, and the results of operations and cash flows for the periods ended September 30, 2008 and 2007 have been made. The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted. The consolidated financial statements are consolidated and included the accounts of Wizzard and its wholly owned subsidiaries after the elimination of all significant intercompany balances and transactions. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's December 31, 2007 audited financial statements. The results of operations for the nine months ended September 30, 2008 and 2007 are not necessarily indicative of the operating results for the full year.

Organization - Wizzard Software Corporation ["Parent"], a Colorado corporation, was organized on July 1, 1998. The Company operates in three industry segments, Software, Healthcare and Media Services. The Software segment engages primarily in the development, sale, and service of custom and packaged computer software products The Media Services segment operates primarily in digital media publishing and advertising services. The Healthcare segment operates primarily in the home healthcare and healthcare staffing services in Wyoming and Montana. On September 8, 2005, Parent purchased all of the issued and outstanding shares of Interim Healthcare of Wyoming, Inc. ["Interim"], a Wyoming corporation, in a transaction accounted for as a purchase. On February 27, 2007, Parent organized Wizzard Acquisition Corp., a Pennsylvania corporation, to acquire and dissolve into the operations of Webmayhem, Inc. [Libsyn], a Pennsylvania corporation, in a transaction accounted for as a purchase. Libsyn engages primarily in providing digital media publishing services. On April 3, 2007, Interim purchased the operations of Professional Personnel, Inc., d.b.a., Professional Nursing Personnel Pool ["PNPP"].

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

Accounting Estimates - The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates for the Company include depreciation, amortization, allowances, valuation of stock options, and realization of goodwill. Actual results could differ from those estimated by management.

Reclassification – The financial statements for the period ended prior to September 30, 2008 have been reclassified to conform to the headings and classifications used in the September 30, 2008 financial statements.

Cash and Cash Equivalents - The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At September 30, 2008, the Company had cash balances of $1,180,516 in excess of federally insured limits.

Accounts Receivable - Accounts receivable consist of trade receivables arising in the normal course of business. At September 30, 2008 and December 31, 2008, the Company has an allowance for doubtful accounts of $17,562 which reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. During the nine months ended September 30, 2008 and 2007, the Company had no change to the allowance for bad debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Software Development Costs - We account for software development costs, including costs to develop software products or the software component of products to be marketed to external users, as well as software programs to be used solely to meet our internal needs in accordance with SFAS No. 86, *Accounting for Costs of Computer Software to be Sold, Leased, or Otherwise Marketed* and Statement of Position No. 98-1, *Accounting for Costs of Computer Software Developed or Obtained for Internal Use*. We have determined that technological feasibility for our products to be marketed to external users was reached shortly before the release of those products. As a result, the development costs incurred after the establishment of technological feasibility and before the release of those products were not material, and accordingly, were expensed as incurred. In addition, costs incurred during the application development stage for software programs to be used solely to meet our internal needs were not material.

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 9).

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. (see Note 10).

Advertising Costs - Advertising costs are expensed as incurred and amounted to $176,313 and $232,610 for the nine months ended September 30, 2008 and 2007, respectively.

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

Revenue Recognition - 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.

Software - The Company sells packaged and custom software products and related voice recognition product development consulting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Software product revenues are recognized upon shipment of the software product only if no significant Company obligations remain, the fee is fixed or determinable, and collection is received or the resulting receivable is deemed probable. Revenue from package software products are recorded when the payment has been received and the software has been shipped. Revenue is recognized, net of discount and allowances, at the time of product shipment. Provisions are recorded for bad debts and at September 30, 2008 and 2007 amounted to $0. Revenue related to obligations, which include telephone support for certain packaged products, are based on the relative fair value of each of the deliverables determined based on vendor-specific objective evidence ("VSOE") when significant. The Company VSOE is determined by the price charged when each element is sold separately. Revenue from packaged software product sales to and through distributors and resellers is recorded when payment is received and the related products are shipped. The Company's distributors or resellers do not carry packaged software product inventory and thus the Company does not offer any price protections or stock balancing rights. Revenue from non-recurring programming, engineering fees, consulting service, support arrangements and training programs are recognized when the services are provided.

Healthcare - The Company recognizes revenue from the providing of healthcare services when the services are provided and collection is probable.

Media Services – Digital media publishing services are billed on a month to month basis. The Company recognizes revenue from providing digital media publishing services when the services are provided and when collection is probable. The Company recognizes revenue from the insertion of advertisements in digital media, as the digital media with the advertisement is downloaded and collection is probable.

Research and Development Cost - The Company expenses the cost of developing new products as incurred as research and product development costs, and amount to $66,731 and $147,385, respectively for the nine months ended September 30, 2008 and 2007.

Stock Options - The Company has stock option plans that provide for stock-based employee compensation, including the granting of stock options, to certain key employees. The plans are more fully described in Note 8.

During the periods presented in the accompanying consolidated financial statements, the Company has granted options under its 2005, 2007 and 2008 defined stock option plans. The Company accounts for options in accordance with the provisions of SFAS No. 123R using the modified-prospective transition method and the disclosures that follow are based on applying SFAS No. 123R. Non-cash compensation cost of $444,490 and $311,999 have been recognized for the vesting of options granted to employees and directors with an associated recognized tax benefit of $0 for the nine months ended September 30, 2008 and 2007, respectively. Non-cash compensation cost of $227,540 and $291,758 have been recognized for options issued to employee and consultants which immediately vested and were exercised with an associated recognized tax benefit of $0 for the nine months ended September 30, 2008 and 2007.

NOTE 2 – ACQUISITION

On January 20, 2008, the Company purchased the operations of iClipx. The Purchase Agreement called for the Company to pay $12,500 in cash and issue 220,000 unregistered and restricted shares of common stock valued at $653,400. As part of the purchase agreement, the Company agreed to issue an additional 200,000 shares of common stock of the Company should iClipx obtain gross revenue of at least $300,000 through June 30, 2009.

The following unaudited proforma information summarizes the estimated fair values of the assets acquired and the liabilities assumed:

		iClipx
Digital media content	$	400,000
Non-compete agreement		75,000
Net assets in excess of liabilities		475,000
Purchase price		665,900
Goodwill	$	190,900

Amortization expense for the nine months ended September 30, 2008 and 2007 was $128,125 and $0, respectively.

The following unaudited proforma information summarizes the estimated results of operations as if the acquisitions had occurred at the beginning of the period presented:

		For the Nine Months Ended September 30, 2008
Net revenue	$	4,667,690
Cost of sales		3,188,529
Operating expenses		6,598,108
Other expense		(772,021)
Net loss		(5,890,968)
Preferred dividends		(320,815)
Net loss available to common shareholders	$	(6,211,783)
Basic and diluted loss per common share available to common shareholders	$	(0.14)
Basic and diluted weighted average common shares outstanding		44,435,421

NOTE 3 – PROPERTY & EQUIPMENT

The following is a summary of property and equipment at:

	Life		September 30, 2008		December 31, 2007
Furniture, fixtures and equipment	2-10 yrs	$	388,330	$	267,681
Production molds	3 yrs		47,710		47,710
Software	2-5 yrs		11,964		11,964
			448,004		327,355
Less: Accumulated depreciation			(269,745)		(217,851)
Property & equipment, net		$	178,259	$	109,504

Depreciation expense for the nine months ended September 30, 2008 and 2007 was $51,894 and $35,664, respectively.

NOTE 4 – GOODWILL / DEFINITE-LIFE INTANGIBLE ASSETS

Intangible Assets – The Company's definite life intangible assets consist of digital media content and a non-compete agreement which are amortized on a straight-line basis over their estimated useful lives. Amortization expense of $128,125 and $0 was recorded for the nine months ended September 30, 2008 and 2007, respectively.

Goodwill - On September 8, 2005, the Company recorded goodwill of $896,570 in connection with the acquisition of Interim Health Care of Wyoming as the purchase price of $904,006 exceeded the $7,436 net book value of the assets acquired. On September 30, 2006, the company recorded additional goodwill of $49,225 in connection with the Phase I Incentives.

On March 1, 2007, the Company recorded goodwill of $16,970,100 in connection with the acquisition of Webmayhem Inc. as the assumption of liabilities exceeded assets by $319,230 plus the purchase price of $16,650,870. On December 31, 2007, the Company recorded additional goodwill of $1,818,532 in connection with Milestone I, and was subsequently adjusted on March 24, 2008 to $1,547,535 upon actual issuance of stock.

On April 3, 2007, the Company recorded goodwill of $837,700 in connection with the asset purchase of PNPP as the assumption of liabilities exceeded assets by $52,086 plus the purchase price of $785,614. On December 31, 2007, the Company recorded additional goodwill of $131,311 and $5,680 on March 24, 2008 in connection with achieving certain financial results and meeting the contingent purchase price contingency.

On January 20, 2008, the Company recorded goodwill of $190,900 in connection with the purchase of operations of iClipx, as the purchase price exceeded the $475,000 of assets acquired. The purchase price, totaling $665,900 consisted of cash of $12,500 and restricted common stock valued at $653,400.

On June 30, 2008, the Company recorded a liability for additional goodwill of $150,000 in connection with Switchpod attaining the second year incentive.

The following is a summary of goodwill:

	For the Nine Months Ended September 30, 2008	For the Year Ended December 31, 2007
Goodwill at beginning of period	$ 20,724,986	$ 945,795
Goodwill from acquisition of iClipx	190,900	-
Goodwill from incentive - Switchpod	150,000	-
Goodwill from acquisition of Webmayhem Inc.	(270,997)	18,810,180
Goodwill from acquisition of PNPP	5,680	969,011
Goodwill at end of period	$ 20,800,569	$ 20,724,986

NOTE 5 - NOTES PAYABLE

On October 27, 2006, the Company closed a Subscription Agreement by which three institutional investors purchased a) a 5% convertible notes payable having a total principal amount of $2,375,000, convertible into common shares of the Company at $2.00 per share and maturing April 27, 2008; b) Class A Warrants to purchase a total of 593,750 shares of common stock, at $2.50 per share, exercisable for three years, and c)Class B Warrants to purchase a total of 1,187,500 shares of common stock at $2.00 per share, exercisable until 180 days after the effective date of the Registration Statement. As the conversion price for the note was below the fair value of the common stock on the date issued, the Company recorded a discount on the note for beneficial conversion feature of the note in accordance with the provisions found in EITF 98-5. The fair value of the beneficial conversion feature and Class A and Class B warrants were reduced on a pro-rata basis to the $2,375,000 proceeds received from the subscription and recorded as a discount against the note. The $968,000 discount on the beneficial conversion feature was amortized as interest expense over the term of the note. As of September 30, 2008, the Company has amortized $2,375,000 of the discount. On March 15, 2008, the Company issuance of 400,000 warrants to extend the maturity date of three notes payable to April 28, 2009. On November 7, 2008, the maturity date of one note payable was extended to October 15, 2009. During the nine months ended September 30, 2008 and 2007, the Company recorded interest expense of $76,294 and $82,694, respectively and amortized $482,158 and $1,396,226 of the discount, respectively.

The Class A Warrants and Class B Warrants were valued using the Black-Scholes pricing model using the following weighted average assumptions 77.19% volatility, 1.33 years expected life, 5.08% risk free interest rate and expected dividend yield of zero.

In April 2007, Interim signed a $127,099 note payable to a bank. The note accrues interest at 8.25% per annum. At September 30, 2008, the note has a remaining principal balance of $63,121. During the nine months ended September 30, 2008 and 2007, interest expense on the note payable amounted to $5,206 and $4,205, respectively. On November 4, 2008, the Company paid the balance due of $55,104.

NOTE 6 - LEASES

Capital Lease - The Company leased equipment on a 63-month capital lease which terminated in June 2008. Upon termination of the lease, the Company acquired the leased equipment for $5,000. During the nine months ended September 30, 2008 and 2007, depreciation expense for equipment on capital lease amounted to $15,982 and $23,973, respectively, and has been included in depreciation expense. During the nine months ended September 30, 2008 and 2007, interest expense on capital lease obligation amounted to $3,276 and $5,641, respectively.

The following is a summary of leased equipment at:

	Life	September 30, 2008	December 31, 2007
Leased equipment	5.25 yrs	$ -	$ 223,750
Less: Accumulated depreciation		-	(147,834)
Leased equipment, net		$ -	$ 75,916

Operating Lease - The Company leases office space, in Pittsburgh, Pennsylvania, on a month to month basis for $4,033 a month. The Company leases additional office space in Casper, Wyoming from the former owner of Interim Healthcare of Wyoming, Inc. and current shareholder, on a month to month basis for $4,750 a month. The Company leases space in New York, New York, on a month to month basis for $2,200 a month. The Company leases space in Hollywood California, for $1,903 a month through April 2009. The Company further leases space in Billings, Montana for of $1,350 a month through February 2011.

NOTE 7 - CAPITAL STOCK

Preferred Stock - The Company has authorized 10,000,000 shares of preferred stock, $.001 par value. As of September 30, 2008, the Company had 6,083 Series A Preferred shares issued and outstanding. The Series A Preferred shares have no voting rights, with liquidation rights of stated value plus unpaid dividends and damages. The Series A Preferred shares, dividends, and any damages are convertible into common shares at $2.05 per common shares.

Holders of the Preferred Stock will be entitled to receive cumulative dividends of 7% per annum for the first two years after issuance of the Preferred Stock and 18% per annum thereafter, payable on January 1 and July 1, beginning on January 1, 2008, either in cash or, at the Company's option, in shares of the Company's common stock.

The Company will have the right to force conversion of all or part of the outstanding Preferred Stock, plus all accrued but unpaid dividends and liquidated damages due with respect to the Preferred Stock if, after the two-year anniversary of the effectiveness of the Registration Statement referred to below, the price of the Company's common stock exceeds $6.15 for 10 consecutive trading days and the volume for each such trading day exceeds 100,000 shares of common stock.

Beginning two years after the issuance date of the Preferred Stock, the Company may also elect to redeem all (but not less than all) of the then outstanding Preferred Stock at a total price of: (i) 125% of the aggregate Stated Value then outstanding; (ii) accrued but unpaid dividends; and (iii) all liquidated damages and other amounts due with respect to the Preferred Stock. On the occurrence of certain Triggering Events as defined in Section 9(a) of the Articles of Amendment/Certificate of Designation with respect to the Preferred Stock, each holder will have the right to require the Company to redeem all of the holder's Preferred Stock or to increase the dividend rate on that holder's Preferred Stock to 18% per annum thereafter.

Common Stock - The Company has authorized 100,000,000 shares of common stock, $.001 par value. As of September 30, 2008, the Company had 44,995,274 common shares issued and outstanding.

On February 1, 2008, the Company issued 50,000 common shares in payment of a $100,000 note payable.

On February 1, 2008, the Company issued 200,000 restricted common shares valued at $570,000 for consulting services.

On February 6, 2008, the Company issued 220,000 restricted common shares valued at $653,400 to acquire the operations of iClipx Inc.

On February 12, 2008, the Company issued 13,296 common shares in payment of a $25,000 note payable and $1,592 of accrued interest.

On February 29, 2008, the Company issued 49,000 common shares upon the exercise of options valued at $134,750 to consultants for services rendered.

On February 29, 2008, the Company issued 5,000 restricted common shares valued at $13,750 for consulting services.

On March 5, 2008, the Company issued 4,715 restricted common shares upon notice of conversion of 11 shares of Series A Preferred Stock.

On March 5, 2008, the Company issued 688 restricted common shares in payment of all dividends accruing on the shares of Series A Preferred stock that was converted on March 5, 2008.

NOTE 7 - CAPITAL STOCK (Continued)

On March 24, 2008, the Company issued 49,038 restricted common shares valued at $106,412 for Professional Nursing Personnel Pool attainment of the Milestones.

On March 24, 2008, the Company issued 1,000 common shares upon the exercise of options valued at $2,170 to consultants for services rendered.

On March 24, 2008, the Company issued 713,150 restricted common shares valued at $1,547,535 for Webmayhem Inc. attainment of Milestone I.

On March 24, 2008, the Company issued 1,907 restricted common shares valued at $4,138 for consulting services.

On April 15, 2008, the Company issued 9,792 restricted common shares valued at $21,249 for Professional Nursing Personnel Pool attainment of the Milestones.

On May 5, 2008, the Company issued 20,000 common shares in payment of a $40,000 note payable.

On May 7, 2008, the Company issued 22,575 common shares in payment of a $40,000 note payable and $5,150 of accrued interest.

On May 14, 2008, the Company issued 25,852 restricted common shares upon notice of conversion of 53 shares of Series A Preferred Stock.

On May 14, 2008, the Company issued 676 restricted common shares in payment of all dividends accruing on the shares of Series A Preferred stock that was converted on May 14, 2008.

On May 15, 2008, the Company issued 10,000 common shares upon the exercise of options valued at $21,800 to consultants for services rendered.

On May 15, 2008, the Company issued 5,000 restricted common shares valued at $10,900 for consulting services.

On June 19, 2008, the Company issued 89,000 restricted common shares valued at $160,200 for consulting services.

On August 7, 2008, the Company issued 53,796 common shares in payment of $94,144 of accrued interest.

On August 22, 2008, the Company issued 46,500 common shares upon the exercise of options valued at $68,820 to consultants for services rendered.

On September 24, 2008, the Company issued 50,124 common shares in payment of a $91,500 note payable and $8,749 of accrued interest.

On September 25, 2008, the Company issued 50,131 common shares in payment of a $91,500 note payable and $8,761 of accrued interest.

On February 1, 2007, the Company issued 15,000 common shares upon the exercise of options valued at $47,550 consultants for services rendered.

On February 8, 2007, the Company recorded $689,610 of compensation expense related to the extension of certain warrants.

NOTE 7 - CAPITAL STOCK (Continued)

On February 15, 2007, the Company issued 84,691 restricted common shares valued at $272,705 for consulting services.

On March 19, 2007, the Company issued 5,326,320 restricted common shares valued at $16,298,539 to acquire Webmayhem Inc.

On March 26, 2007, the Company issued 2,400 common shares upon the exercise of options valued at $6,624 to consultants for services rendered.

On March 26, 2007, the Company issued 11,909 restricted common shares valued at $36,918 for Interim Healthcare attainment of Phase I Incentive.

Exercise of Warrants - On January 17, 2007, January 30, 2007, and March 16, 2007, the Company issued 11,749, 75,549, and 50,000 common shares, respectively, upon the exercise of warrants at $1.25 per share.

Exercise of Warrants - On February 14, 2007, March 13, 2007, and March 23, 2007, the Company issued 84,167, 15,000, and 10,000 common shares, respectively, upon the exercise of warrants at $1.36 per share.

On April 3, 2007 and April 10, 2007, the Company issued a total of 245,099 restricted common shares valued at $625,000 to acquire certain assets of Professional Nursing Personnel Pool.

On April 10, 2007, the Company issued 566,000 restricted common shares valued at $1,454,620 for consulting services.

On May 24, 2007, the Company issued 51,170 common shares upon the exercise of options valued at $117,691 to consultants for services rendered.

On May 24, 2007, the Company issued 5,000 restricted common shares valued at $11,500 for consulting services.

On May 30, 2007, the Company issued 11,000 common shares upon the exercise of options valued at $25,630 to consultants for services rendered.

On June 13, 2007, the Company issued 6,000 common shares upon the exercise of options valued at $16,200 to employees for services rendered.

On June 21, 2007, the Company issued 75,000 restricted common shares valued at $197,250 for services rendered.

On June 21, 2007, the Company issued 50,330 common shares in payment of a $34,592 note payable and $15,822 of accrued interest.

On July 6, 2007, the Company closed a Subscription Agreement by which two institutional investors purchased a) 7,500 shares of Series A 7% Convertible Preferred Stock, par value $.001, for a total amount of $7,500,000, convertible into common shares of the Company at $2.05 per share, dividend payable semi-annual on January 1st and July 1st, and; b) Warrants to purchase a total of 1,829,268 shares of common stock, at $2.85 per share, exercisable for five years. The Warrants were valued using the Black-Scholes pricing model using the following weighted average assumptions 74.88% volatility, 5 years expected life, 4.90% risk free interest rate and expected dividend yield of zero.

NOTE 7 - CAPITAL STOCK (Continued)

On July 6, 2007, the Company recorded $105,413 of non- cash expense related to the re-pricing of certain warrants.

On July 12, 2007, the Company issued 25,000 common shares in payment of a $50,000 note payable.

On August 2, 2007, the Company issued 28,000 common shares upon the exercise of options valued at $75,600 to consultants for services rendered.

On August 2, 2007, the Company issued 5,000 restricted common shares valued at $13,500 for consulting services.

On August 20, 2007, the Company issued 1,085 common shares upon the exercise of options valued at $2,463 to a consultant for services rendered.

Exercise of Warrants - On April 19, 2007, April 27, 2007, June 14, 2007, June 15, 2007 and June 19, 2007, the Company issued 10,000, 16,500, 21,833, 73,530 and 109,176 common shares, respectively, upon the exercise of warrants at $1.36 per share.

Exercise of Warrants - On May 9, 2007, the Company issued 153,197 common shares, upon the exercise of warrants at $1.25 per share.

NOTE 8 – STOCK OPTIONS AND WARRANTS

2008 Key Employee Stock Option Plan - During 2008, the Board of Directors adopted a 2008 Key Employee Stock Option Plan ("2008 Key Employee Plan"). Under the terms and conditions of the 2008 Key Employee Plan, the Board is empowered to grant stock options to employees and officers of the Company. Additionally, the Board will determine at the time of granting the vesting provisions and whether the options will qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code. The total number of shares of common stock available under the 2008 Key Employee Plan may not exceed 400,000. At September 30, 2008, 150,000 options were available to be granted under the 2008 Key Employee Plan. During the nine months ended September 30, 2008, the Company granted 250,000 options.

2008 Stock Option Plan - During 2008, the Board of Directors adopted a Stock Option Plan ("2008 Plan"). Under the terms and conditions of the 2008 Plan, the Board is empowered to grant stock options to employees and officers of the Company. Additionally, the Board will determine at the time of granting the vesting provisions and whether the options will qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code. The total number of shares of common stock available under the 2008 Plan may not exceed 200,000. At September 30, 2008, 5,000 options were available to be granted under the 2008 Plan. During the nine months ended September 30, 2008, the Company granted 195,000 options.

2007 Key Employee Stock Option Plan - During 2007, the Board of Directors adopted a 2007 Key Employee Stock Option Plan ("2007 Key Employee Plan"). Under the terms and conditions of the 2007 Key Employee Plan, the Board is empowered to grant stock options to employees and officers of the Company. Additionally, the Board will determine at the time of granting the vesting provisions and whether the options will qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code. The total number of shares of common stock available under the 2007 Key Employee Plan may not exceed 200,000. At September 30, 2008, no options were available to be granted under the 2007 Key Employee Plan. During the nine months ended September 30, 2008 and 2007, the Company granted 0 and 200,000 options, respectively.

NOTE 8 – STOCK OPTIONS AND WARRANTS (Continued)

2007 Stock Option Plan - During 2007, the Board of Directors adopted a Stock Option Plan ("2007 Plan"). Under the terms and conditions of the 2007 Plan, the Board is empowered to grant stock options to employees and officers of the Company. Additionally, the Board will determine at the time of granting the vesting provisions and whether the options will qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code. The total number of shares of common stock available under the 2007 Plan may not exceed 200,000. At September 30, 2008, 3,245 options were available to be granted under the 2007 Plan. During the nine months ended September 30, 2008 and 2007, the Company granted 56,500 and 182,255 options, respectively.

2005 Stock Option Plan - During 2005, the Board of Directors adopted a Stock Option Plan ("2005 Plan"). Under the terms and conditions of the 2005 Plan, the Board is empowered to grant stock options to employees, officers, directors, and consultants of the Company. Additionally, the Board will determine at the time of granting the vesting provisions and whether the options will qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code. The total number of shares of common stock available under the 2005 Plan may not exceed 220,000. At September 30, 2008, total options available to be granted under the 2005 Plan totaled 95. During the nine months ended September 30, 2008 and 2007, the Company granted 0 and 19,700 options, respectively, which were immediately exercised for service valued at $0 and $60,384, respectively.

The fair value of option grants during the nine months ended September 30, 2008 and 2007 was determined using the Black-Scholes option valuation model. The significant weighted average assumptions relating to the valuation of the Company's Stock Options for the nine months ended September 30, 2008 and 2007 were as follows:

	2008	2007
Dividend yield	0 %	0 %
Expected life	4 yrs	5 yrs
Expected volatility	85.6%	65.6%
Risk-free interest rate	2.80%	4.65%

A summary of the status of options granted at September 30, 2008, and changes during the period then ended are as follows:

	For the Nine Months Ended September 30, 2008			
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of period	427,500	$ 2.06	7.5 years	$ -
Granted	661,500	2.26	6.0 years	-
Exercised	(106,500)	-	-	-
Forfeited	(210,000)	2.39	-	-
Expired	-	-	-	-
Outstanding at end of period	772,500	1.87	7.2 years	-
Vested and expected to vest in the future	772,500	1.87	7.2 years	-
Exercisable at end of period	627,500	2.16	8.0 years	-
Weighted average fair value of options granted	772,500	$ 1.87	7.2 years	$ -

The Company had 40,000 non-vested options at the beginning of the period with a weighted average exercise price of $2.67. At September 30, 2008 the Company had 145,000 non-vested options with a weighted average exercise price of $2.12.

NOTE 8 – STOCK OPTIONS AND WARRANTS (Continued)

The total intrinsic value of options exercised during the nine months ended September 30, 2008 and 2007 was $227,540 and $291,758, respectively. Intrinsic value is measured using the fair market value at the date of exercise (for shares exercised) or at September 30, 2008 (for outstanding options), less the applicable exercise price.

During the nine months ended September 30, 2008 and 2007, the Company recorded $444,490 and $311,999 of non-cash compensation expense related to the vested stock options issued to employees.

For the nine months ended September 30, 2008 and 2007, the Company recorded non-cash compensation cost of $227,540 and $291,758 for vested and exercised options issued to employees and consultants.

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

	September 30, 2008		September 30, 2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	4,123,851	$ 2.42	3,193,331	$ 2.05
Granted	400,000	2.85	1,829,268	2.85
Exercised	-	-	(630,701)	1.10
Forfeited	-	-	(110,627)	1.36
Expired	-	-	(157,420)	3.41
Outstanding at end of period	4,523,851	$ 2.46	4,123,851	$ 2.42

On March 15, 2008, the Company issuance of 400,000 warrants to extend the maturity date of three notes payable to April 28, 2009. The Company recorded a $263,483 non-cash expense related to the Fair Market Value of the 400,000 warrants.

During February 2007, the Company extended the expiration of 366,666 warrants from February 8, 2007 to June 14, 2007 and recorded $689,610 in compensation expense.

NOTE 9 - LOSS PER COMMON SHARE

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
Net loss (numerator)	$ (1,353,767)	$ (2,361,302)	$ (5,889,458)	$ (7,021,739)
Accrued dividend	(106,452)	(7,625,417)	(320,815)	(7,625,417)
Net loss available to common shareholders (numerator)	$ (1,460,219)	$ (9,986,719)	$ (6,210,273)	$ (14,647,156)
Weighted average number of common shares outstanding during the period used in loss per share (denominator)	44,917,211	42,338,621	44,405,713	40,105,100

NOTE 9 - LOSS PER COMMON SHARE (Continued)

At September 30, 2008, the Company had 4,523,851 warrants outstanding to purchase common stock of the Company at $2.00 to $2.85 per share, the Company had 772,500 options outstanding to purchase common stock of the Company at $1.59 to $2.89 per share, and a 5% convertible note payable wherein the holder could convert the note into a minimum of 890,855 shares of common stock, [See Note 5], and a 7% cumulative Series A Preferred shares wherein the holder could convert the note into a minimum of 2,967,317 shares of common stock which were not included in the loss per share computation because their effect would be anti-dilutive.

At September 30, 2007, the Company had 4,123,851 warrants outstanding to purchase common stock of the Company at $2.00 to $2.85 per share, the Company had 427,500 options outstanding to purchase common stock of the Company at $1.59 to $2.89 per share, and a 5% convertible note payable wherein the holder could convert the note into a minimum of 1,120,081 shares of common stock, [See Note 6], and a 7% cumulative Series A Preferred shares wherein the holder could convert the note into a minimum of 3,658,537 shares of common stock which were not included in the loss per share computation because their effect would be anti-dilutive.

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 September 30, 2008 operating loss carryforwards of approximately $24,980,000 which may be applied against future taxable income and which expires in various years through 2028.

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

Because of the uncertainty surrounding the realization of the loss carryforwards and significant changes in the ownership of the Company, a valuation allowance has been established equal to the tax effect of the loss carryforwards and, therefore, no deferred tax asset has been recognized for the loss carryforwards. The net deferred tax assets are approximately $12,200,000 as of September 30, 2008, with an offsetting valuation allowance of the same amount. The change in the valuation allowance for the nine months ended September 30, 2008 approximated $1,700,000.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Agreements - In connection with the agreement with AT&T to sell to AT&T's OEM Natural Voices desktop product licenses the Company is required to make minimum purchase of $125,000 per each six month period beginning July 2004 through March 2010.

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 $15,000 per quarter beginning July 2007 through June 2009.

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

Contingent Consideration for the Acquisition of the assets of Switchpod Technology As part of the Switchpod acquisition, the Company agreed to issue additional shares of common stock upon Switchpod obtaining certain milestones. The second incentive would include the seller to receive an additional 12,500 "unregistered" and "restricted" common shares per month up to a maximum of 200,000 common shares, if during the second year following the completion of the acquisition, Switchpod delivers 1,000,000 digital media downloads per month in excess of the number of digital media downloads per month as of May 31, 2007 or 5,000,000 digital media downloads per month. As of September 30, 2008, the Company recorded a liability of $150,000 for Switchpod attaining the second year incentive. Had the stock been issued at September 30, 2008, the Company would have issued an additional 100,000 shares of restricted common stock.

Contingent Consideration for the Acquisition of Webmayhem, Inc. As part of the merger, the Company agreed to issue additional shares of common stock upon Webmayhem achieving certain production and financial results.

Milestone 2 would include the sellers to receive an additional 2,281,580 shares of common stock of the Company should Webmayhem obtain gross revenue of at least $5,000,000 and EBITDA of at least $1,500,000 during their second year of operation measured from the closing date of the merger.

Milestone 3 would include the sellers to receive an additional 2,281,580 shares of common stock of the Company should Webmayhem obtain gross revenue of at least $15,000,000 and EBITDA of at least $5,000,000 during their third year of operation measured from the closing date of the merger.

Contingent Consideration for the Acquisition of the operations of iClipx As part of the purchase agreement, the Company agreed to issue an additional 200,000 "unregistered" and "restricted" shares of its common stock should iClipx obtain gross revenue of at least $300,000 through June 30, 2009.

NOTE 12 - SEGMENT REPORTING

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

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

Media – The Company attributes revenue from digital media publishing service at the time the service is provided and collection is likely.

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

NOTE 12 - SEGMENT REPORTING (Continued)

The following is a summary of the Company's operations by segment for the nine months ended September 30, 2008 and 2007: (in thousands)

	2008				2007			
	Software	Media	Healthcare	Total	Software	Media	Healthcare	Total
Net revenues	$ 657	$ 1,053	$ 2,958	$ 4,668	$ 627	$ 590	$ 2,405	$ 3,622
Cost of sales	298	814	2,076	3,188	313	647	1,539	2,499
General and administrative	3,260	1,748	661	5,669	3,948	659	583	5,190
Selling	124	698	40	862	215	327	102	644
Research and development	51	16	-	67	73	74	-	147
Compensation for re-pricing/extension of warrants	264	-	-	264	795	-	-	795
Other income	52	3	6	61	121	-	10	131
Interest expense	559	-	9	568	1,490	-	10	1,500
Income tax benefit/(expense)	-	-	-	-	-	-	-	-
Net income (loss)	$ (3,847)	$ (2,220)	$ 178	$ (5,889)	$ (6,086)	$ (1,117)	$ 181	$ (7,022)
Total assets	3,192	18,658	2,127	23,977	7,638	17,068	1,854	26,560
Depreciation	29	16	23	68	15	8	37	60

The following is a summary of the Company's operations by segment for the three months ended September 30, 2008 and 2007:

	2008				2007			
	Software	Media	Healthcare	Total	Software	Media	Healthcare	Total
Net revenues	$ 198	$ 323	$ 1,012	$ 1,533	$ 161	$ 292	$ 1,015	$ 1,468
Cost of sales	92	239	787	1,118	109	277	619	1,005
General and administrative	670	558	192	1,420	773	389	212	1,374
Selling	33	269	15	317	62	168	26	256
Research and development	2	9	-	11	29	25	-	54
Compensation for re-pricing/extension of warrants	-	-	-	-	106	-	-	106
Other income	6	-	1	7	81	-	1	82
Interest expense	26	-	2	28	1,112	-	4	1,116
Income tax benefit/(expense)	-	-	-	-	-	-	-	-
Net income (loss)	$ (619)	$ (752)	$ 17	$ (1,354)	$ (1,949)	$ (567)	$ 155	$ (2,361)
Depreciation	11	6	3	20	5	3	11	19

NOTE 13 - SUBSEQUENT EVENT

On October 9, 2008, the Company issued 54,891 common shares in payment of a $100,000 note payable and $9,781 of accrued interest.

On October 23, 2008, the Company issued 99,712 common shares in payment of an $181,700 note payable and $17,723 of accrued interest.

On November 4, 2008, The Company paid $55,104 to pay in full the note payable. See Note 6

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

Highlights of Third Quarter, 2008

Our business, for the last twelve years, has been focused on the speech recognition technology industry. As a result of our commitment to speech technologies, we have been able to position ourselves as a leader in the fast growing digital media aggregation, syndication and advertising industry currently taking shape on the internet. Using sophisticated speech recognition technologies, we are able to offer advertisers highly targeted advertising packages from the 15,000+ digital media 'shows' hosted and published using Wizzard Media's products and services. Below is an update of our entire business, from our most recent entry into digital media where we expect most of our future growth to occur, to our legacy businesses of offering core speech engine tools for developers and speech technology solutions for the healthcare industry. Currently, our healthcare operations make up 64% of our revenue, but we expect our digital media publishing business to become our largest revenue generator at some point in 2009 and provide the largest revenue growth in the future. We believe this is due to the size of our digital media operations and the potential advertising inventory available for sale by Wizzard's ad sales team. The growth of our media operations has occurred faster than initially expected and it is Management's opinion that we are still in the early stages of growth for this industry as we are seeing the flow of quality content coming to the internet increase at a rapid pace and advertisers showing growing interest in the medium. As paid search advertising is the largest and most profitable segment of the internet advertising industry (Google, Yahoo, etc), we believe the Internet media advertising industry has the potential over the next five years to grow into the largest segment of Internet advertising and believe that Wizzard is positioned to be one of the leading companies in the Internet media advertising business.

1. WIZZARD MEDIA

Wizzard Media is the one year old division for our digital media business. Wizzard Media is focused on the digital media industry and how speech technology, when used effectively, can have a significant impact on the industry by providing a safe means for advertisers to promote their brands in professional and semi-professional content. By incorporating speech recognition into the digital media mix, Wizzard can search through a transcript of every participating show utilizing our publishing platform and offer targeted keyword advertising to national brands while providing monetization of digital content for our publishers and for Wizzard. Wizzard Media is currently the industry's largest network of independent and professional digital media publishers utilizing RSS as a distribution method. The network received over 450 million download requests for shows in 2006 and surpassed 1 billion download requests in 2007. In the third quarter of 2008, the Wizzard Network received 287,400,000 download requests for shows vs. 241,700,000 download requests in the third quarter of 2007. Wizzard's publishing platform grew by over 3,300 new shows in the third quarter of 2008 vs. 700 new shows in the third quarter of 2007. Over 88,000 new individual episodes were added across the network in the third quarter of 2008 vs. 42,000 new episodes added in the third quarter of 2007. With the continuing success of Apple's iPod, iPhone and Apple TV 2.0 along with new RSS aggregators from Adobe and others, we expect the number of content publishers using our service and the number of consumers watching the shows to continue to grow rapidly on an annual basis. The total number of episodic shows published through Wizzard Media grew to over 15,000 in the third quarter of 2008 with over 500,000 individual episodes in syndication. Wizzard's LibsynPRO Enterprise service grew to 32 network publishers in the third quarter of 2008. We continue to receive positive feedback from major media publishers for our new LibsynPRO Enterprise publishing and advertising platform. As Wizzard Media derives a portion of its revenues through data transfer from PRO customers, launching a new, feature rich version of the PRO publishing platform provides Management with the tools to grow the number of PRO publishers and thereby revenues associated with our data transfer business. During the third quarter 2008, revenue from data transfer totaled $46,790.

Wizzard Media - Distribution

In the third quarter of 2008, traditionally a slower quarter than the first or fourth quarter for media consumption, the Wizzard Network received approximately 287,400,000 download requests for shows vs. 241,700,000 download requests in the third quarter of 2007, from a wide variety of distribution outlets to which Wizzard syndicates content. The Wizzard Media network received over 3,100,000 million requests for shows per day in the third quarter. These shows are consumed by over thirteen million people around the world creating what Management believes is a very compelling platform for advertisers. Download requests are calculated by counting the number of shows requested for download by audience members. Wizzard intends to generate profits by inserting advertisements in the shows in partnership with the show's publishers. As the online digital media industry is in the emerging stages, the majority of these shows are distributed without advertising and the total download requests listed above are provided to give an understanding of the potential size of advertising inventory available for Wizzard's advertising sales team.

Currently, Wizzard Media distributes digital shows for our producers to a variety of web portals and content aggregators including: Wizzard.tv, Veoh.com, Apple TV (Featured Provider), iTunes (Featured Provider), Second Life, iPhone, YouTube (Partner Channel), Google (Affiliate Network), Adobe Media Player, Daily Motion (Featured Channel), Zune Marketplace, and Facebook. Some of these partner channels were created solely to expand audience reach and some to expand both audience reach and generate revenues for Wizzard and our publishers. In the third quarter of 2008, Wizzard expanded the number of distribution points available to our publishers by 22 through a partnership with TubeMogul, including Yahoo Video, AOL Video, Google Video and MySpace. While no material revenue has been generated from these distribution channels to date, we expect to realize revenue in the fourth quarter of 2008 with anticipated growth throughout 2009.

In the first quarter of 2008, Wizzard announced a content licensing and advertising agreement with YouTube. As a YouTube content partner, Wizzard has its own branded channel that enables users to access streaming video from the Wizzard Media Network. Wizzard worked with YouTube and several of its other distribution partners/content licensees in the third quarter to monetize the shows Wizzard distributes through their third party service. Management expects to have numerous working advertising campaigns through third party audience consumption platforms (distribution partners) in the fourth quarter of 2008. Wizzard is in the process of entering into advertising agreements with several of its distribution partners but expects third party ad sales to be minimal in 2008 as Wizzard posts content to the partner channels and builds audiences for the various shows.

Wizzard Media - Advertising

In the third quarter of 2008, Wizzard launched seven advertising campaigns including Puma, Panasonic, US Navy Medical, Coca-Cola, SpikeTV, Powerade and Saturn. These campaigns run across multiple shows bringing the total number of advertising campaigns launched to date to 35, with 18 different advertisers, resulting in $283,942 of year to date advertising revenue.

In the third quarter of 2008, Wizzard's new technical advertising insertion system, able to handle the insertion of advertisements into audio and video shows with geographical targeting capabilities, continued to be successfully tested for multiple advertising campaigns. Using the new system, the Wizzard Media Network had the capability to deliver over four hundred and thirty nine million (439,928,687) advertisements in the third quarter. This was calculated using the formula"*" described below. In order to increase the percentage of filled advertising inventory we must continue to execute on our advertising sales strategy, grow our ad sales force, integrate third party ad networks and create relationships with more advertising agencies and their clients. This demonstrates to advertisers the reach of the Wizzard Media network as most advertisers want to see the opportunity for large advertising campaigns. Management believes that most advertisers prefer to deal with a few companies with large reach rather than many companies with smaller reach as it makes their advertising 'buys' and tracking easier to monitor. Wizzard continues to ramp up its advertising sales efforts with a goal to fill 35% of all available inventory for any given quarter at some point in 2009.

Client results of our largest advertising execution to date were excellent in management's opinion and we expect more buys from the client in the future. We have now had multiple advertisers renew campaigns with Wizzard including one advertiser that is on its ninth campaign demonstrating what Management believes is excellent back-end ad operational service on Wizzard's part and a satisfactory ROI for our clients.

Wizzard's Data Research department has completed audience surveys in excess of 65,000, which is a critical sales component in the data driven advertising industry and the information gathered will be used by our ad sales team extensively. Poll questions were added to survey regarding campaign execution in third quarter which offers added data on effectiveness on various components of our operations. Wizzard's ad sales team currently consists of five individuals in San Francisco, Los Angeles, Chicago and New York who have been aggressively courting media buyers through extensive education sessions raising awareness of digital media advertising opportunities delivered via subscribable, episodic RSS as well as streaming via the Internet. Neither the Research Department, nor the

Advertising Operations Department directly generate revenues for Wizzard but are critical components in the advertising sales process providing data to demonstrate audiences for individual and collective shows as well as reporting the status and results of an advertising campaign both ongoing and at its conclusion.

In the third quarter 2008, our publisher recruiting efforts resulted in the addition of 81 new shows specifically joining the Wizzard Media Advertising Network (vs. 74 in the 2nd quarter and 50 in the 1st quarter of 2008). As of September 30, 2008, 783 publishers have signed up for Wizzard's advertising network. Wizzard Media currently has 22 distinct ad categories we take to market with more than 450 shows available in those categories. Our efforts to date have been focused on the top 501 shows using our publishing platform which represent 85.6% of our global download requests. Of these 501 shows, 253 have signed up for the Wizzard advertising network representing 67.3% of the most coveted traffic for advertising sales. Wizzard will continue to aggressively market our advertising network to the remaining 23% of the desired publishers not yet signed up through our Publisher Relations team. As the number of publishers joining Wizzard’s Advertising Network grows, so does the available advertising inventory for Wizzard’s advertising sales team to sell.

Month		Potential Ad Impressions
October 2007		118,789,270
November 2007		129,220,048
December 2007	*	137,212,313
January 2008	*	155,842,635
February 2008		145,449,788
March 2008		148,176,155
April 2008		142,014,592
May 2008		146,629,010
June 2008	*	134,409,515
July 2008		143,855,017
August 2008		146,070,265
September 2008		150,003,405

* December and January are historically strong months for downloads. June, July and August are historically slower months for downloads. Management believes that the above numbers demonstrate to advertisers the reach of the Wizzard Media network as most advertisers want to see the opportunity for large advertising campaigns. Management believes that most advertisers prefer to deal with a few companies with large reach rather than many companies with smaller reach as it makes their advertising ‘buys’ and tracking easier to monitor. Formula: Nielsen certified downloads x 2.5 (to take into account pre-roll and post-roll position, and 50% of all downloads capable of handling 1 mid-roll ad). While there can be no future pricing guarantees, the industry is currently charging, and plans to continue to charge, between $.02 and $.05 per downloaded ad. The advertisements tend to be no longer than 15 to 30 seconds and several ads can be inserted in one twenty-minute episode.

Nielsen Certified Downloads for Ad Network

Month		Downloads
January 2008	**	62,337,054
February 2008		58,179,915
March 2008		59,270,462
April 2008		56,805,837
May 2008		58,651,604
June 2008	**	53,763,806
July 2008		57,542,007
August 2008		58,428,106
September 2008		60,001,362

** December and January are historically strong months for downloads. June, July and August are historically slower months for downloads. While there can be no future pricing guarantees, the industry average is $.02 and $.05 per downloaded ad. In order to win new business, at times, our ad sales force will give first time discounts in the per download price. The advertisements tend to be no longer than 15 to 30 seconds and several ads can be inserted in one twenty-minute episode.

Wizzard Media - Content

Wizzard Media is currently the industry's largest network of independent and professional digital media publishers utilizing RSS as a distribution method. Wizzard's publishing platform grew by over 3,300 new shows in the third quarter of 2008 with 88,000 new episodes added across the network. The total number of shows published through Wizzard Media grew to over 15,000 in the third quarter of 2008 with over 500,000 individual episodes in syndication. An increase in shows helps Wizzard gain additional distribution for our publishers and correlates to more downloads, greater audiences and increases our chances of securing advertisers for said shows in addition increasing hosting/publishing revenues. With the continuing success of Apple's iPod, iPhone and Apple TV 2.0 along with new RSS aggregators from Adobe and other companies, we expect the number of publishers using our service and the number of consumers watching the shows we distribute to continue to grow rapidly. Wizzard's LibsynPRO enterprise service grew to 32 network publishers in the third quarter of 2008. We continue to see extremely positive reception by major media publishers for our new LibsynPRO publishing and advertising platform.

Some of the more notable shows joining the Wizzard Media Network in the third quarter of 2008 were:

- **WatchMojo - O**ne of the largest producers, publishers and syndicators of video content for broadband platforms, including the Web, wireless and out-of-home digital video markets. WatchMojo produces original video programming across the Automotive, Education, Fashion, Film, Food, Gambling, Health, Music, Politics & Economy, Space, Sports, Technology and Travel categories.
- **Alan Watts Podcast –** Audio clips from the late Alan Watts, who is generally credited with bringing eastern philosophy to the West.
- **Classic Tales –** One of the largest Classic Audiobook podcasts with a focus on children's stories, this one came over as part of the Podshow Creator closure. This show is already part of the Audible Kids Campaign.
- **Davey & Goliath –** The classic claymation TV show from the 1960's and 70's. The first show brought over from Lightworks.
- **ScrapCast –** The Largest and first Scrapbook Podcast. This show is one of many we are working on bringing over from Mevio / Podshow.
- **SomaGirls TV Network –** After a year of courting SomaGirls TV, we were able to bring them on board to be part of the Saturn Campaign.
- **The Moth Podcast –** One of the most popular podcasts on iTunes, the Moth is part of both the Saturn and the Audible Adult campaigns.
- **YogaToday –** Considered the largest and most well known of the YogaPodcasts, this one was brought in with the help of Todd Sweeny. This show is part of the Saturn Campaign.

Wizzard Media continued to extend content distribution in third quarter of 2008 through:

- Partners with Joost for online video distribution
- Partners with TubeMogul for online video distribution to YouTube, YahooVideo, AOL Video and 19 other major video portals on the internet.
- Partners with Canoe for content distribution across Canada's pre-eminent news and entertainment online portal

Some of above mentioned new publishers are utilizing our media services and in turn we have the ability to bring advertising to their shows. Others are obtaining ads themselves, and utilizing our Ad Insertion and Ad Management technology, Alcheny, in addition to Wizzard having the opportunity to bring advertising to their shows. Then there are publishers for which we are distributing their content and in turn, we have the ability to license the content to a third party and/or bring advertising to their show. Any revenue generated from obtaining ads or the licensing of the content will be shared with the publisher of the show. While the addition of these shows will have little impact on revenue during 2008, Management believes that by publicizing our high profile shows it lends credibility to our service and helps to attract new publishers, distribution outlets and advertisers.

Wizzard Media - Technology

Wizzard Media's technical development team continues to make significant accomplishments in terms of maintaining and expanding on our publishing platform. In the third quarter of 2008, Wizzard's development team focused its efforts on development of Wizzard suite of Tools to support launch of Media (Flash) Player, extended distribution and enhancements to the back-end publishing and advertising support systems.

Additional technical developments in the third quarter of 2008 include:

- Two updates to LibsynPRO version 2 released to beta users (v2.4)
- Migration of users from v1.0 to v2.0 of LibsynPRO (100%)
- Wizzard Media Platform statistics data warehouse project started (90% complete)
- Wizzard Media Player project (flash media player) launched Wizzard Media Player enhancements for interactive Share and Ad functionality
- Wizzard Media Tools project launched Wizzard Media integration with video distribution partner, TubeMogul launched
- Wizzard Media Ad-ops project redesign started (95% complete)
- Wizzard Media Receiver iPhone Service (65% complete)

Wizzard's speech recognition system continues to process hours upon hours of digital media allowing for better discovery of content, advertising targeting and brand safety and confidence. Below are various statistics from the speech system and its efforts of converting shows on the Wizzard Media Network to searchable text.

Wizzard Speech System for Digital Media Statistics

Number of Total Words Captured	208,185,350
Number of Shows Transcribed	2,608
Number of Episodes Transcribed	58,709
Minutes of Processed Content	1,433,801
Number of Unique Words Captured	33,418

2. SPEECH TECHNOLOGY & SERVICES GROUP

Wizzard Software's legacy Speech Technology & Services Group sells and licenses 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 our own internet marketing efforts through Google, Yahoo and other major internet search engines.

The T&S Group continues to focus its efforts on core assistive application and medical dictation markets and continues to add new customers in the language learning and website audio file distribution categories. The website audio file distribution category currently shows the most promise for expanded business going forward.

Management believes a shift in customer demand is fully underway from the purchase of stand alone speech engine applications to a more hosted services type offering. We believe we are well positioned to capture the growing demand for hosted speech solutions with our server based text to speech offerings as well as our server based speaker independent speech recognition products. With the recent acquisition of three hosting systems we now have the internal expertise and network platform to begin offering hosted speech services and Wizzard's speech team secured their first client for hosted speech services.

The Speech Technology and Services Group's immediate focus is to increase revenue and be a preferred supplier for speech technologies to large businesses worldwide, emphasize great technologies, competitive prices, and high quality support to the speech development community and offer non-technical hosted speech conversion services to companies that have subscriber bases in fast growing market segments. There can be no guarantee that customers will be willing to pay Wizzard for these services.

3. HEALTHCARE

Based in Casper, Wyoming and Billings, Montana, Interim Health Care of Wyoming has been serving its community for fifteen years and is part of the fast growing home health segment of the healthcare industry, providing a wide range of visiting nurse services to the elderly, wounded and sick. It is one of the 300 home health agencies that comprise Interim Health Care, the largest home healthcare franchise in the United States. Wizzard currently derives the bulk of its revenues, 64% for the first nine months of 2008, from its home healthcare operations. As is the case within the medical industry, we continue to be faced with the challenge of identifying and retaining personnel with the required skill set for our home healthcare operations. As a result, we have shifted functional responsibility to better utilize available and qualified personnel. As an example, functions that were once completed by a Registered Nurse are now being performed by a Licensed Practicing Nurse while maintaining all federal and state compliance requirements.

Both home care offices, Billings and Casper, have invested a great deal of time and effort into their respective conversions to the Interlink Software System. The process has been extremely labor intensive but has progressed to the point that it is operational in both offices. This system integrates scheduling, physician orders, employee data, billing, and payroll functions: eliminating duplicate efforts in day to day operations. Both offices have worked with Wizzard in tracking process for compliance with Sarbanes-Oxley requirements.

In Billings, we hired a new director of healthcare services who comes with extensive local healthcare management experience. As a result, Interim has realized the addition of one new service: providing skilled assessment and supervision of patients at local testing facilities, and we are evaluating additional healthcare services.

In Casper, we hired a new Administrator, who comes with a diverse background in the healthcare industry. Interim Casper continues to provide home care and staffing services. Staffing services has experienced a decline in the past year but we anticipate the hiring of a Staffing Manager to focus on growing the business. Casper staffing is exploring the potential of new facilities for use of supplemental services.

Overall, internal operations have been given greater structure. Employee hiring processes and record keeping have been fine tuned. Drug screening of employees upon hire and random quarterly screening have been implemented. Home care client files have been restructured improving timely communication in the office and maintaining the access to information in the home. Promotional activities are escalating as the offices experience stability in day to day operations.

Our home healthcare business continues to be a strong revenue generator for our Company as our country's population ages and new methods of patient data capture become critical components for delivering high quality, affordable healthcare services in a patient's home. Although this has been a gradual process, we believe that we are building a solid business that will offer a complimentary package of new technology and traditional services. Recruiting and retaining nurses continues to be one of the biggest challenges for our home healthcare businesses and we plan to continue our aggressive marketing efforts to satisfy our customers' demands.

Results of Operations

Three Months Ended September 30, 2008 and 2007.

During the third quarter ended September 30, 2008, Wizzard recorded revenues of $ 1,533,339, a 4% increase from revenues of $ 1,468,476 in the third quarter of 2007. The increase for the third quarter of 2008 was due to the new business in our digital media publishing and incremental sales of our speech recognition software. Home healthcare sales were flat compared to prior year.

Cost of goods sold totaled $1,118,200 in the third quarter of 2008, versus $ 1,005,135 in the third quarter of 2007. This increase of 11% is attributed primarily to an increase in wages within our healthcare operations, offset by a decrease in bandwidth costs within our media services operation. Wizzard posted a gross profit of $415,139 during the third quarter of 2008, versus a gross profit of $ 463,341 in the third quarter of 2007, a decrease of 10%.

In the third quarter ended September 30, 2008, operating expenses totaled $1,747,586 which was a 4% increase from operating expenses of $1,684,973 in the third quarter of 2007. Broken down by line item our operating expenses were:

Selling expenses in the third quarter of 2008 were $316,736 versus $256,331 in 2007. This 24% increase was due to the addition of personnel with the development of our digital media publishing and media business operations.

General and administrative expenses were $1,026,557 in 2008 versus $894,025 in 2007, an increase of 15%, due the additional personnel to run the operations of the digital media publishing operations. This increase was also due to the recording of amortization expense associated with the intangible assets from the purchase of iClipx; incremental internet bandwidth fees associated with our development of the media services operating platform; and incremental rent expense with the addition of offices in Florida, New York and Los Angeles.

Salaries, wages and related expenses decreased to $637,218 in 2008 from $681,940 in 2007, a decrease of 7%, due to a restructuring of responsibilities in our Billings location and not having a General Manager in our Casper location, within our home healthcare operations. This was offset by the addition of personnel with the development of our digital media publishing and media business platforms. Consulting expense decreased to $394,565 in 2008 from $480,356, a decrease of 18% due primarily to limited use of consultants in the third quarter of 2008. Research and Development expenses in the third quarter were $10,728 versus $54,261 in 2007.

Net other expenses of $20,320 versus $1,139,670 in the third quarter of 2007 consisted of non-cash interest expense for the accretion of the discount on notes payable net of interest income.

Wizzard's net loss available to common shareholders was $1,460,219, or $0.03 per share, in the quarter ended September 30, 2008. This represents an 85% decrease from our net loss of $9,986,719, or $0.24 per share, in the third quarter of 2007.

<u>Nine months ended September 30, 2007, and 2006.</u>

During the nine month period ended September 30, 2008, Wizzard recorded revenues of $4,667,690, a 29% increase over revenues of $3,622,499 for the same period in 2007. The increase in revenues in the nine months ended September 30, 2008, was due primarily to the expansion through acquisitions of our digital media services and healthcare operations.

In the nine months ended September 30, 2008, cost of goods sold totaled $3,188,529, a 28% increase as compared to $2,499,130 in the nine months ended September 30, 2007. The increase in cost of goods sold was due primarily to the expansion through acquisitions of our digital media services and healthcare operations. Wizzard posted a gross profit of $1,479,161 during the first nine months of 2008, versus a gross profit of $1,123,369 in the first nine months of 2007, an increase of 32%.

Wizzard recorded total operating expenses of $6,595,598 during the nine months ended September 30, 2008, a 10% increase as compared to operating expenses of $5,981,914 in the same period of 2007. General and administrative expenses totaled $3,543,626 in the first nine months of 2008 versus $2,394,543 in the first nine months of 2007, an increase of approximately 48%, due primarily to the additional expenses with the acquisition of the digital media publishing and home healthcare operations.

Salaries, wages and related expenses increased to $2,230,369 in 2008 from $700,952 in 2007, an increase of 218%, due to the addition of personnel with the development of our digital media publishing and media business, and home healthcare operations, and the conversion of the use of full-time employees from consultants.

Consulting fees decreased to $2,124,315 in 2008 from $ 2,795,727, a decrease of 24% due primarily to a decrease in investor relations service fees; consulting fees related to the digital media publishing operations and conversion to use of full-time employees.

Selling expenses in the first nine months of 2008 were $861,926 versus $644,259 in 2007. This 34% increase was due primarily to the expansion of our digital media services. Research and Development expense totaled $66,731 in the first nine months of 2008 versus $147,385 in the first nine months of 2007.

In the first nine months of 2008, Wizzard recorded $263,483 of interest expense for the issuance of warrants for the one year extension of the 5% notes payable. In the first nine months of 2007, Wizzard recorded interest expense of $795,023, to extend the expiration date of certain warrants.

Wizzard's net loss available to common shareholders was $6,210,273, or $0.14 per share, in the first nine months of 2008. This represents a 58% decrease from our net loss of $14,647,156, or $0.36 per share, in the first nine months of 2007. During the first nine months of 2008, non-cash expenditures totaled $2,496,303, a 48% decrease from non-cash expenditures of $4,804,218 in the first nine months of 2007.

The following is a summary of non-cash expenditures:

	For the Nine Months Ended September 30,		For the Three Months Ended September 30,	
	2008	2007	2008	2007
NON-CASH EXPENDITURES				
Amortization of discount on notes payable	482,158	1,396,226	-	1,073,426
Re-pricing and extension of warrants	-	795,023	-	105,413
Stock option grants	444,490	311,999	31,901	141,500
Depreciation and amortization expense	196,001	59,637	62,271	19,008
Interest expense paid with stock	123,642	-	111,654	-
Issuance of warrants to extend notes	263,483	-	-	-
Non-cash expense	1,509,774	2,562,885	205,826	1,339,347
Expenditures paid with issuance of stock	986,528	2,241,333	68,820	91,563
Total non-cash expenditures	2,496,302	4,804,218	274,646	1,430,910

Liquidity and Capital Resources.

Cash on hand was $1,752,165 at September 30, 2008, a decrease of $4,284,044 over the $6,036,209 on hand at December 31, 2007. Cash used in operations for the nine months ended September 30, 2008, was $3,661,022, an increase of 43% over the $2,554,525 cash used in operations for the nine months ended September 30, 2007. Cash used in investing activities was $139,413 primarily for the purchase of equipment during the nine months ended September 30, 2008.

Cash used in financing activities was $483,609 used for payment of preferred dividend, capital lease and notes payable during the nine months ended September 30, 2008. In the first nine months of 2007, the Company received $677,319 from the issuance of common stock and $6,710,000 from the issuance of Series A preferred stock.

The Company used common stock to pay $986,528 in consulting services during the nine months ended September 30, 2008. In doing so, management believes we have conserved Wizzard's cash liquidity for operational and expansion purposes.

The Company believes it is still in the early stages of the new and developing speech technology market and digital media publishing services, and estimates it will require approximately $300,000 per month to maintain current operations and grow our digital media business.

The following table reflects our contractual obligations as of September 30, 2008:

Contractual Obligations	Total	Less than 1 Year	1-3 Years
Guaranteed Royalty	$ 420,000	$ 295,000	$ 125,000
Long-Term Obligations[1]	1,844,831	46,915	1,797,916

Rent	52,471	29,521	22,950
Total	$ 2,317,302	$ 371,436	$ 1,945,866

(1) Includes the long term notes payable held by three institutional investors. The obligations are convertible into common stock at $2.00 per share.

Holders of the Preferred Stock will be entitled to receive cumulative dividends of 7% per annum for the first two years after issuance of the Preferred Stock and 18% per annum thereafter, payable on January 1 and July 1, beginning on January 1, 2008, either in cash or, at the Company’s option, in shares of the Company’s common stock.

The Company will have the right to force conversion of all or part of the outstanding Preferred Stock, plus all accrued but unpaid dividends and liquidated damages due with respect to the Preferred Stock if, after the two-year anniversary of the effectiveness of the Registration Statement referred to below, the price of the Company’s common stock exceeds $6.15 for 10 consecutive trading days and the volume for each such trading day exceeds 100,000 shares of common stock.

Beginning two years after the issuance date of the Preferred Stock, the Company may also elect to redeem all (but not less than all) of the then outstanding Preferred Stock at a total price of: (i) 125% of the aggregate Stated Value then outstanding; (ii) accrued but unpaid dividends; and (iii) all liquidated damages and other amounts due with respect to the Preferred Stock. On the occurrence of certain Triggering Events as defined in Section 9(a) of the Articles of Amendment/Certificate of Designation with respect to the Preferred Stock, each holder will have the right to require the Company to redeem all of the holder’s Preferred Stock or to increase the dividend rate on that holder’s Preferred Stock to 18% per annum thereafter.

Safe Harbor Statement.

Statements made in this Form 10-Q which are not purely historical are forward-looking statements with respect to the goals, plan objectives, intentions, expectations, financial condition, results of operations, future performance and business of the Company, including, without limitation, (i) our ability to gain a larger share of the digital media, home healthcare and speech recognition software industries, our ability to continue to develop products and services acceptable to those industries, our ability to retain our business relationships, and our ability to raise capital and the growth of the digital media, home healthcare and speech recognition software industries, and (ii) statements preceded by, followed by or that include the words "may", "would", "could", "should", "expects", "projects", "anticipates", "believes", "estimates", "plans", "intends", "targets", "tend" or similar expressions.

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

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are not subject to financial market risk exposure related to changes in interest rates as our debt is at a fixed rate of interest.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")), which we refer to as disclosure controls, are controls and procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any control system. A control system, no matter how well conceived and operated, can provide only reasonable assurance that its objectives are met. No evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

As of September 30, 2008, an evaluation was carried out under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of such date, the design and operation of these disclosure controls were effective to accomplish their objectives at the reasonable assurance level.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), occurred during the fiscal quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Risks relating to our business and our common stock are described in Item 1A of our Annual Report on Form 10-K for the calendar year ended December 31, 2007, which was filed with the Securities and Exchange Commission on March 17, 2008. During the quarterly period ended September 30, 2008, there were no material changes in these risk factors.

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

The following table provides information about all "unregistered" and "restricted" securities that Wizzard has sold during the nine month period ended September 30, 2008, which were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

Name	Date	Shares	Description
Bruce Phifer	2-29-08	5,000	Services Rendered
Edward Greiner	3-24-08	1,907	Services Rendered
Elizabeth Montgomery	4-15-08	3,354	Milestone - PNPP
Joan Pinske	4-15-08	1,464	Milestone - PNPP
Greg Roadifer	4-15-08	4,974	Milestone - PNPP
Bruce Phifer	5-15-08	5,000	Services Rendered
Periscope Partners	6-19-08	89,000	Services Rendered
Alpha Capital	8-7-08	53,796	Conversion on Note Payable
Whalehaven	9-24-08	50,124	Conversion on Note Payable
Whalehaven	9-25-08	50,131	Conversion on Note Payable

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

Item 3. Defaults Upon Senior Securities.

None; not applicable.

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

None; not applicable.

Item 5. Other Information.

(a) None, not applicable

(b) During the quarterly period ended September 30, 2008, there were no changes to the procedures by which shareholders' may recommend nominees to the Company's board of directors.

Item 6. Exhibits .

31.1 - 302 Certification of Christopher J. Spencer

31.2 - 302 Certification of John Busshaus

32 - 906 Certification.

SIGNATURES

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

WIZZARD SOFTWARE CORPORATION

Date:	*11/10/08*	*By:*	*/s/ Christopher J. Spencer* *Christopher J. Spencer* *Chief Executive Officer and President*
Date:	*11/10/08*		*/s/ John Busshaus* *John Busshaus* *Chief Financial Officer*
Date:	*11/10/08*		*/s/ J. Gregory Smith* *J. Gregory Smith* *Director*
Date:	*11/10/08*		*/s/ David Mansueto* *David Mansueto* *Director*
Date:	*11/10/08*		*/s/ Denis Yevstifeyev* *Denis Yevstifeyev* *Director*
Date:	*11/10/08*		*/s/ Douglas Polinsky* *Douglas Polinsky* *Director*