

# FAB UNIVERSAL CORP.

## FORM 10-Q (Quarterly Report)

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
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  
(State or other jurisdiction of incorporation or organization)

87-0609860  
(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  No  (2) Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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   
Non-accelerated filer

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

As of August 4, 2012, there were 8,731,080 shares of common stock, par value \$0.001, of the registrant issued and outstanding.\*

\* Unless otherwise indicated herein, all share figures in this Quarterly Report retroactively reflect the reverse split of the registrant's outstanding shares of common stock in the ratio of one for twelve, which was effectuated on February 23, 2012.

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements .

The Unaudited 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

	June 30, 2012	December 31, 2011
	Unaudited	
<b>CURRENT ASSETS:</b>		
Cash	792,191	1,442,465
Accounts receivable, net of \$34,200 allowance	774,365	586,682
Prepaid expenses	50,710	40,054
Total current assets	1,617,266	2,069,201
PROPERTY AND EQUIPMENT, net	33,045	36,303
GOODWILL	12,673,912	12,673,912
OTHER ASSETS	3,582	3,582
Total assets	14,327,805	14,782,998
<b>CURRENT LIABILITIES:</b>		
Accounts payable	637,541	658,541
Accrued expenses	157,639	337,454
Deferred revenue	52,670	10,544
Total current liabilities	847,850	1,006,539
Total liabilities	847,850	1,006,539
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.001 par value, 200,000,000 shares authorized, 8,731,080 and 8,125,530 shares issued and outstanding, respectively	8,731	8,126
Additional paid-in capital	85,054,995	84,024,736
Accumulated deficit	(71,583,771)	(70,256,403)
Total stockholders' equity	13,479,955	13,776,459
Total liabilities and stockholders' equity	14,327,805	14,782,998

See accompanying notes to these unaudited consolidated financial statements.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

	April 1, 2012 to June 30, 2012	April 1, 2011 to June 30, 2011	Jan. 1, 2012 to June 30, 2012	Jan. 1, 2011 to June 30, 2011
<b>REVENUE</b>				
Software	176,498	130,014	314,561	352,566
Healthcare	1,166,954	776,468	2,175,248	1,625,920
Media Services	693,666	553,953	1,402,922	1,047,953
Total Revenue	2,037,118	1,460,435	3,892,731	3,026,439
Software cost of goods sold	102,115	83,169	155,585	151,594
Healthcare cost of goods sold	758,576	521,623	1,427,636	1,108,539
Media Services cost of goods sold	261,228	210,932	506,611	422,760
Total Cost of Goods Sold	1,121,919	815,724	2,089,832	1,682,893
Gross Profit	915,199	644,711	1,802,899	1,343,546
<b>OPERATING EXPENSES</b>				
Selling expenses	51,656	54,724	137,486	113,646
General and administrative	921,492	764,163	1,894,943	1,537,798
Consulting fees	208,730	182,065	968,303	343,227
Research and development	69,867	74,096	135,749	147,108
Total Expenses	1,251,745	1,075,048	3,136,481	2,141,779
<b>LOSS FROM OPERATIONS</b>	<b>(336,546)</b>	<b>(430,337)</b>	<b>(1,333,582)</b>	<b>(798,233)</b>
<b>OTHER INCOME (EXPENSE):</b>				
Gain on disposal of assets	6,000	-	6,000	(243,876)
Extension of notes payable	-	-	-	-
Interest income	65	1,254	225	2,533
Interest expense	-	-	-	(12,704)
Other income	343	340	(11)	16,779
Total Other Income (Expense)	6,408	1,594	6,214	(237,268)
<b>LOSS BEFORE INCOME TAXES</b>	<b>(330,138)</b>	<b>(428,743)</b>	<b>(1,327,368)</b>	<b>(1,035,501)</b>
<b>CURRENT INCOME TAX EXPENSE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INCOME TAX EXPENSE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET LOSS AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>(330,138)</b>	<b>(428,743)</b>	<b>(1,327,368)</b>	<b>(1,035,501)</b>
 <b>BASIC LOSS PER COMMON SHARE</b>				
<b>AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>(0.04)</b>	<b>(0.06)</b>	<b>(0.16)</b>	<b>(0.14)</b>
<b>BASIC WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>	<b>8,658,727</b>	<b>7,647,721</b>	<b>8,425,136</b>	<b>7,389,669</b>
 <b>DILUTED LOSS PER COMMON SHARE</b>				
<b>AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>(0.04)</b>	<b>(0.06)</b>	<b>(0.16)</b>	<b>(0.14)</b>
<b>DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>	<b>8,658,727</b>	<b>7,647,721</b>	<b>8,425,136</b>	<b>7,389,669</b>

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>January 1, 2012 to June 30, 2012</u>	<u>January 1, 2011 to June 30, 2011</u>
Cash Flows from Operating Activities		
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	(1,327,368)	(1,035,501)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of discount on notes payable	-	5,329
Cashless exercise of warrants	-	-
Gain on sale of property and equipment	(6,000)	-
Stock for non cash expenses	1,026,505	12,442
Non-cash compensation - options issued	4,359	45,275
Re-pricing of warrants and preferred stock	-	243,876
Change in value of derivative liability	-	(15,784)
Non-cash interest expense on notes payable	-	9,942
Depreciation and amortization expense	13,742	32,096
Change in assets and liabilities:		
(Increase) Decrease Accounts receivable	(187,683)	105,818
(Increase) Decrease Prepaid expenses	(10,656)	(2,003)
Increase (Decrease) Accounts payable	(21,000)	(295,829)
Increase (Decrease) Accrued expense	(179,815)	(47,334)
Increase (Decrease) Deferred revenue	42,125	(3,802)
Net Cash Used in Operating Activities	<u>(645,791)</u>	<u>(945,475)</u>
Cash Flows from Investing Activities:		
Purchase of property & equipment	(10,483)	(2,975)
Proceeds from sale of property and equipment	6,000	-
Investment in marketable securities	-	(150,000)
Net Cash Used in Investing Activities	<u>(4,483)</u>	<u>(152,975)</u>
Cash Flows from Financing Activities:		
Issuance of common stock	-	3,923,575
Payments on notes payable	-	(1,000,000)
Net Cash Provided by Financing Activities	<u>-</u>	<u>2,923,575</u>
Net Increase in Cash	(650,274)	1,825,125
Cash at Beginning of Period	1,442,465	267,206
Cash at End of Period	<u>792,191</u>	<u>2,092,331</u>
Supplemental Disclosures of Cash Flow Information		
Interest	-	7,996
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 six months ended June 30, 2012:

On February 24, 2012, the Company issued 37,500 common shares upon the exercise of options valued at \$63,000 to board members for services rendered.

On March 21, 2012, the Company issued 28,334 common shares upon the exercise of options valued at \$47,601 to consultants and employees for services rendered.

On March 21, 2012, the Company issued 429,169 common shares valued at \$721,004 to consultants and employees for services rendered.

On May 29, 2012, the Company issued 70,553 common shares valued at \$118,529 to management for services rendered.

On June 4, 2012, the Company issued 37,254 common shares valued at \$76,371 to management for services rendered

During the first six months of 2012, the company recorded \$4,359 of non-cash compensation expense related to the vesting of certain stock options issued.

For the six months ended June 30, 2011:

On January 7, 2011, the Company issued 33,333 common shares in payment of a \$100,000 note.

On January 11, 2011, the Company issued 24,981 common shares in payment of a \$65,000 note payable and \$9,942 of accrued interest.

On January 19, 2011, the Company issued 20,833 unregistered and restricted shares of common stock as part of the settlement with GHS Entertainment.

On January 31, 2011, the Company issued 2,647 common shares upon the exercise of options valued at \$7,942 to consultants and employees for services rendered.

On January 19, 2011, the Company recorded \$114,349 of expense for the re-pricing of the conversion price of the Series A Preferred Stock from \$9.60 to \$6.399996 per share.

On January 19, 2011, the Company recorded \$101,000 of expense for the re-pricing of the conversion price of the Warrants from \$4.20 to \$2.64 per share.

On January 19, 2011, the Company recorded \$28,526 of expense for the re-pricing of the conversion price of the Warrants from \$6.00 to \$2.64 per share.

On April 25, 2011, the Company issued 241,667 common shares upon notice of conversion of 1,547 shares of Series A Preferred Stock.

On April 28, 2011, the Company issued 1,500 common shares upon the exercise of options valued at \$4,500 to consultants and employees for services rendered.

During the first six months of 2011, the company recorded \$45,275 of non-cash 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

**Organization** - Wizzard Software Corporation ["Parent"], a Colorado corporation, was organized on July 1, 1998. The Company operates in three 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 provides podcast hosting, content management tools 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. On April 3, 2007, Interim purchased the operations of Professional Personnel, Inc., d.b.a., Professional Nursing Personnel Pool ["PNPP"]. On June 22, 2012, Parent organized Future Healthcare of America ["FHA"] and transferred all the shares of Interim to FHA.

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

**Accounting Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management made assumptions and estimates for determining reserve for accounts receivable, obsolete inventory and in determining the impairment of definite life intangible assets and goodwill. Actual results could differ from those estimated by management.

**Reclassification** – The financial statements for the period ended prior to June 30, 2012 have been reclassified to conform to the headings and classifications used in the June 30, 2012 financial statements.

**Restatement** - On February 23, 2012, the Company affected a 1 for 12 reverse stock-split. All references to stock issuances and per share data have been reflected in these financial statements.

NOTE 2 – GOING CONCERN

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

NOTE 3 – GOODWILL / DEFINITE-LIFE INTANGIBLE ASSETS

Goodwill consists of:

	June 30, 2012
Interim Healthcare of Wyoming – Casper	\$ 585,881
Interim Healthcare of Wyoming - Billings	603,780
Webmayhem Inc.	<u>11,484,251</u>
Total Goodwill	<u>\$ 12,673,912</u>

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – GOODWILL / DEFINITE-LIFE INTANGIBLE ASSETS (Continued)

The following is a summary of goodwill:

		For the Six Months Ended June 30, 2012		For the Year Ended December 31, 2011
Goodwill at beginning of period	\$	12,673,912	\$	12,673,912
Goodwill at end of period	\$	12,673,912	\$	12,673,912

NOTE 4 - CAPITAL STOCK

**Preferred Stock** - The Company has authorized 10,000,000 shares of preferred stock, \$.001 par value. As of June 30, 2012, the Company had no Series A Preferred shares issued and outstanding.

**1 for 12 Reverse Stock Split** – On February 8, 2012, the Company shareholders approved a 1 for 12 reverse stock split for shareholders of record on February 23, 2012. The accompanying financial statements for all period presented have been restated to reflect the split. The company issued 2,739 common shares for the fractional shares resulting from the split.

**Common Stock** - The Company has authorized 200,000,000 shares of common stock, \$.001 par value. As of June 30, 2012, the Company had 8,731,080 common shares issued and outstanding.

On May 29, 2012, the Company issued 70,553 common shares upon the exercise of options valued at \$118,529 to management for services rendered.

On June 4, 2012, the Company issued 37,254 common shares upon the exercise of options valued at \$76,371 to management for services rendered.

During the first six months of 2012, the company recorded \$4,359 of non-cash compensation expense related to the vesting of certain stock options issued.

NOTE 5 – STOCK OPTIONS AND WARRANTS

**2010 Stock Option Plan** - During 2010, the Board of Directors adopted a Stock Option Plan ("2010 Plan"). Under the terms and conditions of the 2010 Plan, the Board is empowered to grant stock options to employees and officers of the Company. The total number of shares of common stock available under the 2010 Plan may not exceed 166,667. At June 30, 2012, no options were available to be granted under the 2010 Plan. During the six months ended June 30, 2012, the Company granted 123,887 options.

**2009 Stock Option Plan** - During 2009, the Board of Directors adopted a Stock Option Plan ("2009 Plan"). Under the terms and conditions of the 2009 Plan, the Board is empowered to grant stock options to employees and officers of the Company. The total number of shares of common stock available under the 2009 Plan may not exceed 166,667. At June 30, 2012, no options were available to be granted under the 2009 Plan. During the six months ended June 30, 2012, the Company granted 24,130 options.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – STOCK OPTIONS AND WARRANTS (Continued)

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. The total number of shares of common stock available under the 2007 Key Employee Plan may not exceed 16,667. At June 30, 2012, no options were available to be granted under the 2007 Key Employee Plan. During the six months ended June 30, 2012, the Company granted 16,667 options.

2006 Key Employee Stock Option Plan - During 2006, the Board of Directors adopted a 2006 Key Employee Stock Option Plan ("2006 Key Employee Plan"). Under the terms and conditions of the 2006 Key Employee Plan, the Board is empowered to grant stock options to employees and officers of the Company. The total number of shares of common stock available under the 2006 Key Employee Plan may not exceed 11,459. At June 30, 2012, no options were available to be granted under the 2006 Key Employee Plan. During the six months ended June 30, 2012, the Company granted 11,459 options.

The fair value of option grants during the six months ended June 30, 2012 and 2011 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 six months ended June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Dividend yield	0 %	0 %
Expected life	3 yrs	3 yrs
Expected volatility	N/A	100.74
Risk-free interest rate	N/A	1.09%

A summary of the status of options granted at June 30, 2012, and changes during the period then ended are as follows:

	<u>For the Six Months Ended June 30, 2012</u>			
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at beginning of period	119,597	\$ 7.72	2.7 years	\$ -
Granted	173,641	0.00	-	-
Exercised	(173,641)	0.00	-	305,501
Forfeited	(32,753)	20.44	-	-
Expired	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>
Outstanding at end of period	<u>86,844</u>	<u>2.92</u>	<u>1.5 years</u>	<u>-</u>
Vested and expected to vest in the future	86,844	2.92	1.5 years	-
Exercisable at end of period	<u>80,298</u>	<u>2.98</u>	<u>1.5 years</u>	<u>-</u>
Weighted average fair value of options granted	<u>86,844</u>	<u>\$ 2.92</u>	<u>1.5 years</u>	<u>\$ -</u>

The Company had 10,922 non-vested options at the beginning of the period with a weighted average exercise price of \$2.16. At June 30, 2012 the Company had 6,546, non-vested options with a weighted average exercise price of \$2.16.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – STOCK OPTIONS AND WARRANTS (Continued)

During the six months ended June 30, 2012 and 2011, the Company recorded \$4,359 and \$45,275 of non-cash compensation expense related to the vested stock options issued to employees.

For the six months ended June 30, 2012 and 2011, the Company recorded non-cash compensation cost of \$305,501 and \$12,442 for vested and exercised options issued to management, board members, employees and consultants.

NOTE 6 - 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 June 30,		For the Six Months Ended June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net loss (numerator)	\$ (330,138)	\$ (428,743)	\$ (1,327,368)	\$ (1,035,501)
Accrued dividend	-	-	-	-
Net loss available to common shareholders (numerator)	\$ <u>(330,138)</u>	\$ <u>(428,743)</u>	\$ <u>(1,327,368)</u>	\$ <u>(1,035,501)</u>
Weighted average number of common shares outstanding during the period used in loss per share (denominator)	<u>8,658,727</u>	<u>7,647,721</u>	<u>8,425,136</u>	<u>7,389,669</u>

At June 30, 2012, the Company had 497,738 warrants outstanding to purchase common stock of the Company at \$2.64 to \$5.16 per share, and the Company had 86,844 options outstanding to purchase common stock of the Company at \$2.16 to \$5.52 per share which were not included in the loss per share computation because their effect would be anti-dilutive.

At June 30, 2011, the Company had 497,738 warrants outstanding to purchase common stock of the Company at \$2.64 to \$5.16 per share, the Company had 23,458 options outstanding to purchase common stock of the Company at \$4.20 to \$26.40 per share, and 7% cumulative Series A Preferred shares wherein the holder could convert the note into 625,000 shares of common stock which were not included in the loss per share computation because their effect would be anti-dilutive.

NOTE 7 - 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 home healthcare and staffing services at the time the services are rendered and collections are likely.

WIZZARD SOFTWARE CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - SEGMENT REPORTING (Continued)

The Chief Operating Decision Maker (CODM) is our President and Chief Executive Officer. The CODM allocates resources to and assesses the performance of each operating segment using information about its revenue and net income (loss).

The following is a summary of the Company's operations by segment for the six months ended June 30, 2012 and 2011: (in thousands)

	2012				2011			
	Software	Media	Healthcare	Total	Software	Media	Healthcare	Total
Net revenues	\$ 315\$	1,403\$	2,175\$	3,893\$	\$ 352\$	1,048\$	1,626\$	3,026
Other income/expense	(1)	6	1	6	(238)	-	1	(237)
Net income (loss)	<u>\$(1,868)\$</u>	<u>249\$</u>	<u>292\$</u>	<u>\$(1,327)\$</u>	<u>\$(1,066)\$</u>	<u>\$(53)\$</u>	<u>84\$</u>	<u>\$(1,035)</u>
Total assets	201	11,911	2,211	14,327	1,796	18,843	2,558	23,197
Depreciation	0	12	2	14	0	29	3	32

The following is a summary of the Company's operations by segment for the three months ended June 30, 2012 and 2011: (in thousands)

	2012				2011			
	Software	Media	Healthcare	Total	Software	Media	Healthcare	Total
Net revenues	\$ 177\$	694\$	1,167\$	2,038\$	\$ 129\$	554\$	777\$	1,460
Other income/expense	-	6	-	6	1	-	1	2
Net income (loss)	<u>\$(616)\$</u>	<u>100\$</u>	<u>186\$</u>	<u>\$(330)\$</u>	<u>\$(488)\$</u>	<u>\$(4)\$</u>	<u>64\$</u>	<u>\$(428)</u>
Depreciation	0	6	1	7	0	14	1	15

NOTE 8 - SUBSEQUENT EVENT

Subsequent events have been evaluated through the date and time this quarterly report on Form 10-Q was filed:

On July 20, 2012, the Board of Directors adopted a 2012 Stock Option Plan ("2012 Plan"). Under the terms and conditions of the 2012 Plan, the Board is empowered to grant stock options to employees and officers of the Company. The total number of shares of common stock available under the 2012 Plan may not exceed 3,000,000.

Wizzard held its annual shareholder meeting on July 30th at which time the proxy voting results were announced. The shareholders of Wizzard where 95% of the shares voted were cast in favor of the acquisition of FAB and the addition of FAB's founder and CEO to the board of directors.

On August 2, 2012, the Company issued 15,784 common shares upon the cashless exercise of warrants valued at \$67,086.

On August 14, 2012, the Company entered into a Warrant Amendment Agreement with holders of its Common Stock Purchase Warrants. Under the terms of the Agreement, the parties agreed to reduce the exercise price of the Warrants from \$5.16 per share to \$3.25. The Warrant Holders exercised 341,208 warrants for 341,208 shares of the Company's Common Stock. The Company received net proceeds of \$1,042,391, and recorded \$122,334 of non-cash expense for the re-pricing of the warrants.

## Item 2. Management's Discussion and Analysis.

### 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 principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting the Company's operations, products, services and prices.

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

### Highlights of Second Quarter, 2012

Below is an update of our entire business, from our media business of podcasting and apps, where we expect most of our future growth to occur, to our legacy businesses of offering core speech recognition and text to speech engines and programming tools for software developers and home healthcare and staffing for the healthcare industry. Currently, our healthcare operations make up 56% of our revenue, but we expect our Media business to become our largest revenue generator at some point in the future and to provide the largest revenue growth and profits. We believe this is due to the size of our podcast operations, our market leadership position, our substantial presence in iTunes and the potential monetization of the content we distribute through our publishing platform, advertising sale of Apps and paid subscriptions for content. The network growth of our media operation 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 audiences showing increased interest in the medium. Wizzard believes that our network and relevance in our industry will continue to grow and that Wizzard is positioned to be one of the leading companies in the podcast monetization business.

#### 1. WIZZARD MEDIA

Wizzard Media is the five-year old division for our digital media and entertainment business. Wizzard Media is currently the industry's largest network of independent and professional digital media publishers utilizing RSS (podcasting) as a distribution method. During the second quarter of 2012, the media segment experienced a 25% increase in revenue over the second quarter of 2011. Wizzard's publishing platform manages 11,231 clients. Management believes that Wizzard Media offers the leading podcast publishing platform in the industry and is one of only a few podcast publishing platforms that are able to charge publishers for use of the service. The majority of podcast publishing platforms offer their service for free, in hopes of making money exclusively from advertising sales. Management believes that our ability to charge for the services we provide is a testament to the quality of

service. In the second quarter of 2012, our total publishing service revenue, including data transfer, was \$563,869 versus \$415,816 in the second quarter of 2011. The total number of active episodes for the shows on the Wizzard Network was 1,000,009 in the second quarter of 2012, all of which are available for immediate distribution. With the continuing success of iPods, iPhones, iPads, Android's mobile phones, and Blackberry's smartphones, we expect the number of content publishers using our service and the number of consumers watching the shows to continue to grow on an annual basis. Wizzard's LibsynPRO Enterprise service had 84 network publishers in 2012. Wizzard Media derives a portion of its revenues through data transfer from PRO customers. During the second quarter of 2012, revenue from data transfer totaled \$119,592.

## WIZZARD MEDIA – PUBLISHING SERVICES

### Hosting, Distribution Network, Content, Platform Development

The Wizzard Media network receives over 4.0 million requests for shows per day. Our network reaches over 23 million people around the world, creating what Management believes is a strong media asset and a very compelling platform for advertisers as well as smartphone App sales. Download requests are calculated by counting the number of shows requested for download by audience members. Wizzard works to generate profits by inserting advertisements in the shows in partnership with the show's publishers, charging for the use of our publishing platform and through the sale of Apps. 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 third party advertising partners and its in-house advertising sales team to fill.

Currently, Wizzard Media distributes digital shows for our producers to a variety of web portals and content aggregators, for both download and video streaming. Approximately 70% of the shows Wizzard distributes' reach audiences using Apple's iTunes platform which includes iTunes on the computer, iPods, iPads, iPhones and Apple TV. It is Management's opinion that the Wizzard Media Network's substantial presence in the iTunes Podcast Store is one of the Company's most valuable assets as consumers using iTunes are early adopters and spend money regularly on digital media. We believe this provides Wizzard with a unique offering for advertisers seeking that type of consumer and provides Wizzard with monetization opportunities for its podcast publishers through the sale of individual and network wide Apps.

In the second quarter of 2012, Wizzard Media sustained its commitment to improving the stability and performance of the libsyn platform as well as delivering updated features for several top priority initiatives outlined for the company: Facebook integration and Premium Paid Subscriptions. With the addition of these new consumer-facing products libsyn producers can monetize and further engage with their audiences in new distribution channels. This continued growth and expansion of the platform has poised Wizzard Media to broaden the scope of its product offerings while continuing to keep the libsyn platform at the forefront of the industry.

Facebook Integration was improved to better leverage the social reach of Facebook's OpenGraph to improve discovery and accessibility while simultaneously driving traffic and page views. These included libsyn Directory, single sign-on to Facebook from Wizzard's mobile apps and customizable OnPublish and Page Tabs Timeline and Pages. OnPublish was also extended to other social outlets, allowing producers to promote their content through Twitter and on their own web sites and blogs.

Wizzard Media has continued to build its Premium Paid Subscription Service with further customizations, improved usability and additional premium services. The Premium Paid Subscription Service remains scalable as new offerings are continually added. The subscription management interface now exposes paid users to other premium offerings as well as increasing the visibility of the entire premium product line for all users.

The second quarter of 2012 also saw several large scale network and infrastructure improvements aimed at improving overall reliability and management. Wizzard Media continues to improve the flexibility and stability of both the libsyn platform and the underlying infrastructure. The origin storage architecture was comprehensively restructured, resulting in a far more robust and resilient system that provides redundant, scalable storage for libsyn producers' content. CDN improvements included a dual-CDN strategy that allows Wizzard Media to utilize multiple CDNs, balancing traffic across the board as well as per independent producer or LibsynPro account. As a result,

Wizzard Media can work with the most reliable and cost-efficient CDNs available while continuing to provide stable, reliable service to its users. Additionally, LibsynPro customers with pre-existing commitments to other CDNs can use the LibsynPro product in partnership with their hosting provider, opening the doors to more enterprise-level producers.

Along with the CDN improvements, enhancements to the libsyn data warehouse and reporting system brought faster stats processing and improved reliability.

Wizzard Media mobile application development during the second quarter of 2012 saw improved integration with social networking services, comprehensive stability and performance improvements, user experience enhancements, and the incorporation of Apple's "iCloud" service into the iOS platform applications. Facebook and Twitter sharing features are now much richer in how they interact with users' social networks, facilitating audience growth from the mobile platform. Numerous updates were made to ensure stability of the applications as well as improving performance with every new release.

In the upcoming months, the libsyn platform will continue to evolve into both an innovative, industry-leading publishing platform as well as a responsive, agile product that is improved by and for its users.

### WIZZARD MEDIA - APPS

Apps are small software applications that users can purchase and download to their Android, iPhone and iPod Touch mobile devices with relative ease. App categories include video games, sports, productivity, entertainment, education and health & fitness. Some of these Apps are free, while others have to be purchased. These Apps range in price from \$.99 to \$100.00, with the average price under \$4.99. Wizzard continues to push on the Apps market using its podcast network and active podcasters to promote the Apps to consumers. Apple, Amazon and Google retain 30% of all App sales to cover the cost of running the App Store and App owners/developers receive 70% of the sales proceeds. Wizzard believes it can continue to generate revenue through the iTunes Store, Google Market Place and Amazon App Store.

### Sale of Custom Podcast Apps

Wizzard created Apps that work on the iPhone and Android platforms and are currently for sale in the iTunes App Store, Google's Market Place and Amazon's App Store. Wizzard has approximately 2,463 Apps for sale in these three App Stores. Podcasters then market their very own App to their show's audience, many of whom use iPhones, iPads, iPods and Android phones. Management believes podcasters can be very successful marketing Apps to their audience, as they know their audience better than anyone else and are great influencers of their audience. The reasons Management believes an audience member would want to purchase Apps are: 1) Easier, faster access to the content. 2) Bonus content exclusively for App users. 3) Inexpensive and easy way to support their favorite podcasts. 4) Social communication features.

Wizzard now offers Apps as a free monetization tool to podcasters on the Wizzard Network as long as they have a qualifying monthly account. Currently, there are approximately 11,231 shows on the Wizzard Network and approximately 23 million monthly audience members who consume podcasts. Wizzard submits each App for approval, which is not guaranteed and is based on the respective terms of service and approval process of the App Store, and manages the collecting of the revenue and distribution of the podcaster's share of the revenues. Wizzard has submitted over 3,000 podcast Apps and has received approval for 2,526 Apps. Wizzard retains approximately 35% of the sale price that ranges from \$.99 to \$4.99 in most cases. During the second quarter of 2012, revenue from App sales totaled \$44,467.

Wizzard developed a "Network App" which allows for hundreds of podcast Apps, inside one fully functional App. This is very similar to Amazon's Kindle App that includes tens of thousands of books inside one App. This Network App, if accepted into the various App stores, allows us to: 1) continue our business plan to offer App monetization tools to all producers in a streamlined, efficient process; 2) comply with the continually evolving and sometimes inconsistent App approval standards and their desire not to have 'cookie-cutter' Apps for all podcasts in iTunes in the App Store causing approval delays and rejections; 3) have more control over the actual marketing of the podcast Apps through expanded distribution of the Network App and cross promotional opportunities; 4) focus



more time and attention on podcast shows with larger audiences that sell more apps than the smaller podcast shows. As a result of this change in 'go to market' strategy for iPhone Apps, Wizzard believes it could enhance revenues going forward due to the fact that we will have more control over the marketing of, wider distribution and more opportunities to generate revenues with a Network App. For example, we could include widespread targeted promotions for Groupon or provide offers allowing people to earn Facebook credits. For our Amazon App products, we plan to continue to create individual Apps for podcasts on our network and off network, focusing on podcasts with the largest audiences. As the Android Market continues to evolve, we may consider an option to create a Network App as the business model dictates.

#### Sale of Podcast Subscriptions and Episodes Via Custom Podcast Apps

Once a podcaster has successfully marketed an App to its audience and has created a significant install base, the podcaster can offer new content on a subscription basis or release a special episode, in addition to its normal podcast episodes, and charge a nominal fee (\$1 - \$3) for that episode to its audience. By having a successful, extremely easy to use micropayment platform in iTunes/iPhone/iPod Touch, Android and Google, the podcast audiences are willing to pay a nominal fee (\$1.99), from time to time, for special episodes of their favorite podcast and even sign up for inexpensive subscriptions (\$.99 a month; \$8.99 for 12 months) of new content. Wizzard earns a portion of the subscription and episode revenue for administering the App account and delivering the content to the consumer.

#### WIZZARD MEDIA - ADVERTISING

In 2012, Wizzard executed multiple national brand advertising campaigns for companies including Audible and Lego. These campaigns run across multiple shows, with different advertisers, resulting in \$70,127 of advertising revenue in the second quarter of 2012.

Wizzard's Alchemy system is able to handle the insertion of advertisements into audio and video shows with geographical targeting capabilities, which is used for multiple advertising campaigns. Using the system, the Wizzard Media Network had the capability to deliver 1,303,958,652 advertisements in the second quarter of 2012 if 2.5 advertisements were placed in every podcast request downloaded from the network. In order to increase the percentage of filled advertising inventory we must continue to execute on our advertising sales strategy, integrate third party ad networks and portals and create relationships with more advertising agencies and their clients. The advertising capabilities number mentioned above and the tables for download inventory (below) demonstrates to advertisers the reach of the Wizzard Media Advertising Network as most advertisers want to see the opportunity for large advertising campaigns when considering a new medium for their marketing plans. 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.

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 54<sup>th</sup> campaign, demonstrating what Management believes is excellent back-end ad operational customer service on Wizzard's part and a satisfactory ROI for our clients.

Wizzard Media currently has 22 distinct ad categories we take to market. 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
April 2011	235,829,927
May 2011	262,660,535
June 2011	* 261,060,697
July 2011	* 268,023,215
August 2011	* 279,321,000
September 2011	272,019,545
October 2011	299,068,565
November 2011	350,041,795
December 2011	* 391,376,530
January 2012	* 428,054,517
February 2012	* 393,669,125
March 2012	429,897,735
April 2012	401,122,667
May 2012	420,345,920
June 2012	* 482,490,065

\* 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 \$.01 and \$.005 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
March 2011	97,449,282
April 2011	94,331,971
May 2011	105,064,214
June 2011	** 104,424,279
July 2011	107,209,286
August 2011	111,728,400
September 2011	108,807,818
October 2011	119,627,426
November 2011	140,016,718
December 2011	156,550,612
January 2012	** 171,221,807
February 2012	157,467,650
March 2012	171,959,094
April 2012	160,488,667
May 2012	168,138,368
June 2012	** 192,996,026

\*\* 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 \$.01 and \$.005 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.

## 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. In the second quarter of 2012 Wizzard continued its Internet marketing efforts through major search engines and continues to modify it on a quarterly basis.

The T&S Group continues to focus its efforts on core assistive application, website audio and alert systems. The website audio file distribution category currently shows the most promise for expanded business going forward.

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 seventeen years and is part of the 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, 57% for the second quarter of 2012, from its home healthcare and staffing operations.

During the second quarter of 2012, we experienced a 50% increase in revenue over the second quarter of 2011. This was driven by an increased use in our staffing services in our Billings location. At the same time our home healthcare service continued to provide a consistent increase of revenue during the second quarter of 2012.

As with most organizations in today's economy, we are approaching our healthcare business with skeptical optimism. While the economy within Casper Wyoming appears to have been affected very little by the changes in the economy in the rest of the country, these conditions could change rapidly. As for our operation in Billings, Montana and its focus on the medical staffing industry, we anticipate a leveling in the demand for our medical staffing services during the second half of the year. As such, we will continue to evaluate opportunities to expand the realm of services we offer. Promotional activities are being managed as the offices experience fluctuations in the day-to-day operations and as we embark on new business opportunities.

Our home healthcare business continues to be a solid 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.

See Part II, Item 5 of this Quarterly Report regarding the anticipated spin-off of the Company's home healthcare operations to its stockholders.

**Restatement** - On February 23, 2012, the Company effected a 1 for 12 reverse stock-split. All references to stock issuances and per share data have been reflected in these financial statements.

#### Results of Operations

##### Three Months Ended June 30, 2012 and 2011.

During the second quarter ended June 30, 2012, Wizzard recorded revenues of \$2,037,118, a 39% increase from revenues of \$1,460,435 in the second quarter of 2011. The increase for the second quarter of 2012 reflects an increase in revenue within our media and healthcare segments. Within the media segment, revenue was driven by an increase in hosting fees, ad revenue and the addition of subscription revenue. Within the healthcare segment, revenue increases were driven by increase use of our staffing services in Billings, MT and home healthcare services in Casper, WY.

Cost of goods sold totaled \$1,121,919 in the second quarter of 2012, versus \$815,724 in the second quarter of 2011. This increase of 37% is driven by the increase revenue from our healthcare business. It is also being driven by increased bandwidth costs due to increase usage of bandwidth and a slight increase in pricing. We anticipate seeing a modest increase in the cost of bandwidth throughout 2012. Wizzard posted a gross profit of \$915,199 during the second quarter of 2012, versus a gross profit of \$644,711 in the second quarter of 2011, an increase of 42%.

In the second quarter ended June 30, 2012, operating expenses totaled \$1,251,745 which was a 16% increase from operating expenses of \$1,075,048 in the second quarter of 2011. Broken down by line item our operating expenses were:

Selling expenses in the second quarter of 2012 were \$51,656 versus \$54,724 in the comparable quarter for 2011, representing no increase over prior year.

General and administrative expenses were \$921,492 in 2012 versus \$764,163 in the 2011 quarter, an increase of 21%, due to the use of stock to pay for services and to conserve cash flow. Salaries, wages and related expenses increased to \$549,506 in the second quarter of 2012 from \$487,810 in the second quarter of 2011, an increase of 13%, driven by the addition of personnel and increases in wages coupled with the issuance of stock to conserve cash flow. Consulting fees increased to \$208,730 in the second quarter of 2012 from \$182,065 in the second quarter of 2011, an increase of 15% due to the use of consultants for the work performed for the acquisition of FAB. Research and Development expenses in the second quarter of 2012 were \$69,867 versus \$74,096 in the second quarter of 2011.

Other income of \$6,408 versus other expense of \$1,594 in the second quarter of 2011 consisted primarily of the disposal of fixed assets during the second quarter of 2012.

Wizzard's net loss available to common shareholders was \$330,138, or \$0.04 per share, in the quarter ended June 30, 2012. This represents a 23% decrease from our net loss of \$428,743, or \$0.06 per share, in the second quarter of 2011. During the second quarter of 2012, non-cash expenditures totaled \$204,153 versus \$64,879 in the second quarter of 2011.

#### Six months ended June 30, 2012 and 2011.

During the six month period ended June 30, 2012, Wizzard recorded revenues of \$3,892,731, a 29% increase over revenues of \$3,026,439 for the same period in 2011. The increase for the first six months of 2012 reflects an increase in revenue over the Healthcare and Media segments, but primarily due to an increase in hosting fees, ad revenue and the addition of subscription revenue within our Media segment. We also experienced increases in home health services and staffing services within our Healthcare segment.

In the six months ended June 30, 2012, cost of goods sold totaled \$2,089,832, a 24% increase as compared to \$1,682,893 in the six months ended June 30, 2011. These were driven by increases across all segments. The Media and Healthcare segment increases were driven by increase in business. The increase in Software segment was driven by a shift of business during the second quarter of 2012. Wizzard posted a gross profit of \$1,802,899 during the first six months of 2012, versus a gross profit of \$1,343,546 in the first six months of 2011, an increase of 34%.

Wizzard recorded total operating expenses of \$3,136,481 during the six months ended June 30, 2012, a 46% increase as compared to operating expenses of \$2,141,779 in the same period of 2011. General and administrative expenses totaled \$1,894,943 in the first six months of 2012 versus \$1,537,798 in the first six months of 2011, an increase of 23%, driven by increases with multiple costs, which include, NYSE listing fees, legal fees for due diligence in connection with the FAB Agreement, travel expense for due diligence, and consulting fees for due diligence. Salaries, wages and related expenses increased to \$1,023,626 in the 2012 period from \$978,800 in the 2011 period, an increase of 5%. Consulting fees increased to \$968,303 in 2012 versus \$343,227.

Selling expenses in the first six months of 2012 were \$137,486 versus \$113,646 in 2011. This 21% increase was driven by spending in our media segment for advertising. Research and Development expense decreased to \$135,749 in the first six months of 2012 from \$147,108 in the first six months of 2011.

Other income of \$6,214 versus other expenses \$237,268 in the second quarter of 2011 consisted primarily of interest expense. This decrease is due to recording \$243,876 for the re-pricing of equity instruments during the 2011 period.

Wizzard's net loss available to common shareholders was \$1,327,368, or \$0.16 per share, in the first six months of 2012. This represents a 28% increase from our net loss of \$1,035,501, or \$0.14 per share, in the first six months of 2011. During the first six months of 2012, non-cash expenditures totaled \$1,044,606, a 213% increase from non-cash expenditures of \$333,176 in the first six months of 2011.

The following is a summary of non-cash expenditures:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
<b>NON-CASH EXPENDITURES</b>				
Amortization of discount on notes payable	0	0	0	5,329
Re-pricing and extension of warrants	0	0	0	243,876
Stock option grants	2,179	42,275	4,359	42,275
Depreciation and amortization expense	7,074	15,104	13,742	32,096
Interest expense paid with stock	0	0	0	9,942
Change in FMV of derivative liability	0	0	0	(15,784)
Extension of notes payable	0	0	0	0
Non-cash expense	<u>9,253</u>	<u>60,379</u>	<u>18,101</u>	<u>320,734</u>
Expenditures paid with issuance of stock	<u>194,900</u>	<u>4,500</u>	<u>1,026,505</u>	<u>12,442</u>
Total non-cash expenditures	<u>204,153</u>	<u>64,879</u>	<u>1,044,606</u>	<u>333,176</u>

#### Liquidity and Capital Resources .

Cash on hand was \$792,191 at June 30, 2012, a decrease of \$650,274 over the \$1,442,465 on hand at December 31, 2011. Net cash used in operations for the six months ended June 30, 2012, was \$645,791, a decrease of 32% over the \$945,475 net cash used in operations for the six months ended June 30, 2011. The increase in accounts receivable is being driven by the increase in revenue coupled with the slower payment process on the collection of receivables. The increased use of stock to pay for services allowed us to further preserve cash balances.

In the first six months of 2012, the Company had no cash provided by financing activities. During the six months ended June 30, 2011, cash provided by financing activities was \$2,923,575 which was from the issuance of 416,667 shares upon notice of exercise of warrants by five institutional investors, and the company received \$1,100,000 in cash; the issuance of 1,166,667 shares of Common Stock, par value \$.001, and 440,268 warrants to purchase common stock at \$5.16 per share, for a total amount of \$2,923,575, net of fees of \$256,400; and the payment of \$1,000,000 notes payable.

During the six months ended June 30, 2012, cash used in investing activities was \$4,483, which was for the purchase of computer equipment, net of proceeds from the sale of equipment.

The Company believes it is still in the early stages of the new and developing digital media publishing services, and estimates it will require approximately \$135,000 per month to maintain current operations and grow our digital media business.

The following table reflects our contractual obligations as of June 30, 2012:

Contractual Obligations			
	Total	Less than 1 Year	1-3 Years
Guaranteed Royalty	\$ 378,000\$	253,000\$	125,000
Rent	239,576	68,576	171,000
Total	\$ 617,576\$	321,576\$	296,000

Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is substantially dependent on the successful execution of many of the actions referred to above, on the timeline contemplated by our plans. The uncertainty of successful execution of our plan, among other factors, raises substantial doubt as to our ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk .

Not required for smaller reporting companies.

### 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 June 30, 2012, 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 June 30, 2012 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 .

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

Item 1A. Risk Factors .

Not required for smaller reporting companies.

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

The Company did not issue any securities during the six month period ended June 30, 2012, which were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

Item 3. Defaults Upon Senior Securities .

None; not applicable.

Item 4. Mine Safety Disclosures .

None; not applicable.

Item 5. Other Information .

- (a) On April 5, 2012, the Company executed a Share Exchange Agreement (the "Agreement") providing for its acquisition of 100% of the issued and outstanding shares of Digital Entertainment International Ltd., a company incorporated under the law of the Hong Kong Special Administrative Region. The execution of this Agreement was disclosed in a Current Report on Form 8-K dated April 5, 2012, which was filed with the Securities and Exchange Commission on April 10, 2012, and which is incorporated herein by reference. The Company's common stockholders approved the Agreement at the Annual Meeting of Stockholders, which was held on July 30, 2012, and this approval was disclosed in a Current Report on Form 8-K filed with the SEC on the same date. See the Exhibit Index, Part II, Item 6 of this Quarterly Report.

Under the terms of the Agreement, the Company's spin-off of its home healthcare operations is a precondition to closing. Accordingly, on June 22, 2012, the Company organized a new wholly-owned subsidiary, Future Healthcare of America, a Wyoming corporation ("FHA"), and assigned all of its interest in Interim Healthcare to FHA. FHA has filed with the SEC a registration statement on Form S-1, which was amended on July 27, 2012, with respect to the spin-off shares. The completion of the spin-off will be subject to the SEC's declaration of effectiveness of the S-1 registration statement.

- (b) During the quarterly period ended June 30, 2012, there were no changes to the procedures by which shareholders' may recommend nominees to the Company's board of directors.

Item 6. Exhibits .

- (i) Where incorporated in this Report

Current Report on Form 8-K dated April 5, 2012, filed with the Securities and Exchange Commission on April 10, 2012\* Part I, Item 5

Current Report on Form 8-K dated July 30, 2012, filed with the Securities and Exchange Commission on July 30, 2012\* Part I, Item 5

\* This document and related exhibits has previously been filed with the Securities and Exchange Commission and is incorporated herein by reference.

(ii)	<u>Exhibit No.</u>	<u>Description</u>
	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 of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WIZZARD SOFTWARE CORPORATION

Date: 8/14/12

By: /s/ Christopher J. Spencer  
Christopher J. Spencer  
Chief Executive Officer and President

Date: 8/14/12

/s/ John Busshaus  
John Busshaus  
Chief Financial Officer

Date: 8/14/12

/s/ J. Gregory Smith  
J. Gregory Smith  
Director

Date: 8/14/12

/s/ Denis Yevstifeyev  
Denis Yevstifeyev  
Director

Date: 8/14/12

/s/ Douglas Polinsky  
Douglas Polinsky  
Director

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

I, Christopher J. Spencer, certify that:

1. I have reviewed this report on Form 10-Q of Wizzard Software Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 8/14/12

By: /s/ Christopher J. Spencer  
Christopher J. Spencer  
Chief Executive Officer and President

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

I, John Busshaus, certify that:

1. I have reviewed this report on Form 10-Q of Wizzard Software Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 8/14/12

By: /s/ John Busshaus  
John Busshaus  
Chief Financial Officer

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

In connection with the Quarterly Report of Wizzard Software Corporation (the "Registrant") on Form 10-Q for the period ending June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), we, Christopher J. Spencer, President, CEO and Treasurer and John Busshaus, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

*Date:* 8/14/12

*By: /s/ Christopher J. Spencer  
Christopher J. Spencer  
Chief Executive Officer and President*

*Date:* 8/14/12

*By: /s/ John Busshaus  
John Busshaus  
Chief Financial Officer*