EFFECTIVE PROFITABLE SOFTWARE, INC.
Form 10QSB
November 14, 2006

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

FORM 10-QSB

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

For the quarterly period ended September 30, 2006

o 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. 000-50494

EFFECTIVE PROFITABLE SOFTWARE, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	**98-0412432**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Innwood Circle, Suite 209, Little Rock, Arkansas	**72211**
(Address of principal executive offices)	(Zip Code)

(501) 223-3310
(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2)has been subject to such filing requirements for the past 90 days. Yes o No x

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. Yes o No x

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act.

Yes x No
o

State the number of shares outstanding of each of the issuer's classes of common equity, as of November 13, 2006: 53,480,000 shares of common stock.

Transitional Small Business Disclosure Format (check one): Yes o No x

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PART I - FINANCIAL INFORMATION

Item 1. Financial Information

EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

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EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2006
(UNAUDITED)

ASSETS

CURRENT ASSETS		
Cash	$	9,927
Prepaid expenses		250
Total Current Assets		10,177
PROPERTY AND EQUIPMENT, NET		3,962
OTHER ASSETS		
Deposits		750
Total Other Assets		750
TOTAL ASSETS	$	14,889
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	13,679
Stockholder loans		42,710
TOTAL LIABILITIES		56,389
STOCKHOLDERS' DEFICIENCY		
Common stock, $0.0001 par value, 100,000,000 shares authorized, 53,480,000 shares issued and outstanding		5,350
Additional paid in capital		156,813
Accumulated deficit during development stage		(203,663)
Total Stockholders' Deficiency		(41,500)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$	14,889

See accompanying notes to condensed consolidated financial statements.

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EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended September 30, 2006	For the Three Months Ended September 30, 2005	For the Nine Months Ended September 30, 2006	For the Nine Months Ended September 30, 2005	For the Period from February 23, 2004 (Inception) To September 30, 2006
REVENUE	$ -	$ -	$ -	$ -	$ -
OPERATING EXPENSES					
General and administrative	14,469	5,795	40,829	34,199	192,770
Total Operating Expenses	14,469	5,795	40,829	34,199	192,770
LOSS FROM OPERATIONS	(14,469)	(5,795)	(40,829)	(34,199)	(192,770)
OTHER INCOME (EXPENSE)					
Other income	-	-	-	-	31
Loss on disposal of assets	-	(3,306)	-	(3,306)	(6,893)
Interest expense	(415)	(851)	(1,269)	(1,982)	(4,031)
Total Other Income (Expense)	(415)	(4,157)	(1,269)	(5,288)	(10,813)
NET LOSS	$ (14,884)	$ (9,952)	$ (42,098)	$ (39,487)	$ (203,663)
NET LOSS PER SHARE - BASIC AND DILUTED	$ -	$ -	$ -	$ -	$ -
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	53,480,000	53,280,000	51,780,000	52,069,377	49,889,116

See accompanying notes to condensed consolidated financial statements.

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EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY
FOR THE PERIOD FROM FEBRUARY 23, 2004 (INCEPTION) TO SEPTEMBER 30, 2006
(UNAUDITED)

	Common Stock		Additional	Accumulated Deficit During	
	Shares	Amount	Paid-In Capital	Development Stage	Total
Common stock issued to founders for cash ($0.00002 per share)	45,000,000	$ 4,500	$ (3,600)	$ -	$ 900
Common stock issued for legal services ($0.02 per share)	500,000	50	9,950	-	10,000
Common stock issued for services ($0.02 per share)	2,500,000	250	49,750	-	50,000
Common stock issued for cash ($0..02 per share)	2,280,000	230	45,370	-	45,600
In-kind contribution of interest on stockholder loans	-	-	646	-	646
Net loss for the period from February 23, 2004 (inception) to December 31, 2004	-	-	-	(110,081)	(110,081)
Balance, December 31, 2004	50,280,000	5,030	102,116	(110,081)	(2,935)
Common stock issued for services ($0.02 per share)	500,000	50	9,950	-	10,000
Common stock issued for cash ($0.02 per share)	500,000	50	9,950	-	10,000
In-kind contribution of interest on stockholder loans	-	-	1,787	-	1,787
Common stock issued in reverse merger	500,000	50	(1,650)	-	(1,600)

Net loss, 2005	-		-		-		(51,484)		(51,484)
Balance, December 31, 2005	51,780,000		5,180		122,153		(161,565)		(34,232)
Stock issued for cash ($0.02 per share)	1,700,000		170		33,830		-		34,000
In-kind contribution of interest on stockholder loans	-		-		830		-		830
Net loss for the nine months ended September 30, 2006	-		-		-		(42,098)		(42,098)
BALANCE, SEPTEMBER 30, 2006	53,480,000	$	5,350	$	156,813	$	(203,663)	$	(41,500)

See accompanying notes to condensed consolidated financial statements.

EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended September 30, 2006	For the Nine Months Ended September 30, 2005	For the Period From February 23, 2004 (Inception) to September 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (42,098)	$ (39,487)	$ (203,663)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	694	2,176	4,438
Loss on disposal of property and equipment	-	3,306	6,893
In-kind contribution of interest on stockholder loans	830	1,795	3,262
Stock issued for payment of services and expenses	-	10,000	70,000
Changes in operating assets and liabilities:			
Deposits	-	-	(750)
Prepaid expenses	550	25,100	(250)
Accounts payable and accrued expenses	5,491	3,814	12,078
Net Cash Provided By (Used In) Operating Activities	(34,533)	6,704	(107,992)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment	-	1,925	3,425
Purchase of property and equipment	-	-	(18,716)
Net Cash Provided By (Used In) Investing Activities	-	1,925	(15,291)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of loan payable - related party	25,000	15,557	91,420
Repayment of loan payable - related party	(16,875)	(26,000)	(48,710)
Proceeds from issuance of common stock	34,000	-	90,500
Cash overdraft	-	270	-

Net Cash Provided By (Used In) Financing Activities		42,125		(10,173)		133,210
NET INCREASE (DECREASE) IN CASH		7,592		(1,544)		9,927
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		2,335		1,544		-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	9,927	$	-	$	9,927
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Cash paid for interest	$	439	$	187	$	768
Cash paid for taxes	$	-	$	-	$	-

See accompanying notes to condensed consolidated financial statements.

EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2006
(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

(A) Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statements presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

(B) Organization

Effective Profitable Software, Inc. F/K/A Modena 2, Inc. (a development stage company) was incorporated in the state of Delaware on November 18, 2003.

EPS, Inc., (a development stage company) was incorporated in the state of Arkansas on February 23, 2004.

On May 10, 2005 pursuant to a stock purchase agreement and share exchange between the Effective Profitable Software, Inc. and EPS, Inc. and the shareholders of EPS, Inc., we purchased all of the outstanding shares of EPS for the issuance of 10,156,000 (50,780,000 post-split) shares of our stock to EPS shareholders. Pursuant to the agreement, EPS became a wholly owned subsidiary of the Company. As a result of the agreement, the transaction was treated for accounting purposes as a reorganization by the accounting acquirer (EPS, Inc.) and as a recapitalization by the accounting acquiree (Effective Profitable Software, Inc.).

Accordingly, the financial statements include the following:

(1) The balance sheet consists of the net assets of the acquirer at historical cost and the net assets of the acquiree at historical cost.

(2) The statement of operations includes the operations of the acquirer for the periods presented and the operations of the acquiree from the date of the merger.

EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(UNAUDITED)

Activities during the development stage include developing the business plan and raising capital.

Effective Profitable Software, Inc. and its wholly-owned subsidiary are hereafter referred to as the “Company”.

The Company intends to develop computer software for use in technical analysis of financial markets.

(C) Principles of Consolidation

The 2006 financial statements include the accounts of Effective Profitable Software, Inc. and its wholly-owned subsidiary EPS, Inc. The 2005 financial statements include the accounts of Effective Profitable Software, Inc. from the May 10, 2005 merger and its wholly-owned subsidiary EPS, Inc., from February 23, 2004, inception.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(D) Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is assured.

(E) Cash and Cash Equivalents

The Company considers cash on hand and amounts on deposit with financial institutions which have original maturities of three months or less to be cash and cash equivalents.

(F) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2006
(UNAUDITED)

(G) Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the declining balance method over the estimated useful lives of the various classes of assets as follows:

Computers and equipment	5 years
Furniture and fixtures	7 years

Property and equipment at September 30, 2006 consisted of the following:

Office furniture and fixtures	$	4,727
Computer equipment		1,247
Total property and equipment		5,974
Less: accumulated depreciation		2,012
Property and equipment, net	$	3,962

Depreciation expense for the nine month periods ended September 30, 2006 and 2005 and for the period from February 23, 2004 (inception) to September 30, 2006 was $694, $2,176 and $4,436, respectively.

(H) Income Taxes

The Company accounts for income taxes under the Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("Statement 109"). Under Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2006
(UNAUDITED)

(I) Fair Value of Financial Instruments

The Company's financial instruments include accounts payable and liabilities to shareholders. The carrying amounts of other financial instruments approximate their fair value because of short-term maturities.

(J) Earnings Per Share

Basic earnings per share is computed by dividing earnings available to stockholders by the weighted-average number of shares outstanding for the period as guided by the Financial Accounting Standards Board (FASB) under Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Shares". Diluted EPS reflects the potential dilution of securities that could share in the earnings. As of September 30, 2006 and 2005, the Company does not have any outstanding dilutive securities.

(K) Concentrations of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist principally of operating demand deposit accounts if those accounts are in excess of $100,000. As of September 30, 2006 there were no cash deposits in excess of the FDIC limit.

(L) Recent Accounting Pronouncements

SFAS 155, "Accounting for Certain Hybrid Financial Instruments" and SFAS 156, "Accounting for Servicing of Financial Assets" were recently issued. SFAS 155 and 156 have no current applicability to the Company and have no effect on the financial statements.

NOTE 2 RESTATEMENT OF FINANCIAL STATEMENTS

The financial statements for the period ended June 30, 2006 have been restated to adjust the number of post split shares issued in the reverse merger with EPS from 2,500,000 to 500,000 shares of common stock for the year ended December 31, 2005. The original number of shares issued to EPS was 100,000 shares of common stock or 500,000 shares post split. All equity numbers have been adjusted as well as the weighted average shares outstanding. The restatement has had no effect on the total shareholders deficit or the loss per share.

EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2006
(UNAUDITED)

NOTE 3 RELATED PARTY TRANSACTIONS

The Company's officers have loaned the Company working capital in the form of unsecured demand notes. At September 30, 2006 the Company owed $42,710. There are no terms on the note and the Company expects to retire these notes during the year 2007. The Company is accruing interest at a rate of 4% per annum and classifying the expense as an in-kind contribution.

NOTE 4 STOCKHOLDERS' EQUITY

(A) Issuance of Common Stock to Founders

On February 23, 2004, the company issued 45,000,000 shares of common stock to the Company's officers for services regarding the initial start up of the Company. The value of these shares was $900, or $.00002 per share.

(B) Stock Issued for Cash

During the period ended December 31, 2004, the Company undertook a private placement issuance, Regulation D Rule offering whereby 2,280,000 shares of common stock were issued for cash of $45,600, or $0.02 per share.

During the year ended December 31, 2005, the Company issued 500,000 shares to an investor for cash of $10,000, or $0.02 per share.

During the three months ended March 31, 2006, the Company issued 500,000 shares to an investor for cash of $10,000 or $0.02 per share.

During April 2006, the Company issued 1,200,000 shares to one investor for cash of $24,000 ($0.02 per share).

(C) Stock Issued in Reverse Merger

On May 10, 2005, Effective Profitable Software, Inc. exchanged 500,000 shares of common stock for all the outstanding shares of EPS (See Note 12).

(D) Stock Issued for Services

On April 1, 2004, the Company issued 500,000 shares of common stock for legal services. The value of these shares was $10, 000 or $0.02 per share.

EFFECTIVE PROFITABLE SOFTWARE, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2006
(UNAUDITED)

During the last quarter of 2004, the Company issued 2,500,000 shares of common stock for services. The value of these shares was $50,000, or $0.02 per share.

In January 2005, the Company issued 500,000 shares of common stock for services. The value of these shares was $10,000, or $0.02 per share.

(E) In-Kind Contribution

During the period ended December 31, 2004, $646 of in-kind contributions relating to imputed interest on related party loans was recorded.

During the year ended December 31, 2005, $1,787 of in-kind contributions relating to imputed interest on related party loans was recorded.

During the nine months ended September 30, 2006, $830 of in-kind contribution relating to imputed interest on related party loans was recorded.

NOTE 4 GOING CONCERN

As reflected in the accompanying financial statements, the Company is in the development stage with no revenue, a working capital deficiency of $46,212, a stockholder's deficiency of $41,500 and has a negative cash flow from operations of $107,992 from inception. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management believes that actions presently being taken to obtain additional funding and implement its strategic plans provide the opportunity for the Company to continue as a going concern.

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

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our financial condition. The discussion should be read in conjunction with our financial statements and notes thereto appearing in this prospectus. The following discussion and analysis contains forward-looking statements, which involve risks and uncertainties. Our actual results may differ significantly from the results, expectations and plans discussed in these forward- looking statements.

Overview

On May 10, 2005, pursuant to a Stock Purchase Agreement and Share Exchange between us and EPS, Inc., an Arkansas corporation, and the shareholders of EPS, we purchased all of the outstanding shares of EPS for the issuance of 10,156,000 (50,780,000 post-split) shares of our stock to the EPS shareholders. Pursuant to the Agreement, EPS became a wholly owned subsidiary of the Company. Pursuant to the terms of the Agreement, we filed Articles of Amendment with the State of Delaware changing our name to Effective Profitable Software, Inc.

Based on the acquisition of EPS we changed our business focus to become a financial markets evaluation software company which focuses on bringing affordable evaluation tools to the general public. We are based in Little Rock, Arkansas and are lead by Don Bratcher, Gary Moore and Richard Torti. We use in house proprietary software for evaluation of markets, stocks, commodities, and other financial instruments. We have developed an innovative evaluation system we call the TimingWave. At the center of the system is a 100% mechanical, unemotional timing model that is both powerful and simple to use. The system's web-based access will make it both affordable and accessible and our evaluations will be easily understood.

On May 20, 2005, our directors and shareholders approved a 5-1 forward split of our outstanding common shares increasing the amount of shares owned by these shareholders to 50,780,000 shares.

Plan of Operations

During the next twelve months, we expect to take the following steps in connection with the operations:

Initially we plan to prepare and execute a marketing plan to develop our subscription base. The majority of our member base will be obtained from two sources: search engine results and links placed in online market timing directories via link exchange programs. We anticipate that within thirty to sixty days, a comprehensive marketing plan will be developed. We expect to spend approximately $5,000 on marketing in the areas of Keyword Advertising and Sponsored Links through Google, FindWhat, and other similar targeted keyword programs. Another area that we will vigorously pursue as part of our marketing and branding program is search engine placement. By continuing to work to optimize the site, and by increasing the number of links to the site, we feel we can receive better search results and search engine saturation, which in turn directs more traffic to the website. In addition to our internet based effort we intend to advertise in national papers Wall Street Journal, USA Today we anticipate additional subscriptions from word of mouth.

In the latter part of 2006 we intend to charge a subscription fee for our services. We believe our programs are so unique and accurate that no active subscription members will be affected and we intend to inform them when they subscribe that this is an initial offer and prices will increase.

We currently do not have enough cash to satisfy our minimum cash requirements for the next twelve months. In addition, we will require additional funds to increase marketing, to expand operations, and for further development of our website. No significant purchases of equipment are anticipated; however, a substantial surge in traffic and/ or membership could necessitate the purchase of additional servers.

As reflected in the accompanying financial statements, we are in the development stage with limited operations. This raises substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to raise additional capital and implement our business plan. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Capital Resources and Liquidity.

Our unaudited balance sheet as of September 30, 2006 reflects assets of $10,177 consisting of cash of $9,927 and prepaid expense of $250. Total liabilities as of September 30, 2006 were $56,389 consisting of accounts payable of $13,679 and stockholder loans of $42,710.

As of September 30, 2006, we had cash of $9,927. Our general and administrative expenses are expected to average $5,000 per month for the next 12 months based upon our projected operating budget. We currently do not have enough cash to satisfy more than one year of operations without receiving additional funds from our President or additional investors.

Recent Financial Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3" SFAS No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4" SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions - an amendment of FASB Statements No. 66 and 67" SFAS No. 153, "Exchanges of Non-monetary Assets - an amendment of APB Opinion No. 29" and SFAS No. 123 (revised 2004), "Share-Based Payment", do not have applicability to the Company's operations nor any impact on the Company's financial statements.

SFAS 155, "Accounting for Certain Hybrid Financial Instruments" and SFAS 156, "Accounting for Servicing of Financial Assets" were recently issued. SFAS 155 and 156 have no current applicability to the Company and have no effect on the financial statements.

Going Concern Consideration

As reflected in the accompanying financial statements, we are in the development stage with no revenue, a working capital deficiency of $46,212, a stockholder's deficiency of $41,500 and a negative cash flow from operations of $107,992 from inception. Accordingly, there is substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to raise additional capital and implement our business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

We believe that actions presently being taken to obtain additional funding and implement our strategic plans provide the opportunity for us to continue as a going concern.

Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use if estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Our significant accounting policies are summarized in Note 1 of our financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause effect on our consolidated results of operations, financial position or liquidity for the periods presented in this report.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Controls and Procedures

Evaluation of disclosure controls and procedures

Under the supervision and with the participation of our management, including our principal executive officer and Chief Financial Officer , we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of September 30, 2006. Based on that evaluation, our principal executive officer and principal financial officer concluded that, a material weakness in our internal accounting controls existed prior to September 30, 2006 so that our disclosure controls and procedures in place were not adequate to ensure that information required to be disclosed by us, including our consolidated subsidiaries, in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable rules and regulations. Although our principal executive officer and principal financial officer believe our current existing disclosure controls and procedures are adequate to enable us to comply with our disclosure obligations, we intend to formalize and document the procedures already in place and establish a disclosure committee.

Changes in internal controls

We made significant changes to our internal controls prior to the Evaluation Date. We have applied the necessary corrective action and believe this weakness has been remediated. Based upon same, there were no further changes (including corrective actions with regard to significant deficiencies or material weaknesses) in our internal controls over financial reporting that occurred during the third quarter of fiscal 2006 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.

We are currently not a party to any pending legal proceedings and no such actions by, or to the best of our knowledge, against us have been threatened.

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

None.

Item 3. Defaults Upon Senior Securities.

None

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

No matter was submitted during the quarter ending September 30, 2006, covered by this report to a vote of our shareholders, through the solicitation of proxies or otherwise.

Item 5. Other Information.

None

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

(a) Reports on Form 8-K and Form 8K-A

None

(b) Exhibits

Exhibit Number	Exhibit Title
3.1	Certificate of Incorporation; Certificate of Amendment to Certificate of Incorporation *
3.3	By-Laws *
31.1	Certification of Gary Moore pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Don Bratcher pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Gary Moore pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2	Certification of Don Bratcher pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Incorporated by reference to our quarterly report for the period-ending September 30, 2005 filed on Form 10-QSB filed with the SEC on June 7, 2006 (File No. 000-50494).

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

EFFECTIVE PROFITABLE SOFTWARE, INC.

By: */s/Gary Moore*
Gary Moore
President,
Chief Executive Officer

November 13, 2006